

Big Challenge

2008 Annual Report

CATERPILLAR[®]

A yellow Caterpillar bulldozer is shown in a desert environment, pushing a large pile of sand. The bulldozer is positioned on a sand dune, and the word "CATERPILLAR" is visible on its side. The background shows a vast, sandy landscape under a clear blue sky. The bulldozer is the central focus, with its blade lowered and pushing sand. The sand dune is on the right, and a deep, eroded sand channel is on the left. The overall scene conveys a sense of large-scale earthmoving in a challenging, arid environment.

This is our big challenge: How do we continue to compete in a turbulent global marketplace?

This is our answer: By continuing to build a truly global Caterpillar. By leveraging our deep presence in the industries that support global progress. By offering a broad and balanced mix of leading technologies, products and services. And most importantly, by pursuing next-level performance across our business while taking our customers' view in everything we do.

ON THE COVER:

A Cat D9R track-type tractor working on a 2,400-kilometer rail line in Saudi Arabia's Nafud Desert.

Story on page 13.

This document is available in electronic format only.

.....
To navigate the document:


- › Use the navigation at the top of each page to jump to sections or use the page forward/back arrows
- › Click on the table of contents (page 3)
- › Use the arrow keys on your keyboard
- › Left click to move to the next page, right click to move to the previous page (in full-screen mode only)
- › Rollover  for more information



Table of Contents



POWERING OIL AND GAS

Russia and worldwide

Industry leadership and established global presence are significant competitive advantages in a turbulent world economy. Specialized expertise and experience, machine design and durability, dealer and service excellence—in the vital oil and gas industry, these Caterpillar strengths are driving performance for industry leaders worldwide.

Cat® machines and services—in gas compression, well servicing, oil and gas production and drilling—support exploration and production, pipeline construction and other oil-and-gas-related infrastructure projects in virtually every region in the world. In Russia, Cat machines, engines, generator sets, Solar™ gas turbines and gas compressors are integral to the long-term development of the country's oil and gas resources. The Yamal Peninsula region in northern Russia is a major gas production area currently being developed, including construction of the 1,100-kilometer Yamal-Ukhta pipeline.





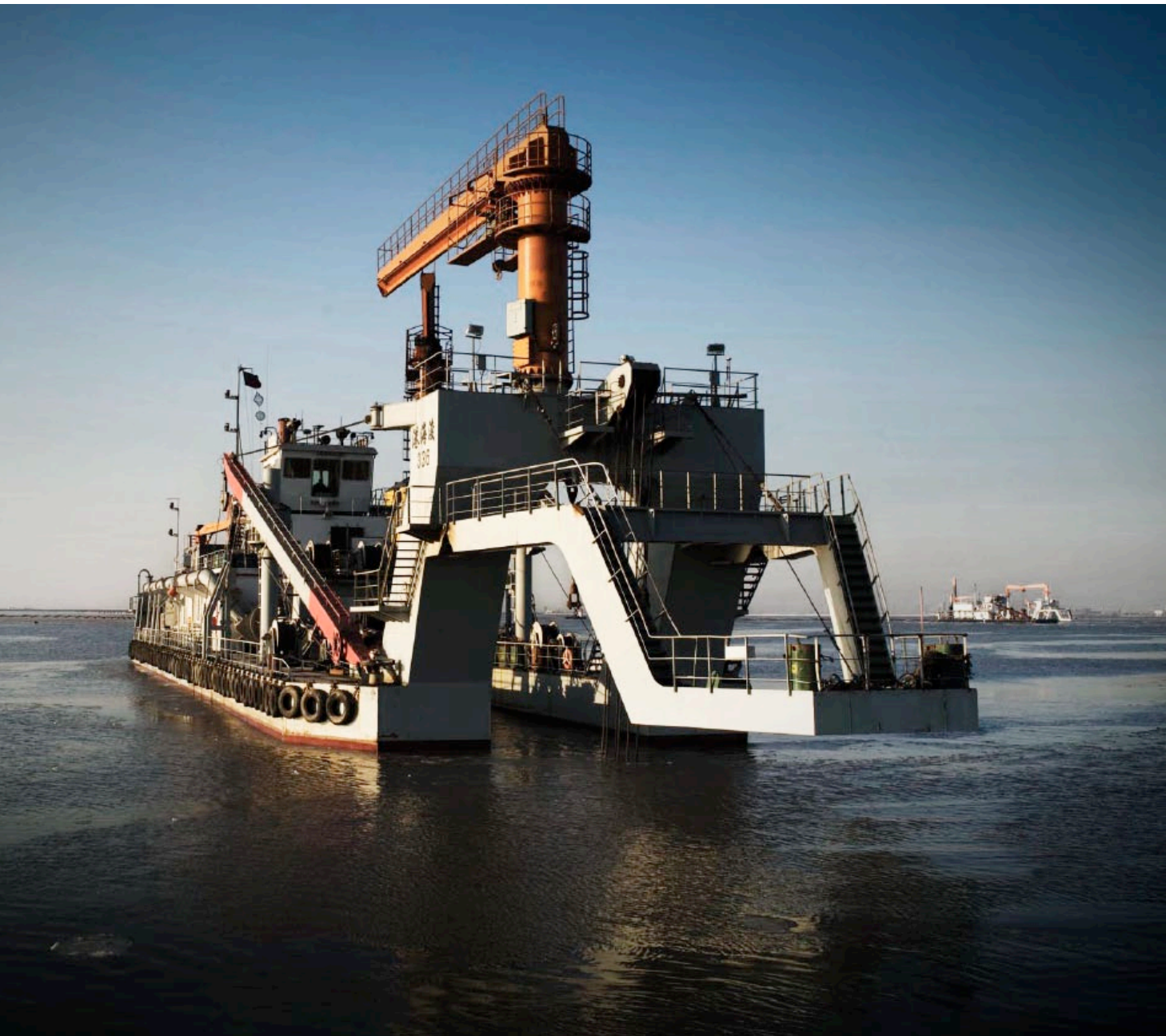
RUNWAYS FOR ECONOMIC GROWTH

Chicago, Illinois, U.S.

