



THINK LIKE YOUR CUSTOMER

Put on a hard hat. Walk the job site. Check the engine readings. Examine the project schedule. Evaluate the bottom line.

These are just a few of the tasks that thousands of Caterpillar customers around the world perform every day. The more closely we can see the job from our customers' point of view, the more likely we are to meet their needs. And when that happens, we all win.

CHAIRMAN'S MESSAGE



Doug Oberhelman
Chairman and CEO

THINK LIKE AN OWNER

Throughout my career, whenever I've taken on a new job, I've really had to learn as I go. Most people probably have that same experience because there usually isn't time for a lengthy transition – your boss shows you to your new desk and away you go. But this year, as I started my new job – my dream job – as Chairman and CEO of Caterpillar, I did have the benefit of a smooth and carefully planned transition.

Jim Owens designed a plan that allowed me to focus on creating our new strategy while he kept the day-to-day operations under control. For six months, I led a diverse group of Caterpillar leaders as we took a critical, in-depth look at our business and laid out our new Enterprise Strategy to guide Caterpillar from 2010 to 2015. Jim kept the team focused on finishing strong on our 2010 goals, while I worked with our leaders to create and teach our new strategy to employees, dealers and suppliers. It couldn't have worked out better!

Team Caterpillar Delivers

2010 proved to be exciting. While we faced challenges, including continued uncertainty in the global economy, our team rolled up their sleeves and delivered. Sales and Revenues were \$42.588 billion, an increase of 31 percent from 2009, and our profit per share of \$4.15 was up from \$1.43 in 2009. We had good news worldwide – and after the pain of the past couple of years, it feels pretty good! I can't say enough about our team as they delivered these outstanding results in the face of not only continued external uncertainty, but also some significant internal changes.

First, we reorganized into strategic businesses, which will give group presidents direct profit and loss responsibility for their parts of the business, as well as end-to-end accountability for the products and services in their organizations. These changes signal a change in the way we think about Caterpillar, the way we serve customers and the speed with which we respond to our markets.

Second, we rolled out a new Enterprise Strategy that builds on the foundation of *Our Values in Action*, keeps us focused on customers and renews our commitment to our Business Model. We win by delivering valued, quality products, services and solutions to our customers that provide the lowest total owning lifecycle costs. This, along with our unmatched customer support, creates the largest field population, highest customer loyalty and attractive profitability throughout the business cycle. Our leaders did a great job teaching our new strategy not only to our employees, but also to our dealers and suppliers who are critical to our success. Leadership and personal accountability are a big part of our new strategy, and taking responsibility for helping everyone learn, understand and internalize the strategy was a great place to start. I could not be more pleased with how our team has already responded. We launched a new leadership development program. We are acting on ideas from suppliers as we have the opportunity to add value for our customers at every level of the supply chain. We are taking costs out of products and adding in value. And we are beginning to change the way we work, so we are faster and more responsive.

Third, we made major announcements about new facilities and capacity expansion around the world including three big acquisitions that will profoundly change our company – Electro-Motive Diesel, Inc., MWM Holding GmbH and Bucyrus International, Inc. All of these deals will help us take our company to the next level, expand our business in ways that make sense and serve customers like never before.

CHAIRMAN'S MESSAGE



A newly updated strategy will guide our business over the next five years as we work toward our 2020 vision.

We were able to make these moves because of our cash flow in 2010. And all of these investments align perfectly with our strategy and will set us up for profitable growth in the future. Timing is important. We made these investments at the right time. We've seen positive signs in terms of the economy and demand, so we want to be positioned and ready to take advantage of the upturn.

Policies Critical To Competitiveness

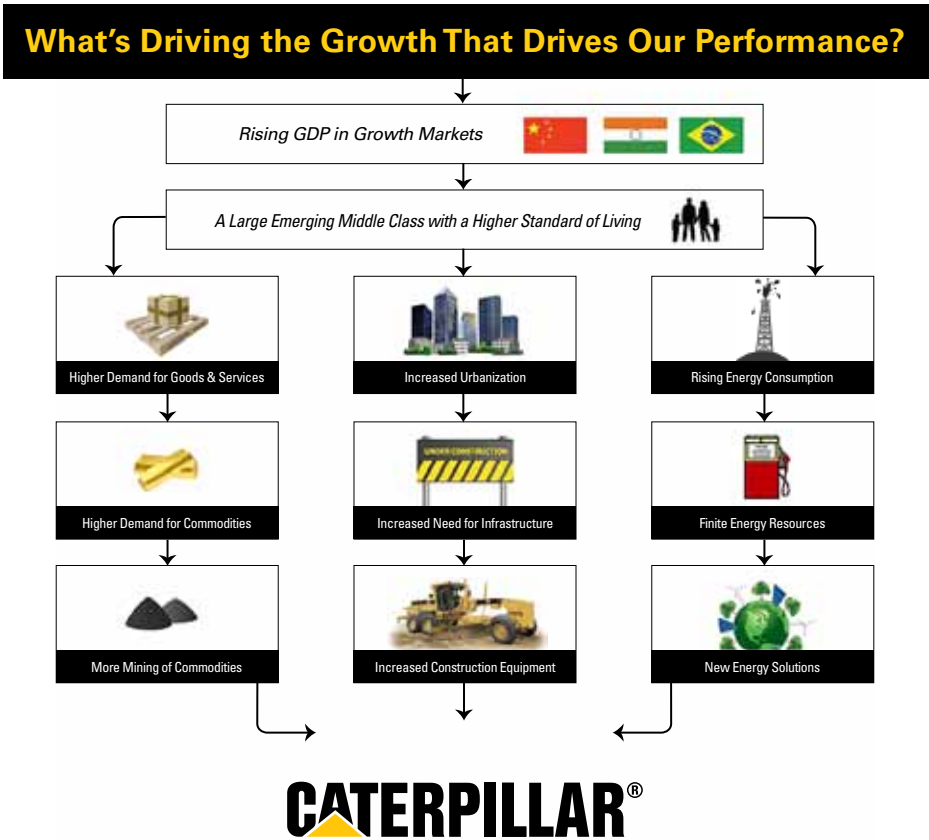
Outside of Caterpillar, we've also faced uncertainty – certainly in terms of the global economy, but also in terms of policy decisions that will either help or hurt the long-term competitiveness of companies operating from a U.S. base. The United States used to lead the world on trade, but today the story is becoming alarming. Progress has been painfully slow with the pending trade agreements with South Korea, Colombia and Panama. The WTO Doha Development Round has yet to be completed. And we lack free trade agreements with some of our largest trading partners and key growth markets such as Brazil, China and India. Meanwhile, other countries have aggressively pursued trade agreements that leave U.S. exporters at a competitive disadvantage. We have to step up our game on trade and make sure our people understand that when markets are truly open, businesses do exceedingly well, which translates into economic growth and more jobs.

We also have a problem with the mounting deficit levels at the federal and state levels. We need to restore a sense of fiscal discipline, and as unpleasant as it may be, it has to start with cutbacks, streamlining and some good old-fashioned belt tightening.

But we also need a renewed focus on prioritizing investments that yield the best return. And nowhere is this more evident than in our nation's infrastructure. Once the pride of the world, our infrastructure is aging and in need of updates to enhance our country's competitiveness, grow jobs and increase exports.

The U.S. tax code is another source of uncertainty. At the end of 2010, Congress extended a number of important business provisions like the Research & Development tax credit, but these provisions are still temporary and will expire again without congressional action. To keep pace with the rest of the world, the U.S. must reform the tax code and enact permanent reforms that will provide certainty and a level playing field for businesses competing at home and abroad.

CHAIRMAN'S MESSAGE



Global macroeconomic trends are creating multiple growth paths for Caterpillar.

And finally, we have to take a hard look at difficult issues like healthcare and state pension reforms. Yes. A massive healthcare bill was passed in the United States. Most everyone can agree that reform is needed, but the bill placed a significant burden on businesses and missed an opportunity for real reform. To truly control healthcare costs, we need a greater focus on disease prevention, improvements in the quality of care, pay-for-performance provisions, evidence-based care and treatment, comparative effectiveness research and payment reform.

It's true, we have challenges that need immediate attention, but we urge everyone to look at the complete picture. Innovation and investment have been the keys to successful economic growth and job creation for years. And our future growth and prosperity will continue to depend on our ability to be competitive and cutting edge in the global market.

External Perspective Needed

As we look to the future, a few things are clear – the world's energy needs will continue to grow, countries and cities around the world will continue to develop and we will need ways to efficiently transport goods and services around the world. No matter what else happens, these needs will be there, and Caterpillar will be positioned to take advantage of growth and progress in our changing world.

When we look ahead to 2011, we have a lot of work to do, but I can sum it up very simply – it's all about delivering results for our customers and doing it better than our competitors.

The best quote I heard all year was from one of our very own Caterpillar leaders. During a meeting when we were creating our new strategy, this person said something like, "For years our competitors have been obsessed with Caterpillar. And at the same time Caterpillar has been obsessed with Caterpillar."

CHAIRMAN'S MESSAGE

Of course I laughed at the comment, but you know, he had a point. Caterpillar is big. Our products are world class – and in many cases those products are the global market leader. We had the top-performing stock in the Dow Jones Industrial Average for 2010. I could go on, but the point is, we are used to being on the top – and that's not necessarily a good thing.

The challenges we face in the industry and from our competitors are formidable. Too much confidence leads to complacency. That's not what we want and it won't help us serve our customers. Instead we have to renew our strengths – be proud of our history and past successes and build on them. But at the same time we have to actively shape our future, and that requires looking outside of Caterpillar.



Our service businesses, such as the Cat® Rental Store, extend our ability to meet different customer needs.

Customers Drive Caterpillar

This past summer we introduced our updated Enterprise Strategy. It's simple. It's straightforward. And it's all about serving our customers better.

We love our customers. It's easy. They are the reason we are in business, and we are grateful every time they choose Caterpillar products, services and solutions.

But loving our customers and serving them are two very different things. Serving them is difficult. Customers are a tough group. They are demanding. They have extremely high expectations. Sometimes they are really happy with us, and other times they are, quite frankly, irritated with us.

I've made it a point to personally meet with at least one customer each week. I never know what I'm going to hear at these meetings, but the information I learn is always valuable. And we use that information to learn how to serve our customers better – that's what it's all about.

We have to think like our customers. That's what has to drive our decisions every day because we know that when our customers win, our company wins – and that includes our stockholders and our people.

And every customer is different, but one thing is absolutely the same, our customers want the world's best products, readily available and ready to work every day, priced in line with the money they can earn with them. That's what will drive our work at Caterpillar both today and tomorrow.

Douglas R. Oberhelman
Chairman and CEO
Caterpillar Inc.

THINK LIKE YOUR CUSTOMER

Think Opportunity

“We feel the machine is very productive, and we now have the confidence to take on heavier milling jobs in the future.”

Rajesh Ghanekar, Jobsite Foreman
Ashwini Infra Development Pvt. Ltd.



When the day ends at the Shivaji International Airport in Mumbai, progress begins.

Crews from Ashwini Infra Development work through the night using two Cat® cold planers simultaneously to speed their work cutting asphalt. The project will result in longer and strengthened runways at India’s largest airport. The need is urgent: India’s booming economy has resulted in the most frequent late flight arrivals of any country in the world.

On the other side of the world, crews from NorthGate Constructors also work their Cat fleet through the night on a three-year highway rebuild project near Dallas-Fort Worth International Airport. It’s a much needed investment by the United States to bring an aging transportation system in line with a growing population and changing economy.

Two projects, two different economic scenarios, one common need – more infrastructure. From emerging economies where new infrastructure is required, to the developed world where aging infrastructure needs improvement, Caterpillar customers around the world have an enormous opportunity to meet these needs. In order to transform these opportunities into profitable business, however, these customers must have their own needs met, such as new products delivered on time, responsive aftermarket support and innovative jobsite solutions to enhance productivity.



The rebuilding of this Dallas-Fort Worth highway is representative of needed infrastructure improvements in the developed world.

In anticipation of meeting its increasing customer needs, Caterpillar is in the midst of numerous expansion projects of its own, both globally and in the U.S. These include new manufacturing operations in China – among them a large engine manufacturing facility and the expansion of Caterpillar Xuzhou Limited (CXL). Once the CXL excavator expansion plans are completed in 2014, Caterpillar will have increased its China-based excavator capacity by 400 percent. Also in China, a new 97,000-square-foot logistics center will support Caterpillar’s growing manufacturing footprint in the country.

Beyond Asia, a new 450,000-square-foot parts distribution center in Dubai is part of a multi-year enhancement of the Cat parts distribution network in Europe, the Middle East and Africa. In Brazil, a new backhoe loader and small wheel loader manufacturing plant will meet growing customer demand across Latin America. And, in South Dakota, a new engineering design center is part of Caterpillar’s Product Development and Global Technology Division’s strategy to increase velocity and ultimately to serve customers better.

Strategic Thinking

Understanding global trade and economic growth dynamics helps to guide investment in *Strategic Businesses*, a Caterpillar operating principle.

THINK LIKE YOUR CUSTOMER

Think Fast

“Our management team received direction to start mobilization for millions of dollars worth of equipment to be loaded on a ship in two weeks.”

Neal R. Winberg, Director Equipment Purchasing and Sales
Kiewit Corporation



The closer you get to the North Pole, the shorter the window of time.

Kiewit Corporation, one of the world’s largest contractors, realized this fact quickly when a new client tasked them with building a nickel mine in northern Quebec. No roads lead to this remote location, which is closer to the North Pole than to the U.S. border. Consequently, Kiewit’s initial challenge was to get 18 pieces of needed equipment to the site during the few summer weeks when water access is available. They learned on June 14, 2010, that the ship would sail in two weeks.

Kiewit, whose fleet includes more than 1,500 Cat® machines, immediately called Cat® dealer Hewitt Equipment in Quebec and Western Labrador. Hewitt had many of the needed machines, but not all. Swift collaboration among six other Cat dealers and from a product distribution center in Decatur, Ill., shipped the remaining machines. Meanwhile, Hewitt’s team worked overtime to prepare all of the equipment for the job. The result: the ship sailed on time with all 18 machines ready to hit the job.



The Kiewit job site is on the northern tip of Quebec near Deception Bay.



A narrow window of warm weather during the summer enabled machinery to reach the project site.

“The Hewitt team pulled off what even some of our people thought impossible,” explains Neal Winberg, Director of Equipment Purchasing and Sales for Kiewit. “Their execution and performance under pressure clearly demonstrate why our company continues to purchase Cat products through your dealers.”

Strategic Thinking

When we put our *Customer-Focused* operating principle in action, it often means the difference between a customer purchasing Cat equipment or purchasing a competitor’s equipment.

THINK LIKE YOUR CUSTOMER

Think Value

“Fleet replacement requires a big financial outlay, but a rebuild of existing equipment offers a compelling investment alternative.”

Raouf Bouchamaoui, CEO
Bouchamaoui Industrie



The Bouchamaoui family knows something about longevity.

Since 1900, the construction company that bears the family name has helped shape the development of Tunisia and surrounding countries through more than 1,000 projects. Three generations of family management and a commitment to maintain an up-to-date equipment fleet have helped Bouchamaoui Industrie remain competitive for more than a century.

In late 2009, the company decided that it was time to begin a progressive renewal of its aging fleet, which often works in the harsh conditions of the Sahara Desert. A difficult economic environment, however, prompted Bouchamaoui to consider rebuilding, rather than replacing. First up: a Cat® D7F track-type tractor from the early 1970s with over 40,000 operating hours.



The re-built D7F costs Bouchamaoui 60 percent less than a new machine.

The D7F first received a rebuilt transmission and undercarriage and a completely new engine. Electrical installation was redone. The blade and ripper were straightened and all hoses changed. Four technicians worked eight hours per day to complete the project in two months. The result was a D7F as close to new as possible for a used machine and at only 40 percent of the cost of a new machine. The cost also included a one-year warranty.

“This D7F was no longer in use and had been dumped as scrap,” explains Ben Ammar, executive manager of local Cat® dealer Parenin SA. “The rebuild was a great choice, both economically and ecologically.”

During 2010 and after the success story of the D7F, Bouchamaoui Industrie has ordered Parenin to rebuild 11 additional pipelayers with all of them being commissioned for the first time since the 1970s.

Strategic Thinking

We provide customers with *Valued Products and Services*, a Caterpillar operating principle, when we can offer the lowest total owning and operating life cycle costs.

THINK LIKE YOUR CUSTOMER

Think Support

“The project currently has 41 Cat earthmoving rental units on site, demanding constant daily service and maintenance that is provided by Wagner Asia.”

Dale Derby, Operations and Maintenance Manager
Oyu Tolgoi Project Construction Team

Where there are minerals, there are mining customers. Where there are customers, there is Caterpillar.

This philosophy was behind Cat® dealer Wagner Asia’s decision to open a Cat® Rental Store in the middle of the remote and sometimes inhospitable Gobi Desert. Wagner’s decision was made without hesitation as soon as new gold and copper mining operations in the region were announced in 2008.

Strategic Thinking

Unmatched Dealer Support is the Caterpillar operating principle that extends our customer relationships far past the initial sale of a product to offer ongoing parts, solutions and service for the life of the product.

“To keep these operations running at optimum productivity, we thought a Cat Rental Store would be helpful,” says Tselmuun Gal, Director of Rental Services for Wagner Asia. “In addition to providing extra equipment at peak times, our technicians could also provide service to keep all kinds of machines up and running.”

While the decision to open the store was simple, the opening itself was more complex. The store is situated in the middle of the Gobi Desert, which occupies 500,000 square miles of northern China and southern Mongolia. There are no towns or roads. Everything – building materials, equipment and people

– had to traverse 390 miles of harsh terrain. In addition, temperatures in the region are extreme with a range of -40°F in winter to well over 122°F in the summer.

Despite these conditions, the Khanbogd store (named for the closest village) opened on schedule in 2009 with a fleet that ranges from model 773 trucks to backhoe loaders to excavators. During 2010, business doubled and the staff increased from eight to 14 employees, four of whom are permanent service technicians. Also during the year, another store opened in the Gobi at Tsogettsetsii to support development of large coal reserves. Wagner Asia also is adding office facilities and a parts warehouse to this operation. Finally, yet another store, Nariin Sukhait, is planned to support customers in the Umnugobi province, Southwest region.

“Why would anyone build a rental store in the desert?” asks Tselmuun. “The answer is simple: because our customers appreciate it.”

What Lies Beneath



The Gobi Desert is a rocky, gravel-covered land, but beneath lies some of the world’s largest and most valuable mineral deposits. The Khanbogd Cat Rental Store supports Oyu Tolgoi, site of the world’s largest copper deposit and a major gold resource. The second Cat Rental Store opened to support Tavan Tolgoi in the South Gobi Desert, which is estimated to contain 7.1 billion metric tons of coal. The region’s coal reserves are enormous and commonly called Mongolia’s “black gold.” Some experts have estimated that these resources could support production for the next 10,000 years. If so, Caterpillar is likely to be close by, supporting its customers.

THINK LIKE YOUR CUSTOMER

Think Quality

“We expect a lot from Caterpillar. We expect world-class products with great reliability, long life, great parts availability, great field service and great value.”

Steve McCandless, Senior Vice President
Garney Construction



For Garney Construction, a large underground and wastewater utility contractor, quality is essential.

When a machine breaks, Garney crews do not work. Their downtime can cost between \$6,000 and \$10,000 per day, depending on the size of the crew. These costs add up fast and profitability can suffer quickly.

Several years ago, Garney faced reliability and availability issues with Cat® excavators that caused this scenario to occur more than once. As Garney began to question its longtime loyalty to Cat equipment, Caterpillar District Manager Paul Clark grew concerned and instinctively followed the first rule of customer service: he listened. As Garney's Steve McCandless voiced his concerns, Clark realized quickly that other team members needed to hear from McCandless directly. Soon, McCandless was at Caterpillar's Aurora plant speaking one-on-one with engineers and production employees.