Chicago's O'Hare International Airport, the world's busiest, is often the most delayed. Cat® machines have played an integral part in the O'Hare Modernization Project, a plan designed to improve efficiency of the airport.

The modernization process calls for adding runways, extending or eliminating others and potentially constructing new terminal facilities. Once complete, this long-term project is expected to reduce overall delays by 79 percent and weather-related delays by 95 percent, in addition to creating 195,000 new jobs and \$18 billion in additional economic activity.

T.J. Lambrecht Construction, a valued Cat customer, was awarded the mass grading contract for extending one of the existing runways. Supported by local Cat dealer Patten Industries, the contractor used various machines to complete this key phase of the modernization process in late 2008.

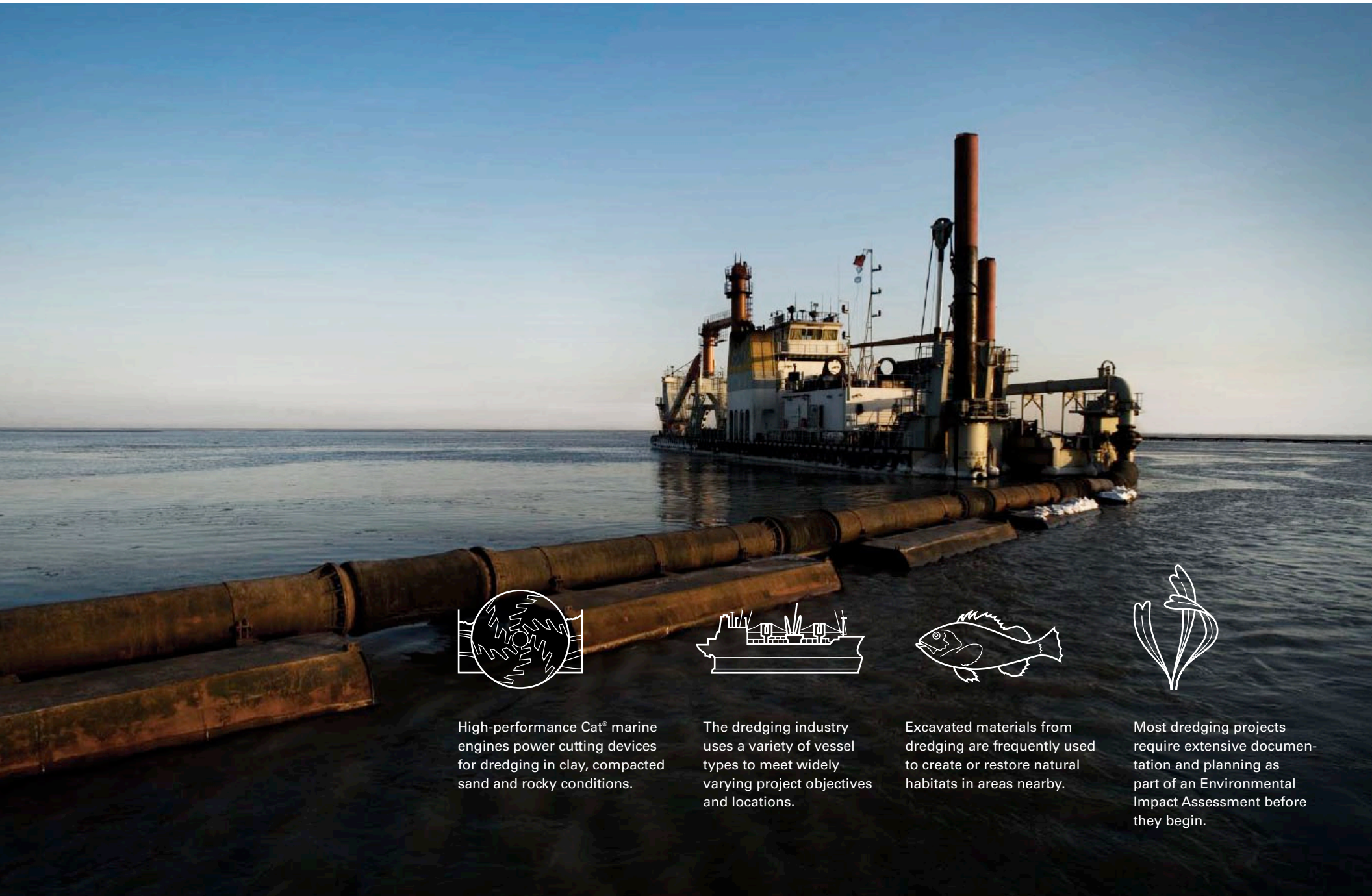


EXPANDING WORLDWIDE PORT CAPACITY

China's ports and waterways

International trade is spurring dredging industry demand related to port construction, particularly in China. Increasing port capacity is critical to a global transportation chain that feeds progress—more jobs, increased trade, growing economies—all over the world.

Caterpillar Marine Asia Pacific, along with Cat dealers WesTrac China Ltd. (WTC) and Lei Shing Hong Machinery (LSH), represent a strong presence in the Chinese dredging market. For manufacturers like IHC Merwede and contractors such as Shanghai Dredging Company, Changjiang Waterway Bureau and Changjiang Estuary Waterway, superior dredger performance requires superior engine technology. Cat® marine engines fit the bill perfectly: WTC has sold Cat engines into 23 dredgers, and LSH has supplied Cat power to approximately 40 vessels.



High-performance Cat® marine engines power cutting devices for dredging in clay, compacted sand and rocky conditions.



The dredging industry uses a variety of vessel types to meet widely varying project objectives and locations.



Excavated materials from dredging are frequently used to create or restore natural habitats in areas nearby.



Most dredging projects require extensive documentation and planning as part of an Environmental Impact Assessment before they begin.



TRANSPORTATION MANAGEMENT

Cat Logistics made significant improvements to Caterpillar's global transportation network in 2008. Track-and-trace capabilities and better outbound mode management have greatly improved shipment visibility and reduced transit times by roughly 10 percent. Modern systems and tools help us get Caterpillar shipments to the right place in less time—in addition, improved freight bill accuracy and compliance save millions of dollars annually.

GLOBAL SUPPLY CHAIN TRANSFORMATION

U.S. and worldwide

With a global manufacturing and supply base supporting customers around the globe, a highly efficient and reliable supply chain is critically important. That's why Caterpillar Logistics Services, Inc. is driving transformational change in three

areas: Cat parts distribution, manufacturing logistics and transportation.

Getting the right part to the right place at the right time builds stronger customer relationships and helps ensure customer success. We're modernizing the Cat parts network, an effort that includes a new 750,000-square-foot distribution center in Waco, Texas, and deployment of the SAP Service Parts Management system, which will enhance efficiency and visibility throughout the network. We're aligning manufacturing logistics processes around the guiding principles of the

Caterpillar Production System (CPS), driving manufacturing efficiency; and we are implementing a transportation strategy that will optimize the flow of finished products, parts and components from their origin to destination.

Cat Logistics' capabilities are also leveraged into solutions for other leading organizations like Newmont Mining Corporation and Land Rover. Our external client business ensures that logistics capabilities meet a market-based test of competitiveness while delivering on key client objectives.



BIG FUTURE IN INDIA

Throughout the region

Strength in developing regions is critical to durable, long-term growth, regardless of economic climate. With a well-established, balanced and fast-growing business, Caterpillar India is becoming an increasingly important contributor to our company's global performance.

Caterpillar India's manufacturing facilities produce quarry and off-highway construction trucks, backhoes and wheel loaders, engines, power generator sets and more—serving customers not only in India, but also worldwide. And Caterpillar's Engineering Design Center-India represents our largest research and development capability outside of North America, playing a major role in Caterpillar's global research and design activities.



PRODUCTIVITY GOLD IN THE MINING INDUSTRY

Elko, Nevada, U.S.

Mining industry leadership is a key Caterpillar growth driver. Caterpillar specialized expertise, machines, technology and logistics solutions deliver maximum production and minimum cost per ton for customers.

Case in point: world-leading gold producer Newmont Mining Corporation. Newmont uses Caterpillar's MineStar™ FleetCommander system to integrate key functions and improve operational performance in its three Nevada mines. Caterpillar and Cat dealer Cashman Equipment Co. provide a tailored MineStar monitoring and control solution to optimally assign trucks, control complex materials and manage daily operations.

Caterpillar extended its value by opening a master distribution center in Elko, Nevada to support Caterpillar parts supply and maintenance supply chain logistics for Newmont's Nevada operations.

CAT MINING TECHNOLOGY: A COMPLETE SOLUTION

Caterpillar worked closely with Newmont across multiple sites to implement MineStar FleetCommander, CAES & AQUILA™ Drill Systems—all industry-leading technologies for managing blasthole drills, track-type tractors, loading units and the haulage fleet.

WELCOMING CATERPILLAR JAPAN

Akashi, Japan

Since Caterpillar and Mitsubishi Heavy Industries (MHI) joined forces 45 years ago, Japan has been a key element of Caterpillar's capabilities and long-term growth potential. In 2008, Shin Caterpillar Mitsubishi (SCM) became Caterpillar Japan, Ltd.

With major production facilities in Akashi and Sagami, Caterpillar Japan is involved in the manufacture and sales of Cat® hydraulic excavators, wheel loaders and track-type tractors to Japan, Asia and the world. As we continue to build a more global Caterpillar, Caterpillar Japan's leading expertise and capabilities, along with the skills and dedication of its people, will be more important to our success than ever. In Japan, Caterpillar is helping to make sustainable progress possible for customers like Sanko Kaihatsu (see next page).







PERFORMING IN THE SAUDI SAND

Nafud Desert, Saudi Arabia

The ability to make progress possible in the world's harshest environments is an important attribute we're leveraging to sustain our growth. Take for example a rail line currently being built through the Saudi desert—extreme temperatures (-10° to +50° Celsius); fine, dry sand that behaves very much like water; more than 2,400 kilometers to be built in 42 months—this is the ultimate harsh-environment project, ideally suited to rugged Cat® machines and global service capabilities.

To keep all machines running smoothly, Cat dealer Zahid Tractor built two fully equipped mobile workshops, manned by technicians and linked by satellite to Zahid's main facilities. The product support team continuously monitors equipment via Cat's Custom Track Service; and with Cat Logistics, parts are just a phone call away, even in the middle of the desert.