Caterpillar Chairman and CEO Doug Oberhelman and Garney Senior Vice President Steve McCandless discuss expectations for customer focus.

“Steve pointed out some issues that only someone who operates a machine day in and day out on different job sites could detect,” explains account manager Adam Zimmermann. “His comments enabled us to identify improvements quickly and precisely; nothing can match the value of insights from a customer who uses our equipment constantly in the field.”

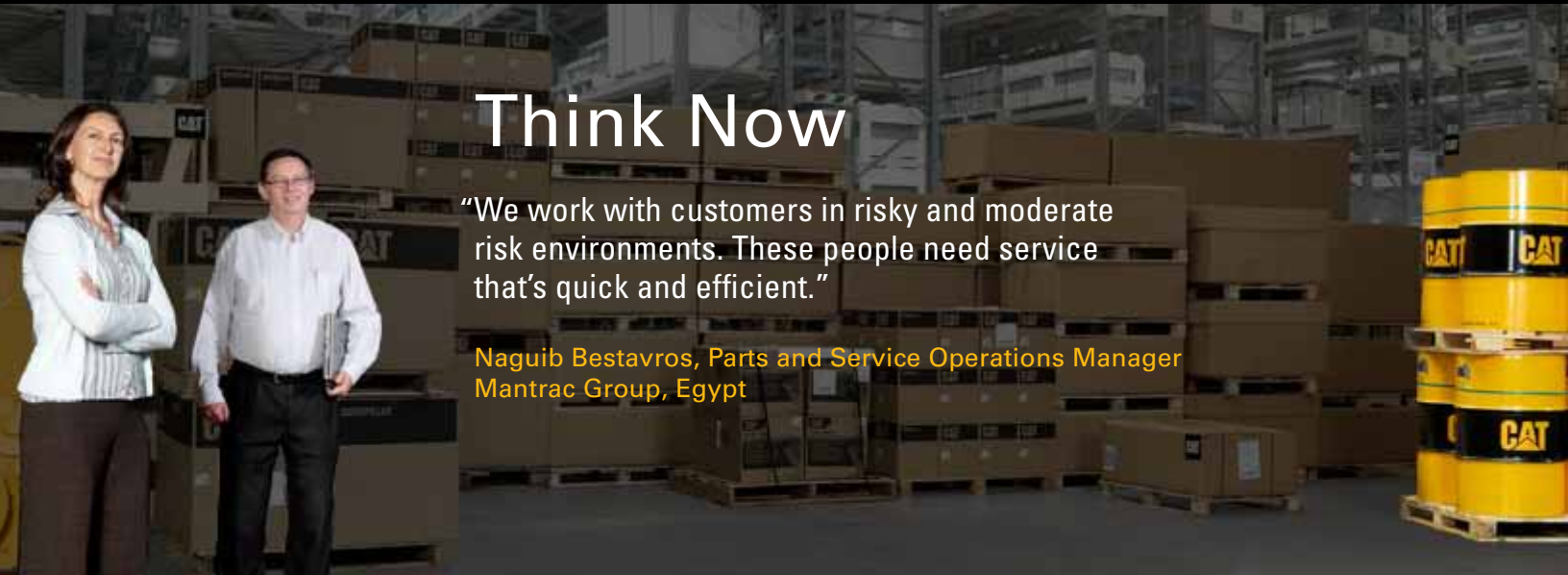
After meeting with Garney, the team went to work, making standardized changes in both design and production that would benefit not only Garney, but other customers as well. Parts that experienced significant wear in the field, for example, changed from a bolted to a welded production process. Today, Garney is a more satisfied customer and Aurora is a more empowered team.

“Bringing the customer into our everyday work changed our perspective,” adds Zimmermann. “When you can see firsthand how the quality of a machine improves jobsite efficiency, it's powerful and makes us more committed to continuous improvement than ever.”

Strategic Thinking

Taking the customer's view is a Guiding Principle of the *Caterpillar Production System (CPS)*, which, in turn, is a Caterpillar operating principle that helps us to achieve consistency in the areas of People, Quality, Velocity and Cost.

THINK LIKE YOUR CUSTOMER



Think Now

“We work with customers in risky and moderate risk environments. These people need service that’s quick and efficient.”

**Naguib Bestavros, Parts and Service Operations Manager
Mantrac Group, Egypt**

For the staff at the Caterpillar’s parts distribution center in Grimbergen, Belgium, thinking “right now” is the only way to think.

Grimbergen
By-the-Numbers

- 540**
On-Site Employees
(not including support groups)
- 1.5 Million**
Total Square Feet
of Storage Area
- Up to 10,000**
Emergency Orders
Shipped
- 2 hours 45 minutes**
Emergency Order
Processing Time
- Up to 17,000**
Part Numbers Shipped
From Stock Daily
- Up to 600 Tons** of
Daily Shipping Volume
- 73 Dealers in 106**
Countries Served

“When a customer needs a part, they need it fast, so we move fast. It’s our whole reason for being here,” explains Sharon Craig, parts order fulfillment division manager at Grimbergen, a part of Caterpillar Logistics Services.

Thanks to this mindset and state-of-the-art technology, the Grimbergen facility has an excellent reputation for making that happen. When a Cat machine operator needs a part, the first call is more than likely to the local dealer. If the dealer does not have the part, then the part number is entered into the Caterpillar information system and transmitted via satellite to Grimbergen within seconds. With staff present 24/7, the order is processed immediately and a staff member rushes to pick the right part. The goal is to process, pick, pack and ship emergency orders within three hours. Parts not in stock are more than likely available in Morton, Ill., home of Caterpillar’s largest distribution center. Morton can ship to Grimbergen via airfreight and from there it goes to the customer – a process that usually can be completed within 48 hours.

Grimbergen’s ability to provide the right part, right now is an essential part of the value proposition of the Cat brand. “Cat machines and equipment are built to offer our customers the kind of productivity that shortens projects and boosts profitability,” explains Craig. “Fast replacement of a part is vital.”

Strategic Thinking

The staff at Grimbergen distribution center upholds the operating principle of being *Accountable for Results* by delivering between 98 percent and 99 percent of total parts requests in 24 hours.

THINK LIKE YOUR CUSTOMER

Think Together

“We are trying to run a business every day. What we really want to know is what you’re doing to positively impact my bottom line.”

Customer in Tier 4 Focus Group



Caterpillar helps its customers manage change.

When the United States and European Union announced new regulations that call for non-road equipment to approach near-zero emissions of particulate matter and oxides of nitrogen, Caterpillar went to work to develop solutions for its customers.

For Caterpillar, this meant re-engineering hundreds of complex products in order to meet these standards. The undertaking – resulting in the largest research and development program in Caterpillar’s history – was about meeting the requirements, known in the U.S. as Tier 4 standards, *and* delivering more value to customers. One thing was certain: the effort would require a different kind of thinking. Caterpillar knew it had to find suppliers who could meet its requirements and deliver the level of experience, expertise and excellence that Caterpillar customers expect. In short, Caterpillar needed a supplier that could integrate with its development team and bring a deep level of design and manufacturing expertise.

So Caterpillar entered into an agreement with Tenneco, Inc. to provide aftertreatment solutions for Tier 4 Interim products in the size range from C4.4 to C32 engines. By leveraging Tenneco’s expertise in design, development and manufacture of exhaust systems and aftertreatment, the team developed the Cat Clean Emissions Module (CEM). CEM is a systematically applied suite of technologies that is integrated into the Cat ACERT™ engine range.

Tenneco’s technical and manufacturing resources have helped manage the massive product development workload involved in the Tier 4 process and delivering the quality levels that customers expect. Early indications point to a successful collaboration. In its pilot stages, the Tier 4 Interim aftertreatment line’s actual delivered quality has outperformed previous generation products.

Thanks to the successful collaboration with Tenneco and other suppliers, Caterpillar’s Tier 4-compliant product will not only have a significant positive impact on the environment, but also provide customers with up to a 5 percent improvement in fuel efficiency. Simply put, Caterpillar will help its customers manage change by delivering real change for the better.

Strategic Thinking

The collaborative approach chosen for Tier 4 development is a model for how we approach *Supplier Collaboration*, a Caterpillar operating principle. In the process of identifying key strategic suppliers, Caterpillar uncovered a wealth of assets and knowledge about its suppliers that it will continue to leverage in the future.

THINK LIKE YOUR CUSTOMER



Think Smart

“Beautiful, smooth, quiet – I love this machine. Unbelievable. Braking is great. It’s simple to operate. Build them faster.”

G. Turley, Operator
Kennecott Utah Copper Corporation

Sometimes, the best way to talk to the smartest expert is to talk to your customer.

The development team behind Caterpillar’s electric drive mining truck demonstrated just how well this advice works. As an industry leader in large mining trucks, Caterpillar’s mechanical drive trucks have become the standard for performance and customer value. Some customers, however, prefer the advantages of electric drive trucks, such as higher top speeds and lower power train maintenance.



Customer input contributed to the development of the 795F AC.

So when customers asked for improvements to Caterpillar’s fleet of mining trucks – including the design and launch of an electric drive truck – the company responded by making a record investment of both money and resources. Not only did Caterpillar pull together an internal team with decades of experience, but this development team also tapped industry experts from around the world, including its own customers.

The result? An extensively developed and highly integrated electric drive truck, the 795F AC.

“Having our customers engaged in our development programs is vital to having a successful project,” explained David Rea, Mining Truck Marketing & Commercial Manager. “They help focus our attention on critical customer requirements in the areas of safety, serviceability and performance. By working with our customers throughout the development process, we successfully achieve true differentiation.”

The company met with nearly 150 different customers around the world to learn from their experience with electric drive and to gather their input on areas such as machine design and performance. These insights, coupled with maximizing proven components and technologies from existing products as well as Caterpillar’s own history with electric drive prototype trucks, enabled the company to deliver the 795F AC as a complement to the existing product line.