A MASSIVE TASK

By the time it's complete, the Nafud rail line will require nearly 350 million cubic meters of cut and fill to pass through the desert's huge dunes and gullies.





CAT PRECISION EQUALS SAFETY

Skallingen Beach, Denmark

How will we excel long term? By doing work no one else can. In 1944, occupation forces placed landmines on Skallingen Beach, Denmark. For years, no machine was capable of handling the dangerous task of removing them, until a contractor with AccuGrade™-equipped Cat equipment got the job in 2008.

AccuGrade's GPS-guided precision enabled digging to exact depths and locations, and helped ensure that every square inch was covered. AccuGrade also was integral to making sure all sand was returned to its original place, preserving the site's natural beauty. Caterpillar's AccuGrade was a critical factor in the awarding and successful completion of the project.

The contractor, Par Aarsleff Construction, completed the project using a Cat 345B hydraulic excavator and a Cat D6R track-type tractor, both fitted with special protective covers to guard operators against potential explosions.



STILL A DANGER, 60 YEARS LATER

Of 7,000 landmines in the area, an estimated five percent—some 350 mines—were still active.

SUCCESS

In April of 2008, the Danish Minister of Transport cut the ribbon to publicly open the beach, completely free of landmines and fragments.



CAT CERTIFIED USED: BIG DEMAND, BIG VALUE

Guayaquil, Ecuador

The world market for used equipment is estimated at \$100 billion and growing. By leveraging rental fleets along with Caterpillar Redistribution Services (CRSI), Cat dealer IIASA is meeting increasing demand in Latin America for quality used equipment.

Caterpillar's ability to adjust to changing times is what will keep the company strong over the long term. Cat Certified Used (CCU) represents an affordable alternative to new equipment, and CCU machines are gaining wide acceptance throughout Latin America after being introduced just three years ago. From nearly-new to machines that have been in service for many years, high CCU standards offer customers a differentiated, high-quality used option at a variety of price points. Available exclusively through Cat dealers, CCU machines are backed by a Caterpillar warranty and world-class Cat parts and service.



PUTTING CERTIFIED QUALITY TO THE TEST

Customers can operate Cat Certified Used machines in IIASA's equipment testing ground before purchase or lease.



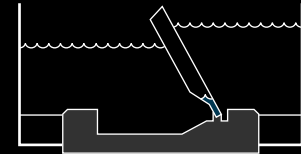
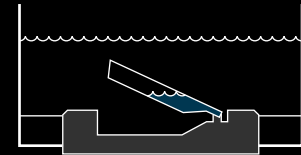
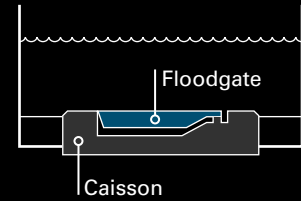
SAFEGUARDING VENICE

Venice, Italy

High tides and rising sea levels are threatening one of the world's most beautiful cities. Caterpillar precision and performance are part of the solution: Construction of a flood defense system for Venice that includes 78 massive, mobile concrete floodgates installed in inlet channels. Each floodgate comprises a box-shaped metal flap attached to a concrete housing (caisson) by two hinges. Construction is as complex as the system itself, requiring preparation of temporary sites in different locations to fabricate the floodgates.

The paving contractor, Grandi Lavori FINCOSIT SpA, used a Cat AP655D paver, creating surfaces to precise specifications for caisson construction. The machines' maneuverability, stability, uniformity and precision resulted in exceptionally sound paved surfaces that required no further compaction, which saved valuable time and minimized emissions.





INNOVATIVE DESIGN

The gates normally are seated, full of water, in their housings on the bottom of the inlet channels. When needed, compressed air forces the water out and allows the gates to rise, blocking the flow of seawater into the lagoon.



A 360° VIEW OF VALUE

Münich, Germany

Today, our customers want more than great machines. That's why Caterpillar offers customers like AR Recycling GmbH in Germany solutions that give them peace of mind beyond the purchase.

Quality assurance is the number-one priority in AR Recycling's machine purchase decisions. When AR Recycling needed a new wheel loader, Cat dealer Zeppelin offered a Cat 966H together with a Caterpillar customized 360° Solutions package. With a three-year warranty (Equipment Protection Plan) and fixed-rate, long-term financing tailored to the customer's specific requirements, Caterpillar and Zeppelin met AR Recycling's needs—and created an opportunity to build another solid, lasting customer relationship.

360° SOLUTIONS: CONVENIENCE AND SIMPLICITY

For AR Recycling, Caterpillar's 360° Solutions combined financing, a powertrain warranty, and product and maintenance support in a customized package.



INDUSTRY LEADERSHIP, NEW PARTNERSHIP

Westminster, Colorado, U.S., and worldwide

In a volatile economic environment, innovation has never been more critical to customer success. That's why Caterpillar is aggressively pursuing a strategy to bring Cat Connected Worksite Solutions to earthmoving customers.

Building on a successful joint venture started in 2002 to produce machine control and guidance products, Caterpillar and Trimble announced an expanded relationship in 2008 that includes a new joint venture, VirtualSite Solutions (VSS), and a distribution agreement.

VSS, the latest extension of the Cat Connected Worksite Solutions strategy, integrates machine monitoring and site management technology to allow customers to more efficiently and safely manage their equipment fleets, reduce operating costs and improve productivity in the areas of fuel consumption, maintenance, worksite productivity and fleet logistics.





BUILDING CPS MOMENTUM

Torreon, Mexico, and worldwide

Our future depends on next-level performance, and we're making real progress. More and more Caterpillar locations around the world are beginning to show encouraging results as they implement the Caterpillar Production System (CPS).

CPS has come alive at Caterpillar's Torreon, Mexico, manufacturing facility. CPS allows us to improve safety and get product to our customers quicker while removing waste from our processes and facilities, making us more sustainable. Among other changes, CPS teams completely reconfigured the plant floor, supporting rapid transition to a radically new way of working. CPS implementation is helping Torreon achieve breakthrough performance improvement that's real and still gaining momentum.

ACTIVELY LISTEN AND ALIGN THE TARGETS

As the Torreon plant implements CPS processes, dialogue drives continuous improvement. Daily meetings ensure a common understanding of strategy and alignment of business goals.



CONTINUOUS IMPROVEMENT WITH CPS

In Akashi, Japan, CPS is used to streamline the manufacturing and production process, getting customers high quality products quickly.

Letter from our Chairman

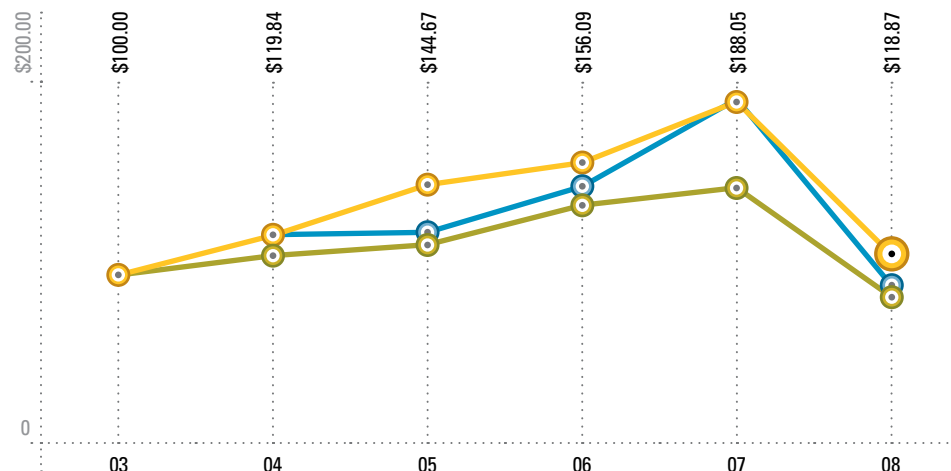
2008 was a tale of two years. For the first nine months, the boom that began in 2004 rolled on. We were driven by solid growth in the developing economies that was supported by good global demand from the mining and energy sectors as commodity prices encouraged new equipment investment.

Financial Highlights

- Caterpillar Inc.
- S&P 500
- S&P 500 Machinery

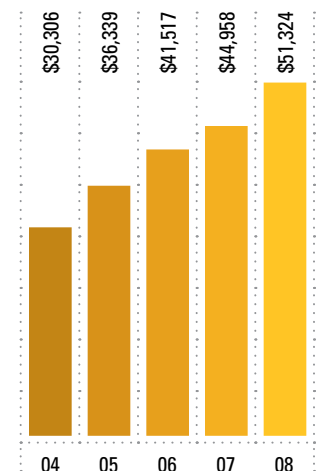
Comparison of Five-Year Cumulative Total Return

Cumulative stockholder return assuming an investment of \$100 on December 31, 2003, and reinvestment of dividends issued thereafter.



Sales & Revenues

(dollars in millions)



Despite recessionary conditions in North America, Europe and Japan, Team Caterpillar continued to deliver record results during the first three quarters. We shipped tens of billions of dollars in equipment to customers, increased market share and introduced new products—including the next generation of mining trucks, the industry’s first electric drive track-type tractor and the Cat C175 engine—to help our customers operate more cleanly and efficiently. Internally, the Caterpillar Production System continued to gain momentum, as we met our aggressive year-end assessment target and improved safety, quality and inventory performance.

But toward the end of the fourth quarter, we realized a seismic shift in the global industries we serve. The global credit market crisis weakened already shaky business conditions in the developed countries and, by the end of 2008, was beginning to have a significant negative effect on the developing world as well.

Commodity prices dropped dramatically—many declining by as much as 60 percent in the fourth quarter—and discouraged our mining and energy customers from opening new mines and expanding production. We realized wild swings in global currencies, which affected our manufacturing costs,

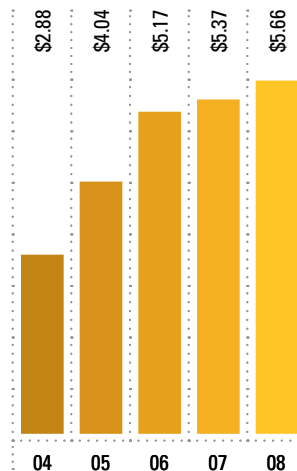
pricing strategies and overall profitability and competitiveness. Equity markets around the world lost significant value, and world financial markets remained under tremendous stress. Frankly, there hasn’t been a time during my 35 years at Caterpillar when so many factors that affect our business changed so quickly and dramatically.

Despite this precipitous downturn, Team Caterpillar delivered a record year in 2008. Sales and revenues topped \$51 billion, exceeding our 2010 goal of \$50 billion two years ahead of schedule. Profit per share was also a record at \$5.66.