The first production models of the 795F AC were delivered to Boliden’s Aitik mine in Sweden in late 2010. Adding electric drive trucks to its fleet enables Caterpillar to provide a solution to match customer preferences.

“Every machine is designed, built, serviced and supported by Caterpillar and the Cat dealer network,” said Rea. “So customers get higher availability and a lower cost per ton from one reliable source. No other manufacturer can offer that.”

Strategic Thinking

Customers look to Caterpillar not only as a supplier of machines and engines, but also as a solutions provider that brings *Deep Expertise*, a Caterpillar operating principle, to their operations.

THINK LIKE YOUR CUSTOMER

Think Efficiency

“Cat generator sets have delivered power and heat to our main lodge around the clock for nearly 25 years. They help us get the most out of the limited energy supply available to our remote location.”

Bill McEwen, Co-Generation Supervisor
Snowbird Ski and Summer Resort



Snowbird Ski and Summer Resort has much to offer visitors – close proximity to Salt Lake City, ideal skiing conditions and an abundance of scenic views. One thing in short supply, however, is electricity.

The resort’s location in remote Little Cottonwood Canyon – at an elevation of 8,100 feet (2,470 meters) – limits the amount of available electric power from a utility. Hence, it is essential to generate electricity in order to satisfy a long list of needs: power for the lodge and spa facility, employee housing, fire station, parking facilities, a drain tunnel and heating for the entire lodge, two swimming pools, four hot tubs and steam-fed pipes that keep sidewalks clear of ice and snow.



Snowbird staff follows a strict maintenance schedule to help ensure generator longevity.

Cat® gas generator sets help to satisfy this long list. These gensets are part of a co-generation utility plant that provides efficient power solutions to Snowbird. Three Cat gas gensets provide prime power for a combined heat and power (CHP) solution that maximizes the use of all available energy produced by the engines.

The CHP solution is key. When electricity is generated through traditional engine-generator technology, only a third of the potential energy converts to usable energy; the other two-thirds is a heat byproduct that usually “wastes” into the atmosphere. In contrast, CHP technology captures waste heat energy from the engine’s jacket water and exhaust to produce steam or hot water that can serve facilities. This process enables users to achieve total energy system efficiencies of 70 percent to 90 percent, lowering fuel consumption and reducing emissions compared to processes that generate heat and power separately.

Strategic Thinking

Maximum productivity and product longevity combine to deliver *Competitive Costs*, a Caterpillar operating principle that is critical to our overall customer value proposition.

Cat gensets not only have helped to satisfy Snowbird’s long list of heating and power needs, but they also have been doing so for a long time. First commissioned in 1986, the three gas generator sets recently passed 200,000 hours of service, far exceeding their expected operating life and further adding to their record of efficient performance.

LEADERSHIP



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

EXECUTIVE OFFICERS

DOUG OBERHELMAN

Chairman and CEO – Doug Oberhelman joined Caterpillar in 1975 and has held a variety of positions including senior finance representative based in South America for Caterpillar Americas Co.; region finance manager and district manager for the company's North American Commercial Division; and managing director and vice general manager for strategic planning at Caterpillar Japan Ltd. (CJL).

Oberhelman was elected a vice president in 1995, serving as Caterpillar's chief financial officer with responsibility for the corporation's accounting, information services, tax, treasury, investor relations and marketing support services areas from 1995 to 1998. In 1998, he became vice president with responsibility for the Engine Products Division, including the market development, strategic planning, supplier management, electric power generation and worldwide marketing and administration for Caterpillar's engine business. Oberhelman was elected group president in 2002. He was elected chief executive officer and a member of the Board of Directors effective July 1, 2010, and became chairman effective November 1, 2010.

RICH LAVIN

Construction Industries & Growth Markets – Rich Lavin is group president of Caterpillar with responsibility for the Construction Industries & Growth Markets, which includes the Earthmoving, Excavation and Building Construction Products Divisions, Caterpillar Japan Ltd. (CJL), Europe / South America Integrated Manufacturing Operations, Caterpillar China Division, large contractor industry and India/ASEAN.

STU LEVENICK

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

ED RAPP

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

LEADERSHIP

GERARD VITTECOQ

Energy & Power Systems – Gerard Vittecoq is group president of Caterpillar with responsibility for Caterpillar’s growing Energy & Power Systems Group, which includes Industrial Power Systems & Growth Markets Division, Large Power Systems & Growth Market Division, Marine & Petroleum Power Division, Electric Power Division, Progress Rail Division and Solar Division. He is also responsible for driving enterprise profit and loss accountability for the EAME region.

STEVE WUNNING

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

LEADERSHIP • EXECUTIVE OFFICERS

COMPETING HARD, WINNING BIG

I'm often asked why markets like China are so important. And the answer is much simpler than you might think – the sheer size of the market makes winning in China critical to our goal to be recognized as the leader everywhere we do business.

The Chinese economy has been growing at a rapid pace, and China has been investing heavily in infrastructure for years. Not surprisingly, the growth of the machine industry in China is dramatic. By the year 2012, we estimate the market to be about a half million machines annually. We want to be the market leader in that business – we want to win in China.

So do our competitors.

The competition in China is tough. Not only are multinational companies competing for business, but we've also seen dozens of small, regional companies get into the business. They are producing low-cost machines that are popular with many customers in China. Our competitors know China is key to being the global leader, and they are aggressively trying to take our position – we won't let this happen.

Fortunately, we are well positioned to take advantage of the opportunities and to beat the competition. We have been building our Business Model to establish a competitive advantage. And while our competitors will continue to improve their products, it's difficult to replicate our dealer network or the individual aspects of our Business Model that include product support, logistics, rental and used equipment, remanufacturing and financing. The total Caterpillar model is what separates us from every competitor.

We have thousands of new customers to develop. And these aren't just new customers to Caterpillar; they are often completely new to the industry and new to business. We have an opportunity to lend our expertise to help new and growing businesses in China, and to show the Caterpillar difference.

Big 8 Imperatives

Win in China...grow to leadership in India, ASEAN and CIS.

Achieve profitable global machine leadership... Excavation, Earthmoving and BCP.

In fact, our business in China is also driving us on another one of our "Big 8" Imperatives – *Achieve profitable global machine leadership... Excavation, Earthmoving and BCP*. In particular, we are focusing on two critical actions that will enable our success in delivering profitable market leadership – to be the low-cost producer and to build capacity leadership. Being the low-cost producer is all about eliminating waste and providing the customer with the highest value possible – when the customer wins, we win. Capacity leadership (by product, by region) ensures we have the complete supply chain aligned to deliver the best product, highest quality, on time as needed by the customer.

We can win in China and in every market we serve. The competition is getting tougher, but if we stay focused on our game plan, execute our strategy and continue to put *Our Values in Action* into practice, we will come out on top.



Rich Lavin

Lavin joined Caterpillar in 1984 as an attorney in what is now the Legal Services Division; served in numerous positions in the company's Asian and Latin American operations and was a product manager in Track-Type Tractors. He was director of Corporate Labor and Human Relations and director of Compensation and Benefits. Lavin was also vice president of Caterpillar's Human Services Division. Before becoming a group president in 2007, he was most recently vice president of manufacturing operations for the Asia Pacific Division, serving as chairman of Shin Caterpillar Mitsubishi Ltd. (SCM) – now Caterpillar Japan Ltd. (CJL) – and chairman of Caterpillar (China) Investment Co., Ltd. Lavin had responsibility for manufacturing operations in the region, including facilities in China, India and Indonesia and for deploying the company's emerging markets strategy.

LEADERSHIP • EXECUTIVE OFFICERS

REALIZING VALUE THROUGH THE LIFE CYCLE

Our Business Model is the foundation of our success and, like everything we do, it begins and ends with the customer. We win by delivering valued, quality products, services and solutions that provide the lowest total owning and operating life cycle costs to our customers. This value proposition, enabled by our unmatched customer support, creates the largest global field population, highest customer loyalty and most attractive profitability through the business cycle.

Our ability to help our customers maximize the return they get from the products, services and solutions we provide is one of the fundamentals of our business. Unlike our competition, the initial sale of a Caterpillar product is only the beginning of the product life cycle value opportunities.

A strong focus on aftermarket parts and service is a vital element in all three phases of our Business Model. We SEED the business with great products, services and unique solutions that meet our customers' needs and support their businesses. We understand what customers value, then design and build products and solutions with these values in mind. We take a life cycle perspective during product development. Caterpillar's differentiated and proprietary parts are a key part of that equation.

We GROW the business by building the largest global field population of products. This large field population helps us sell parts and services, which leads to increased customer loyalty. To get there, we take advantage of rental and used equipment sales opportunities, as well as new machine sales.

By supporting our customers over the long run, we HARVEST the opportunities we create in the SEED and GROW phases of our Business Model. We seize parts and services opportunities and provide our customers with the solutions they value throughout the life cycle – whether they are the first, second or third owner of the equipment.

To efficiently execute the Business Model, we've established our new Customer & Dealer Support Organization to bring strong focus to aftermarket parts and customer services and to deliver outstanding dealer development. For the first time, this new organization brings together the primary divisions that are fundamental to the execution of our Business Model.

On behalf of our strategic businesses, Customer & Dealer Support will drive the actions necessary to grow our Cat parts sales and services opportunities. This includes substantial design/manufacturing, distribution, planning/support, dealer development and sales execution responsibilities related to Cat parts.

We have the right Business Model and the right team in place to execute.

Stu Levenick

Levenick joined Caterpillar as a sales and marketing development representative in 1977 and brings a strong background in marketing and general management as well as broad global experience from the United States, Canada, Russia, Asia Pacific and Japan. After serving in various management positions in marketing, commercial management and product source planning, he became a division manager in 1989, regional manager for Cat Asia Pte. Ltd. in 1995 and general manager for company operations in the Commonwealth of Independent States (CIS) in 1998. Prior to becoming group president in 2004, he served as vice president of Caterpillar's Asia Pacific Division and chairman of Shin Caterpillar Mitsubishi Ltd. (SCM) – now Caterpillar Japan Ltd. (CJL).