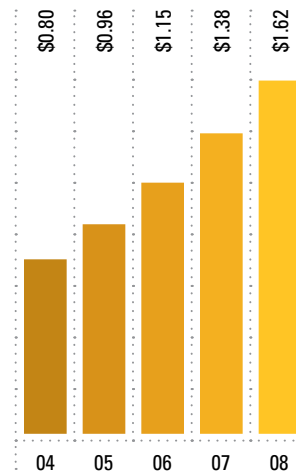
Stockholder Information

Profit Per Share¹

(diluted)

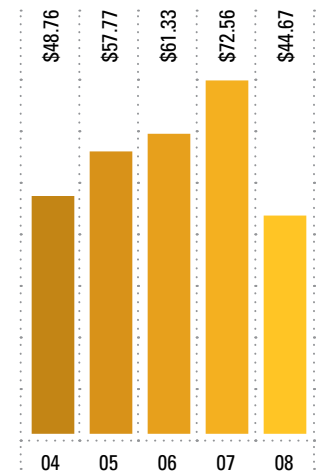


Dividends Declared Per Share¹



Closing Stock Price¹

(December 31)

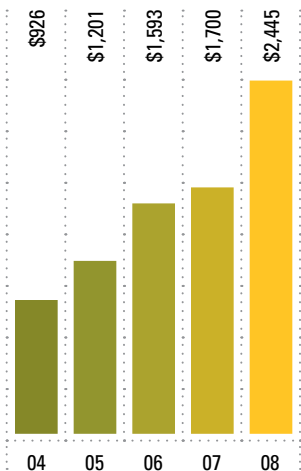


(1) Adjusted for the 2005 2-for-1 stock split.

Other Highlights

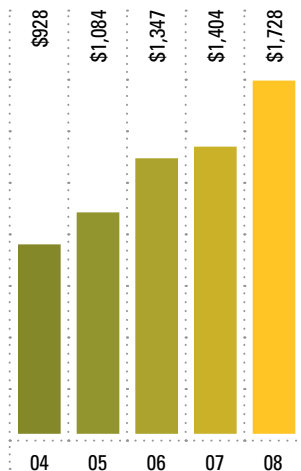
Capital Expenditures

(dollars in millions) (Excluding equipment leased to others.)



Research & Development

(dollars in millions)



Additionally, we continued to invest in our future. We invested in our people with over \$60 million in training and development. We invested to expand and modernize our facilities with \$2.4 billion in capital expenditures. We invested in new product innovations with over \$1.7 billion for research and development. And we restructured our organization to align more closely and effectively with our customers. At the same time, we delivered results to our shareholders—raising our dividend rate 17 percent and reaching a significant milestone with 75 consecutive years of quarterly dividend payments.

Looking ahead, projections for global growth are down dramatically everywhere, affecting practically every industry we serve. While 2009 is very difficult to forecast, we expect our sales and revenues to be around \$40 billion, plus or minus 10 percent, with profit per share of \$2.00 (\$2.50 excluding redundancy costs) at a \$40 billion sales level.

We've always been mindful that we serve highly cyclical industries. To ensure we were prepared for the next downturn, we established "trough" planning as one of the critical success factors when we introduced our enterprise strategy back in 2005. In late 2008 and early 2009, we began executing our trough plans in earnest including:

- › Reducing our workforce by about 20,000 through a combination of voluntary and involuntary separations, layoffs and the elimination of most contract, agency and temporary workers
- › Scheduling temporary plant shutdowns for most of our operations around the world and working shortened work weeks in certain regions

- › Implementing flexible order cancellations so that dealers can reduce their inventories
- › Reducing total compensation for management and support employees by up to 50 percent
- › Reducing inventory levels in line with lower physical plant volumes
- › Managing capital expenditures and discretionary expenses to balance short-term needs with long-term strategic initiatives
- › Working closely with dealers and suppliers worldwide to stay aligned for lower capacity requirements, increased efficiency and overall cost management

In addition to the significant cost-reduction efforts we are implementing in the short term, we are continuing to invest strategically for long-term growth, industry leadership and global competitiveness. And most important of all, we're keeping a heightened focus on delivering the highest quality products and services to our customers.

I know these actions disrupted the lives of our employees and their families, and I regret that we had to take these steps. But preserving the long-term viability of our company requires tough actions. This economic crisis is shaping up to be the most serious since the Great Depression—and almost certainly will be the worst recession we've experienced since the early 1980s. All of Team Caterpillar must make sacrifices to ensure the survival and future strength of our business.

Even with these challenges, I am confident in our prospects for the future. We're financially sound with an investment-grade credit rating and

Executive Office

We have realigned our 31 divisions under seven executive officers. This team is a strong, globally experienced group with broad industry and customer knowledge ready to take Caterpillar to 2010 and beyond.



Richard Lavin
Group President

Stu Levenick
Group President

Doug Oberhelman
Group President

Jim Owens
Chairman and CEO

Ed Rapp
Group President

Gérard Vittecoq
Group President

Steve Wunning
Group President

access to the capital we need to run our business. Our global manufacturing footprint is the broadest in our industry and its efficiency and cost are rapidly transforming under the Caterpillar Production System powered by 6 Sigma. We have a diverse lineup of products and services, reaching a broader customer base than ever before. The ongoing growth of our integrated services businesses, which represent 34 percent of the company's total sales and revenues, helps provide earnings stability. Our global Cat dealer organization remains strong, well-funded and a competitive advantage unmatched in our industry.

This economic downturn will not stop the world's need for better infrastructure and more energy. Caterpillar's products and services are essential for restoring economic growth globally; and when

recovery comes, we will be ready to hit the ground running. That's why we're laser focused on executing our strategy, including capital investments in our production facilities, expansion of our business in key markets, investments in new product development and training to enable our people to deliver operational excellence.