Big 8 Imperative

Execute the Business Model... accelerate aftermarket parts and services growth.

GROWING WITH DISCIPLINE AND FOCUS

The new enterprise strategy contains many references to the need to drive a competitive cost structure and deliver profit and cash pull through; delivering incremental profit and cash flow on incremental sales.

With great engagement from our employees, suppliers and dealers during 2009 and early 2010, Caterpillar successfully navigated through the most significant downturn since the Great Depression. In 2009, we maintained profitability with strong cash flow, held our “mid-A” credit rating and increased the dividend, setting the foundation for a strong recovery in 2010. We ramped up schedules with great support from our suppliers and closely managed costs, which resulted in a significant improvement in profitability and operating cash flow.

We have deployed the additional cash flow in 2010 to fund investments that benefit all of our stakeholders – customers, employees and stockholders. We executed strategic acquisitions and invested in new markets, products and technology to better serve our customers. This will lead to growth and opportunity for our employees. To the benefit of stockholders, we increased the dividend. In addition, Caterpillar was the number-one performer for the year on the Dow Jones Industrial Average in terms of total stockholder return.

As the global economy further improves, we must remain diligent and focused on the strategy moving into 2011. We must be externally focused to win in today’s competitive marketplace. We need to recognize that we still have opportunities to improve the competitiveness of our cost structure. And finally, we must deliver the profit and cash pull through following the recipe of our Caterpillar Production System to improve velocity and working capital efficiency in order to support the great growth opportunities that lie ahead.

One of the most pleasing parts of 2010 was our ability to deliver for our customers, stockholders and employees. We significantly increased our sales volume to meet customer demand around the world. We delivered outstanding growth in shareholder value. And eligible employees were recognized for the great results through their participation in our incentive/gainsharing compensation plans. But the best part is that we laid a strong foundation for the years ahead. While we still have work to do, I remain convinced the best is yet to come.

Big 8 Imperatives

Simplify and attack cost structure.

Achieve profit and cash pull through.



Ed Rapp

Rapp joined Caterpillar in 1979 as a pricing analyst and has held positions related to pricing, production scheduling, marketing, dealer development, manufacturing and product development. In 1987, he transferred to the North American Commercial Division where he held positions in Planning Support and as district manager of the San Francisco district. He later transferred to Johannesburg, South Africa, as area manager and then on to Geneva, Switzerland, where he was the department manager in Building Construction Products, and Europe Region Manager. In 2000, Rapp became vice president of the Europe-Africa-Middle East (EAME) Marketing Division. Prior to becoming group president in 2007, Rapp served as vice president of Caterpillar’s Building Construction Products (BCP) Division, based in Cary, N.C.

LEADERSHIP • EXECUTIVE OFFICERS

HELPING TO POWER CHANGE

Caterpillar has had a strong focus on the Power Systems business for many years. While we've been successful, we recognize that the global Power Systems landscape is changing and growing. To continue to be an industry leader with the broadest products and solutions offerings, we have to change too. It's not enough to provide just Power Systems, we also must provide total system solutions that meet the growing and diverse needs of our global customers. We've aligned ourselves to do just that.

Big 8 Imperative

Aggressively grow Power Systems...rail, power conversion, growth markets and alternative fuels.

As part of our corporate reorganization in 2010, we created a new Energy & Power Systems organization. This group is focused on aggressively growing from our solid base as a traditional engine manufacturer to a full-line power systems provider. Our new group brings together all of our Power Systems teams under one umbrella with a sharp focus on providing solutions to marine, oil & gas, alternative fuels, electric power, industrial and rail end-markets.

While developed markets remain an important opportunity, the emerging countries increasingly require more power and broader solutions with huge potential. We are positioning ourselves to be the industry leader in both the developed and emerging markets.

Leveraging the strength of our new organization, we've taken a hard look at our internal operations and made great strides in improving our speed, efficiency and quality. In 2010, those efforts had tangible results. For example, Solar Turbines was able to meet urgent customer demands through a short build-to-order lead time that is unmatched in our industry. Similarly, we have reduced lead times by up to 70 percent to deliver large engines from our facility in Kiel, Germany, that enables us to more efficiently supply products and solutions to our customers. In our Larne, Northern Ireland, facility we inaugurated a new assembly line for smaller gensets, which has created additional capacity and increased productivity. At the same time, we improved our product performance and compliance needs. Our Tier 4 programs are on time, on cost and live up to the quality standards our customers have come to expect from Caterpillar.

We've also worked to expand our capacity to provide power solutions. In June 2010, we opened a new state-of-the-art engine assembly plant in Seguin, Texas, with positive results in safety, quality, velocity and cost. In November 2010, our new engine plant in Wuxi, China, produced its 10,000th engine. Caterpillar was officially recognized as one of the top-five engine manufacturers in China at Shanghai Bauma. Finally, in November 2010, we announced our plans to produce 3500 series engines in Tianjin, China, to supply customers in China and the Asia-Pacific region.



We made great progress in expanding our Energy & Power Systems business through acquisitions. In August, we acquired Electro-Motive Diesel, one of the largest diesel electric locomotive manufacturers in the world. This acquisition will allow us to expand in the U.S. and internationally, and strengthens our existing Progress Rail services business. In October, we signed an agreement to acquire MWM, a leading German alternative fuels engine manufacturer. Following the closing of this transaction, MWM is expected to position Caterpillar to be a leader in providing gas engines solutions for our customers. Combining our existing strengths and competencies with these two new businesses will improve our competitive position and provides significant opportunities in the future.

Gerard Vittecoq

Vittecoq joined Caterpillar in 1975 and held various accounting and finance positions at Caterpillar's Vernon foundry in his first six years with the company. In 1982, he was appointed finance representative and later assistant manager at Caterpillar Overseas S.A. (COSA). In 1985, he became comptroller for COSA. From 1987 to 1990, he was in charge of strategy projects and was appointed director of strategy & planning in 1990. In 1995, Vittecoq was promoted to managing director of Caterpillar France S.A. In 1997, he became managing director of Caterpillar Belgium S.A. He was elected vice president in January 2001, overseeing the EAME Product Development & Operations Division. In January 2004, Vittecoq was named group president.

LEADERSHIP • EXECUTIVE OFFICERS

**MINING OPPORTUNITY
BY DEVELOPING GREATNESS**

It's an exciting time for Caterpillar to be in the mining industry. The need for commodities like coal, copper and iron ore is expected to continue growing at a robust rate due to global economic growth, increased energy demand and mass urbanization. When the world grows, so does the demand for mining equipment. We proved this year that we are serious about listening to our customers and remaining the industry leader for mining products and technologies on a global level.

2010 showcased how successful we can be in the mining business. We delivered our 50,000th off-highway truck (a 777F) to begin coal mining in Colombia. Our 10,000th large mining truck rolled off the line and we shipped our 500th 797, with both trucks headed to work in Australia. In Wyoming, a fleet of 797 trucks continues to work over 8,000 hours per year – a 93 percent utilization rate. These are world-class achievements of which we can all be proud.

Our future in the mining industry is very bright. We have announced an agreement to acquire Bucyrus, which will give us the world's broadest surface and underground product line and allow us to participate more fully in the opportunities in the global industry. Many customers have witnessed first hand our new autonomous mining trucks in action at our demonstration facility in Arizona. These developments, coupled with technologies like MINEGEM™ for underground mining, remote-controlled dozers, electric drive mining trucks and Cat MineStar™, will significantly change the mining landscape. I'm proud to say that Caterpillar is at the forefront...right where leaders like Caterpillar should be.

Caterpillar's ability to stay at the forefront of mining equipment technology reflects an ongoing commitment to excel at product development. We are fortunate to have a world-class team of engineers and technical experts to design industry-leading products – the kind of products our customers expect and deserve from Caterpillar. In 2010, this team was challenged to raise the bar in the design, development and validation of next-generation technology and product with unprecedented efficiency.

Execution of the largest product development effort in Caterpillar history – Tier 4/Stage IIIB/IV/Step 4 non-road diesel emissions regulations – was an area of intense focus as it has been for the past several years. With Interim regulations taking effect in 2011, we were challenged to ramp up design, validation, assembly planning, manufacturing and product support readiness to meet an aggressive execution schedule. Using state-of-the-art virtual tools, processes and validation, coupled with good old-fashioned hard work, our teams are delivering cleaner, more sustainable products. Cat® Tier 4 machines and engines will produce near-zero particulate matter and oxides of nitrogen, and will provide customers with the power, performance, fuel efficiency and value they need to enhance their business success.

The knowledge and capabilities gained as a result of Tier 4 product development are now being leveraged through all of our Caterpillar New Product Introduction programs. The proven success and amazing potential of our global R&D team has once again set the mark for excellence in the industry.

Steve Wunning

Wunning joined Caterpillar in 1973 and has held numerous positions with increasing responsibility in the areas of quality, manufacturing, product support and logistics. In 1987, he was one of the first employees in the newly formed subsidiary Caterpillar Logistics Services, Inc. (Cat Logistics), which was established to leverage Caterpillar's expertise by providing logistics services to other companies. He became vice president of Cat Logistics in 1990 and president in 1994. In 1998, Wunning was named vice president with responsibility for the Logistics & Product Services Division. In 2000, he became vice president with responsibility for Cat Logistics, which combined all of the internal Caterpillar and external client logistics operations into a single unit. In 2004, Wunning was named group president.

Big 8 Imperatives

Expand leadership in Mining and Quarry & Aggregates...new products and solutions.

Excel at Product Development... quality, emissions, growth markets and next-generation products.