I want to thank Team Caterpillar, our dealers and suppliers for their continued commitment as we work through these unprecedented times. There are great challenges, but I have every confidence in our team and our strategy. We can meet this remarkably difficult challenge and emerge from this recession a stronger, better company.

Good companies become great companies when they face and conquer adversity. This is our chance to be great. We're not just positioned to survive

this financial downturn. We're poised to strengthen our global leadership position. Working together, Team Caterpillar can build a company that is one of the best in the world!

James W. Owens
Chairman and CEO, Caterpillar Inc.

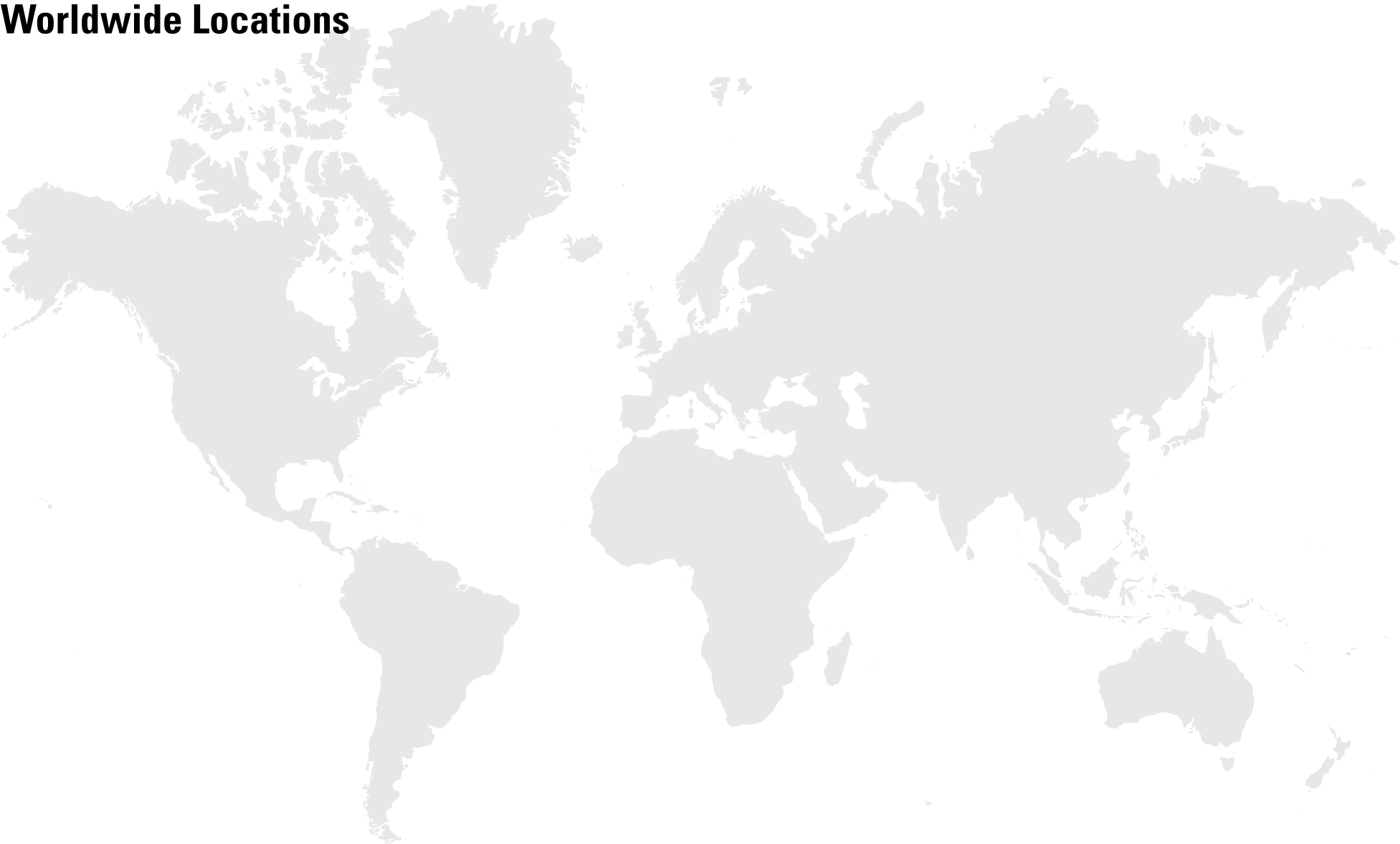
Caterpillar at a Glance

Strength to meet the challenge

Caterpillar has the people, the international presence, the leadership in industries critical to global progress, and the product and service breadth to manage through today's challenging market environment. With a passion for serving our customers and continuously improving performance, Caterpillar employees, dealers and direct suppliers are determined to make sustainable progress possible, worldwide, for the long term.



Worldwide Locations



Product Range

We will meet the challenges we face by helping customers meet the challenges *they* face. From massive to mini, world-class Cat® machines and engines match versatility and range with performance and productivity to meet virtually any need.

CAT 797B Mining Truck

CAT D11T Track-Type Tractor

CAT 216B Series 2 Skid Steer Loader





Caterpillar At a Glance



**Financial
Information**

Good companies become great companies when they face and conquer adversity

This economic downturn will not stop the world's need for better infrastructure and more energy. Caterpillar's products and services are essential for restoring economic growth globally; and when recovery comes, we will be ready to hit the ground running. We're not just positioned to survive this financial downturn. We're poised to strengthen our global leadership position. We are weathering this storm, and we will protect and strengthen our company for the best long-term interests of all our stakeholders.