LEADERSHIP • OFFICERS (as of February 15, 2011)

**CHAIRMAN AND
CHIEF EXECUTIVE OFFICER**

DOUGLAS R. OBERHELMAN

GROUP PRESIDENTS

RICHARD P. LAVIN

STUART L. LEVENICK

EDWARD J. RAPP

GERARD R. VITTECOQ

STEVEN H. WUNNING

**SENIOR VICE PRESIDENT AND
CHIEF LEGAL OFFICER**

JAMES B. BUDA

VICE PRESIDENTS

KENT M. ADAMS

WILLIAM P. AINSWORTH

ALI M. BAHAJ

MARY H. BELL

THOMAS J. BLUTH

DAVID P. BOZEMAN

RICHARD J. CASE

ROBERT B. CHARTER

FRANK J. CRESPO

CHRISTOPHER C. CURFMAN

PAOLO FELLIN

WILLIAM E. FINERTY

STEVEN L. FISHER

GREGORY S. FOLLEY

STEVE A. GOSSELIN

HANS A. HAEFELI

BRADLEY M. HALVERSON

KIMBERLY S. HAUER

JOHN S. HELLER

GWENNE A. HENRICKS

STEPHEN P. LARSON

WILLIAM J. ROHNER

CRISTIANO V. SCHENA

WILLIAM F. SPRINGER

GARY A. STAMPANATO

GARY A. STROUP

D. JAMES UMPLEBY

TANA L. UTLEY

CHIEF FINANCIAL OFFICER

EDWARD J. RAPP

CHIEF INFORMATION OFFICER

JOHN S. HELLER

CHIEF TECHNOLOGY OFFICER

TANA L. UTLEY

**CONTROLLER AND
CHIEF ACCOUNTING OFFICER**

JANANNE A. COPELAND

TREASURER

EDWARD J. SCOTT

CHIEF AUDIT OFFICER

MATTHEW R. JONES

**CHIEF ETHICS AND
COMPLIANCE OFFICER**

CHRISTOPHER C. SPEARS

CORPORATE SECRETARY

CHRISTOPHER M. REITZ

ASSISTANT TREASURER

ROBIN D. BERAN

ASSISTANT SECRETARY

LAURIE J. HUXTABLE

LEADERSHIP • BOARD OF DIRECTORS



2010 Board of Directors

Front row, left to right: Edward B. Rust, Jr., Gail D. Fosler, W. Frank Blount, Douglas R. Oberhelman, Eugene V. Fife, David R. Goode. Back row, left to right: Joshua I. Smith, John R. Brazil, Charles D. Powell, Peter A. Magowan, Susan C. Schwab, Daniel M. Dickinson, John T. Dillon, William A. Osborn, Juan Gallardo.

BOARD OF DIRECTORS

W. FRANK BLOUNT, 72, Chairman and CEO of JI Ventures, Inc. (venture capital) and former Chairman and CEO of TTS, Inc. (private equity firm). Other current directorships: Alcatel-Lucent S.A.; Entergy Corporation; and KBR, Inc. Other directorships within the last five years: Adtran Inc. and Hanson PLC. Mr. Blount was a director of the Company from 1995 until December 2010.

JOHN R. BRAZIL, 64, former President of Trinity University (San Antonio, Texas). Dr. Brazil has been a director of the Company since 1998.

DANIEL M. DICKINSON, 49, Managing Partner of Thayer | Hidden Creek (private equity investment). Other current directorships: IESI-BFC Ltd., MISTRAS Group, Inc. and Thayer | Hidden Creek. Mr. Dickinson has been a director of the Company since 2006.

JOHN T. DILLON, 72, Senior Managing Director of Evercore Capital Partners' (advisory and investment firm) investment activities and private equity business and former Vice Chairman of the firm. Current directorships: E. I. du Pont de Nemours and Company and Kellogg Co. Other directorships within the last five years: Vertis Inc. Mr. Dillon was a director of the Company from 1997 until December 2010.

EUGENE V. FIFE, 70, Managing Principal of Vawter Capital, LLC (private investment). Mr. Fife served as the interim CEO and President of Eclipsys Corporation (healthcare information services) from April to November of 2005 and the non-executive Chairman from 2001 until 2010, when Eclipsys merged with Allscripts Healthcare Solutions, Inc. Other current directorships: Allscripts Healthcare Solutions, Inc. Mr. Fife has been a director of the Company since 2002.

GAIL D. FOSLER, 63, Senior Advisor of The Conference Board (research and business membership). Prior to her current position, Ms. Fosler has served as President, Trustee, Executive Vice President, Senior Vice President and Chief Economist of The Conference Board. Current directorships: Baxter International Inc. Other directorships within the last five years: DBS Group Holdings Ltd. and Unisys Corporation. Ms. Fosler was a director of the Company from 2003 until December 2010.

LEADERSHIP • BOARD OF DIRECTORS

JUAN GALLARDO, 63, Chairman and former CEO of Grupo Embotelladoras Unidas S.A. de C.V. (bottling). Other current directorships: Lafarge SA. Other directorships within the last five years: Grupo Mexico, S.A. de C.V. Mr. Gallardo has been a director of the Company since 1998.

DAVID R. GOODE, 69, former Chairman, President and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). Other current directorships: Delta Air Lines, Inc. and Texas Instruments Incorporated. Other directorships within the last five years: Norfolk Southern Corporation and Georgia-Pacific Corporation. Mr. Goode has been a director of the Company since 1993.

PETER A. MAGOWAN, 68, former President and Managing General Partner of the San Francisco Giants (major league baseball team). Directorships within the last five years: DaimlerChrysler AG, Safeway Inc. and Spring Group plc. Mr. Magowan has been a director of the Company since 1993.

DOUGLAS R. OBERHELMAN, 57, 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 July 1, 2010.

WILLIAM A. OSBORN, 63, retired 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: Nicor Inc., Tribune Company and Northern Trust Corporation. Mr. Osborn has been a director of the Company since 2000.

CHARLES D. POWELL, 69, Chairman of Capital Generation Partners LLP (asset and investment management), LVMH Services Limited (luxury goods) and Magna Holdings (real estate investment). Prior to his current positions, Lord Powell was Chairman of Sagitta Asset Management Limited (asset management). Other current directorships: LVMH, Moët-Hennessy Louis Vuitton and Textron Inc. Lord Powell has been a director of the Company since 2001.

EDWARD B. RUST, JR., 60, Chairman, CEO and President of State Farm Mutual Automobile Insurance Company (insurance). He is also President and CEO of State Farm Fire and Casualty Company, State Farm Life Insurance Company and other principal State Farm affiliates as well as Trustee and President of State Farm Mutual Fund Trust and State Farm Variable Product Trust. Other current directorships: Helmerich & Payne, Inc. and The McGraw-Hill Companies, Inc. Mr. Rust has been a director of the Company since 2003.

SUSAN C. SCHWAB, 55, Professor, University of Maryland School of Public Policy. Prior to her current position, 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.

JOSHUA I. SMITH, 69, Chairman and Managing Partner of The Coaching Group, LLC (management consulting). Other current directorships: Comprehensive Care Corporation, FedEx Corporation and The Allstate Corporation. Other directorships within the last five years: CardioComm Solutions, Inc. Mr. Smith has been a director of the Company since 1993.

Effective January 1, 2011, Jesse J. Greene, Jr., and Miles D. White became directors of the Company.

JESSE J. GREENE, JR., 65, former Vice President of Financial Management and Chief Financial Risk Officer, International Business Machines Corporation (computer and office equipment). Mr. Greene became a director of the Company effective January 1, 2011.

MILES D. WHITE, 55, Chairman and Chief Executive Officer of Abbott (pharmaceutical and medical products). Other current directorships: McDonald's Corporation. Other directorships within the last five years: Motorola, Inc. and Tribune Company. Mr. White became a director of the Company effective January 1, 2011.

PERFORMANCE

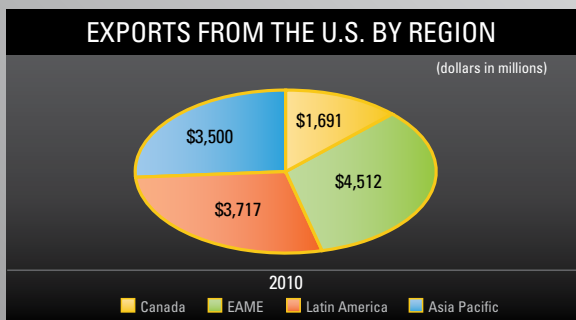
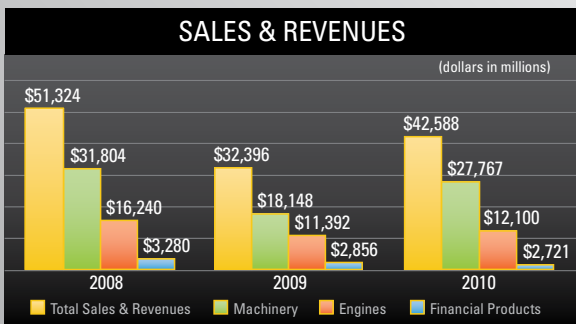
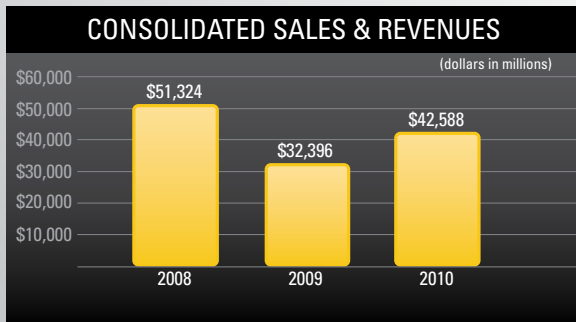


PERFORM LIKE A LEADER

Strengthening economies, rebounding demand and continuing operational discipline translated into a good year for Caterpillar in 2010. Consolidated sales and revenues increased 31 percent to \$42.588 billion. The improvement reflected economic growth in the developing world and improvement from low levels of machine demand in 2009 in developed countries. Accordingly, machinery sales increased 53 percent from 2009. Improved volume required Caterpillar factories to increase machine shipments in 2010 by the largest amount, in both dollars and percent, in more than 30 years.

Our U.S. exports totaled \$13.4 billion in 2010 compared with \$10.4 billion in 2009. Caterpillar's workforce increased by approximately 7,500 U.S. jobs during the year to meet growing customer demand.

Consolidated operating profit was \$3.963 billion in 2010 compared with \$577 million in 2009. Higher sales volume, improved price realization and lower manufacturing costs contributed to the increase in operating profit, which was partially offset by higher selling, general and administrative, and research and development expenses, as well as unfavorable impacts from currency.

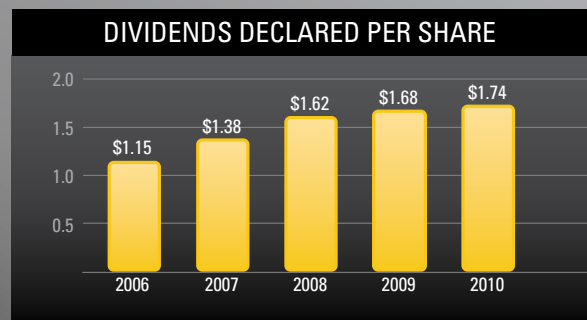
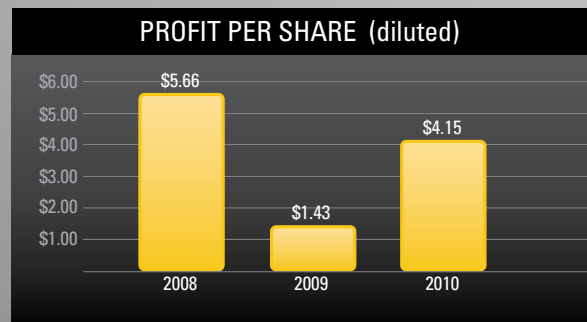
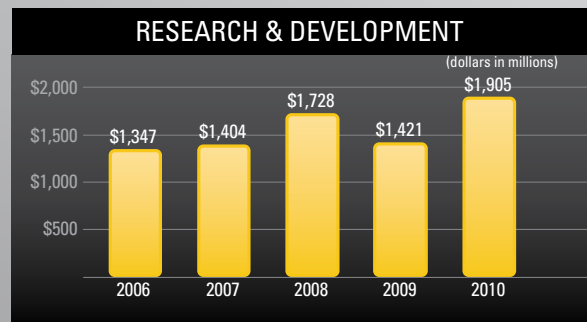
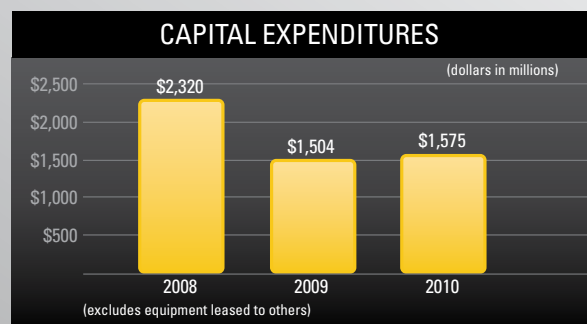


PERFORMANCE

In addition to its solid financial performance, Caterpillar accomplished much – ramping up production substantially, improving factory efficiency and driving Machinery and Engines operating cash flow to an all-time record. Long-term investment continued to be a priority with significant funding directed toward product development, additional capacity and strategic acquisitions.

Capital expenditures totaled \$1.575 billion. Caterpillar also continued to invest in technologies that will enable its customers to operate Machinery and Engines with higher efficiency and cleaner energy. Investment in research & development reached a record level of \$1.9 billion. About 620 patents were awarded to more than 750 inventors within the Caterpillar enterprise.

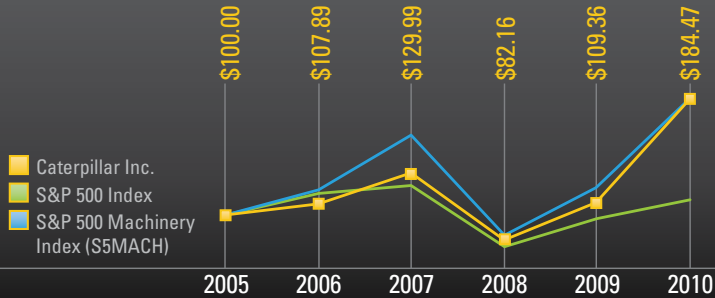
The Company's strong operational and financial performance also benefitted its stockholders. Caterpillar's stock performance was the best among the companies comprising the Dow Jones Industrial Average in 2010. Profit per share of \$4.15 in 2010 was up from \$1.43 in 2009. For the seventeenth consecutive year, Caterpillar paid higher dividends to stockholders. Caterpillar's performance in 2010 underscored its commitment to pursue compelling growth opportunities, maintain operational and cost discipline and make strategic long-term investments – all with a goal of delivering superior returns through the business cycle.



PERFORMANCE • 2010 STOCK PERFORMANCE

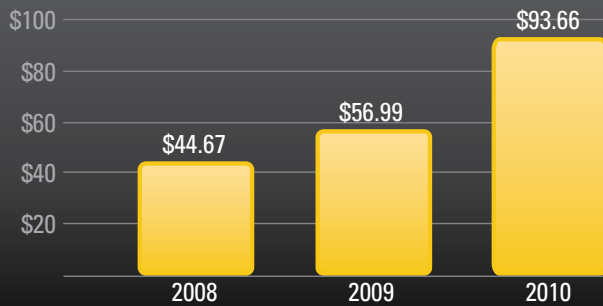


TOTAL RETURN – CATERPILLAR VS. S&P



Cumulative stockholder return assuming an investment of \$100 on December 31, 2005, and reinvestment of dividends issued thereafter.

2008-2010 CLOSING STOCK PRICE



The market acknowledged Caterpillar's improved performance in 2010 with a 64.3 percent increase in share price during the year. Caterpillar also was the best performing stock among the companies comprising the Dow Jones Industrial Average in 2010.

PERFORMANCE • FIVE-YEAR FINANCIAL SUMMARY


(dollars in millions except per share data)

Years ended December 31,	2010	2009	2008	2007	2006
Sales and revenues	\$42,588	\$32,396	\$51,324	\$44,958	\$41,517
Sales	\$39,867	\$29,540	\$48,044	\$41,962	\$38,869
Percent inside the United States	32%	31%	33%	37%	46%
Percent outside the United States	68%	69%	67%	63%	54%
Revenues	\$ 2,721	\$ 2,856	\$ 3,280	\$ 2,996	\$ 2,648
Profit ^{4,6}	\$ 2,700	\$ 895	\$ 3,557	\$ 3,541	\$ 3,537
Profit per common share ^{1,6}	\$ 4.28	\$ 1.45	\$ 5.83	\$ 5.55	\$ 5.37
Profit per common share – diluted ^{2,6}	\$ 4.15	\$ 1.43	\$ 5.66	\$ 5.37	\$ 5.17
Dividends declared per share of common stock	\$ 1.740	\$ 1.680	\$ 1.620	\$ 1.380	\$ 1.150
Return on average common stockholders' equity ^{3,5,6}	27.4%	11.9%	46.8%	44.4%	45.9%
Capital expenditures:					
Property, plant and equipment	\$ 1,575	\$ 1,504	\$ 2,320	\$ 1,682	\$ 1,531
Equipment leased to others	\$ 1,011	\$ 968	\$ 1,566	\$ 1,340	\$ 1,082
Depreciation and amortization	\$ 2,296	\$ 2,336	\$ 1,980	\$ 1,797	\$ 1,602
Research and development expenses	\$ 1,905	\$ 1,421	\$ 1,728	\$ 1,404	\$ 1,347
As a percent of sales and revenues	4.5%	4.4%	3.4%	3.1%	3.2%
Wages, salaries and employee benefits	\$ 9,187	\$ 7,416	\$ 9,076	\$ 8,331	\$ 7,512
Average number of employees	98,504	99,359	106,518	97,444	90,160
DECEMBER 31,					
Total assets ⁶	\$64,020	\$60,038	\$67,782	\$56,132	\$51,449
Long-term debt due after one year:					
Consolidated	\$20,437	\$21,847	\$22,834	\$17,829	\$17,680
Machinery and Engines	\$ 4,505	\$ 5,652	\$ 5,736	\$ 3,639	\$ 3,694
Financial Products	\$15,932	\$16,195	\$17,098	\$14,190	\$13,986
Total debt:					
Consolidated	\$28,418	\$31,631	\$35,535	\$28,429	\$27,296
Machinery and Engines	\$ 5,204	\$ 6,387	\$ 7,824	\$ 4,006	\$ 4,277
Financial Products	\$23,214	\$25,244	\$27,711	\$24,423	\$23,019

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

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

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

4. Profit attributable to common stockholders.

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

6. In 2007 we changed the manner in which we accounted for uncertain tax positions.

PERFORMANCE • HIGHLIGHTS



MACHINERY

Announced the first model, the Cat® CT660, in our full line of Cat® vocational trucks. The trucks will offer custom solutions for a large variety of job applications – from moving rock and hauling trash to logging and pouring concrete.

Introduced Cat® TH514 telehandler for general construction and industrial markets.

Acquired assets of Underground Imaging Technologies, Inc., an advanced geophysical service company and technology developer. Underground's advanced technologies will enhance Caterpillar's Connected Worksite offering by providing detailed information and clearer pictures of underground projects to design engineers and contractors.

Added a seventh model to popular E Series backhoe loader line in response to customer demand in central and eastern European markets.

Observed the 50th anniversary of the first production of Cat® wheel loader, the 944, which became the foundation for leadership in the worldwide market for mid-size wheel loaders.

Delivered the 50,000th off-highway truck (a 777F) to begin coal mining in Colombia.

Acquired Electro-Motive Diesel (EMD), an original equipment manufacturer of diesel-electric locomotives. EMD offers the largest installed base of locomotive products in the world and offers the most extensive range of locomotive products in the rail and transit industry. The acquisition will enable Progress Rail to provide rail and transit customers an industry-leading range of locomotive, engine and emissions solutions, as well as unmatched aftermarket support.

Announced plans for the expansion of excavator production in China that, when complete, will increase China-based excavator capacity by 400 percent.

Announced plans to expand manufacturing in Brazil through a new facility to produce backhoe loaders and small wheel loaders.

Announced plans to expand U.S. manufacturing through the opening of a new hydraulic excavator facility in Victoria, Texas, which will triple the current capacity of excavator production in the United States.

PERFORMANCE • HIGHLIGHTS



ENGINES

Expanded capabilities of Caterpillar Emissions Solutions through acquisition of CleanAIR Systems, Inc., a leader in designing and manufacturing customized stationary aftertreatment solutions for internal combustion engines.

Opened new logistics center for MaK™ diesel engines near Hamburg, Germany, to serve as a hub to distribute MaK spare parts for customers around the world.

Introduced Cat® C15 ACERT™ and C18 ACERT Industrial Power Units that allow customers to order preconfigured power packs ready-made for a variety of applications including irrigation, dewatering, mining and hydraulic pump applications.

Introduced five Tier 4 Interim/Stage IIIB technology industrial engines for Original Equipment Manufacturers of agricultural, construction, mining, forestry and general industrial markets.

Announced plans to build a state-of-the-art manufacturing facility in Tianjin, China, to increase worldwide capacity for large-engine production. Once operational in 2013, the engine facility will become Caterpillar's third global source for its 3500 Series engines and will focus on producing engines for customers in China and the Asia Pacific region.

PERFORMANCE • HIGHLIGHTS



FINANCIAL PRODUCTS

2010 after-tax profits were \$350 million, a 14 percent increase from 2009.

Cat Financial's new retail financing increased \$1.8 billion, or 24 percent, from 2009 to \$9.46 billion in 2010.

Cat Financial's overall portfolio quality reflected continued improvement in global economic conditions. At the end of 2010, past dues were 3.87 percent, down from 5.54 percent at the end of 2009.

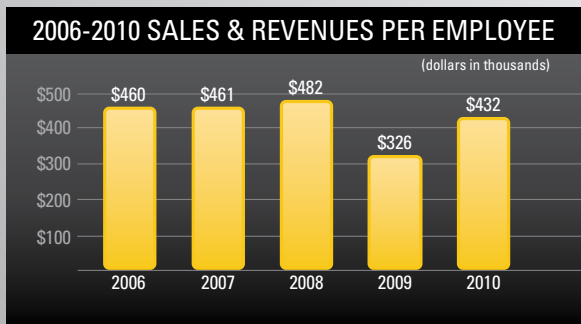
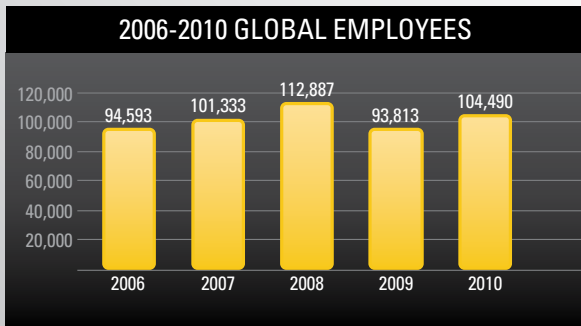
Cat Financial issued its first-ever renminbi (RMB)-denominated medium term note to assist in funding operations in China, a significant milestone in expanding Cat Financial's global funding platform.

Caterpillar entered into a finance collaboration agreement with dealers in India and with a number of key infrastructure-focused banks and Non-Banking Financial Companies (NBFCs) to give customers in India greater access to new finance options to purchase Cat® equipment.

As a result of teamwork, Cat Financial funded 92 percent of the over 200 Cat machines being used for the Panama Canal expansion project.

In support of the launch of the Cat vocational trucks, Cat Financial financed the first Cat CT630 in Australia and the 9800 International truck in Brazil.

AT-A-GLANCE • CORPORATE PROFILE



WORK LIKE A TEAM

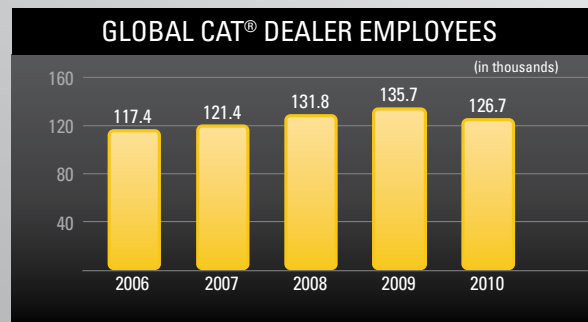
For more than 85 years, Caterpillar has been making sustainable progress possible and driving positive change on every continent. Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The Company also is a leading services provider through Cat Financial, Caterpillar Remanufacturing Services, Caterpillar Logistics Services, Inc. (Cat Logistics) and Progress Rail Services Corporation (Progress Rail). Caterpillar is also a leading U.S. exporter. Through a global network of independent dealers and direct sales of certain products, Caterpillar builds long-term relationships with customers around the world.

Caterpillar's success is built on the talent and commitment of more than 104,000 employees in countries spanning the globe. Guided by *Our Values in Action* and leveraging the Caterpillar Production System and 6 Sigma principles, Caterpillar people demonstrate a passion for innovation and customer service. Our diverse workforce speaks more than 100 languages and is bound by a common goal: making the world better tomorrow because of the work we are doing today.

AT-A-GLANCE • CORPORATE PROFILE

Our vast dealer network helps Caterpillar and our customers win around the world. Caterpillar and its dealers are expanding their coverage and making significant investments in countries such as China, India and the countries that comprise the Commonwealth of Independent States, as these markets represent significant growth opportunities in the industries we serve.

Cat® dealers and their employees share our passion, enhance our competitive edge and ensure that our customers receive maximum business value from our products and services. Most Cat dealers are independently owned, locally operated businesses and benefit from strong, long-standing customer relationships.



AT-A-GLANCE • BUSINESS OVERVIEW



Caterpillar powers world progress. Cat® equipment – more than 3 million pieces around the world – is at work for our customers on highways, rail lines, oceans and rivers, in forests, quarries and oil fields. We supply the machines, solutions and support so our customers can excel in varying terrain, soil and climate conditions. Our engines and gas turbines provide the horsepower for customers to move goods and commodities across the globe, while generators deliver power wherever it is needed. Caterpillar manufacturing excellence is supplemented by world-class service businesses providing logistics, financial products and remanufacturing. More information about Cat products, services and solutions can be found at www.cat.com.

Major Product Groups

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

Major Industries Served

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

Major Service Areas

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

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

AT-A-GLANCE • WORLDWIDE LOCATIONS



- Dealer Main
- FG Wilson - MaK - Perkins - Solar
- Manufacturing
- Office Facilities
- Parts
- Progress Rail



⁽¹⁾ Does not include internal engine transfers which totaled \$2.523 billion in 2010. Internal engine transfers are valued at prices comparable to those for unrelated parties.

AT-A-GLANCE • FORWARD-LOOKING STATEMENTS



FORWARD-LOOKING STATEMENTS

Certain statements in this 2010 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. These statements are subject to known and unknown factors that may cause Caterpillar's actual results to be different from those expressed or implied in the forward-looking statements. 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 Caterpillar does not undertake to update its forward-looking statements.

It is important to note that Caterpillar's actual results may differ materially from those described or implied in its forward-looking statements based on a number of factors, including, but not limited to: (i) global economic conditions and economic conditions in the industries and markets Caterpillar serves; (ii) government monetary or fiscal policies and government spending on infrastructure; (iii) commodity or component price increases and/or limited availability of raw materials and component products, including steel; (iv) Caterpillar's and its customers', dealers' and suppliers' ability to access and manage liquidity; (v) political and economic risks associated with our global operations, including changes in laws, regulations or government policies, currency restrictions, restrictions on repatriation of earnings, burdensome tariffs or quotas, national and international conflict, including terrorist acts and political and economic instability or civil unrest in the countries in which Caterpillar operates; (vi) Caterpillar's and Cat Financial's ability to maintain their respective credit ratings, material increases in either company's cost of borrowing or an inability of either company to access capital markets; (vii) financial condition and creditworthiness of Cat Financial's customers; (viii) inability to realize expected benefits from acquisitions and divestitures, including the acquisition of Bucyrus International, Inc.; (ix) the possibility that the acquisition by Caterpillar of Bucyrus International, Inc. does not close for any reason, including, but not limited to, a failure to obtain required regulatory approvals; (x) international trade and investment policies, such as import quotas, capital controls or tariffs; (xi) the possibility that Caterpillar's introduction of Tier 4 emissions compliant machines and engines is not successful; (xii) market acceptance of Caterpillar's products and services; (xiii) effects of changes in the competitive environment, which may include decreased market share, lack of acceptance of price increases, and/or negative changes to our geographic and product mix of sales; (xiv) union disputes or other employee relations issues; (xv) Caterpillar's ability to successfully implement the Caterpillar Production System or other productivity initiatives; (xvi) adverse changes in sourcing practices of our dealers or original equipment manufacturers; (xvii) compliance costs associated with environmental laws and regulations; (xviii) alleged or actual violations of trade or anti-corruption laws and regulations; (xix) additional tax expense or exposure; (xx) currency fluctuations, particularly increases and decreases in the U.S. dollar against other currencies; (xxi) failure of Caterpillar or Cat Financial to comply with financial covenants in their respective credit facilities; (xxii) increased funding obligations under our pension plans; (xxiii) significant legal proceedings, claims, lawsuits or investigations; (xxiv) imposition of operational restrictions or compliance requirements if carbon emissions legislation and/or regulations are adopted; (xxv) changes in accounting standards or adoption of new accounting standards; (xxvi) adverse effects of natural disasters; and (xxvii) other factors described in more detail under "Item 1A. Risk Factors" in Part I of our Form 10-K filed with the SEC on February 22, 2011 for the year ended December 31, 2010. This filing is available on our website at www.caterpillar.com/secfilings.

AT-A-GLANCE • TRADEMARKS



TRADEMARK INFORMATION

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