Five-year Financial Summary

(dollars in millions, except per share data)

Years Ended December 31	2008	2007	2006	2005 ⁴	2004 ⁴
Sales and revenues	\$ 51,324	\$ 44,958	\$ 41,517	\$ 36,339	\$ 30,306
Sales	\$ 48,044	\$ 41,962	\$ 38,869	\$ 34,006	\$ 28,336
Percent inside the U.S.	33%	37%	46%	47%	46%
Percent outside the U.S.	67%	63%	54%	53%	54%
Revenues	\$ 3,280	\$ 2,996	\$ 2,648	\$ 2,333	\$ 1,970
Profit ^{6,7}	\$ 3,557	\$ 3,541	\$ 3,537	\$ 2,854	\$ 2,035
As a percent of sales and revenues	6.9%	7.9%	8.5%	7.9%	6.7%
Profit per common share ^{1,6,7}	\$ 5.83	\$ 5.55	\$ 5.37	\$ 4.21	\$ 2.97
Profit per common share—diluted ^{2,6,7}	\$ 5.66	\$ 5.37	\$ 5.17	\$ 4.04	\$ 2.88
Dividends declared per share of common stock	\$ 1.620	\$ 1.380	\$ 1.150	\$ 0.955	\$ 0.800
Return on average common stockholders' equity ^{3,5,7}	47.5%	45.0%	46.3%	35.9%	30.0%
Capital expenditures:					
Property, plant and equipment	\$ 2,445	\$ 1,700	\$ 1,593	\$ 1,201	\$ 926
Equipment leased to others	\$ 1,566	\$ 1,340	\$ 1,082	\$ 1,214	\$ 1,188
Depreciation and amortization	\$ 1,980	\$ 1,797	\$ 1,602	\$ 1,477	\$ 1,397
Research and development expenses	\$ 1,728	\$ 1,404	\$ 1,347	\$ 1,084	\$ 928
As a percent of sales and revenues	3.4%	3.1%	3.2%	3.0%	3.1%
Wages, salaries and employee benefits	\$ 9,076	\$ 8,331	\$ 7,512	\$ 6,928	\$ 6,025
Average number of employees	106,518	97,444	90,160	81,673	73,033

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 The per share data reflects the 2005 2-for-1 stock split.

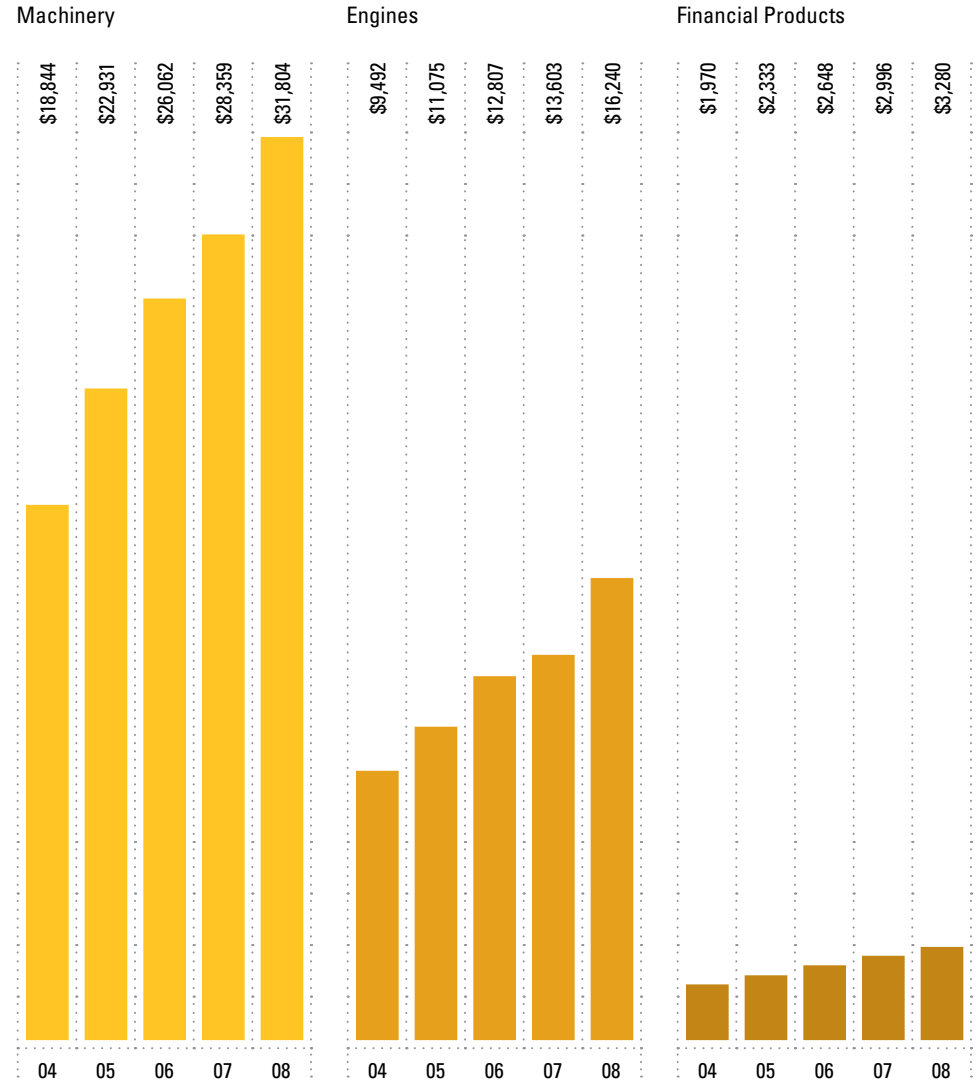
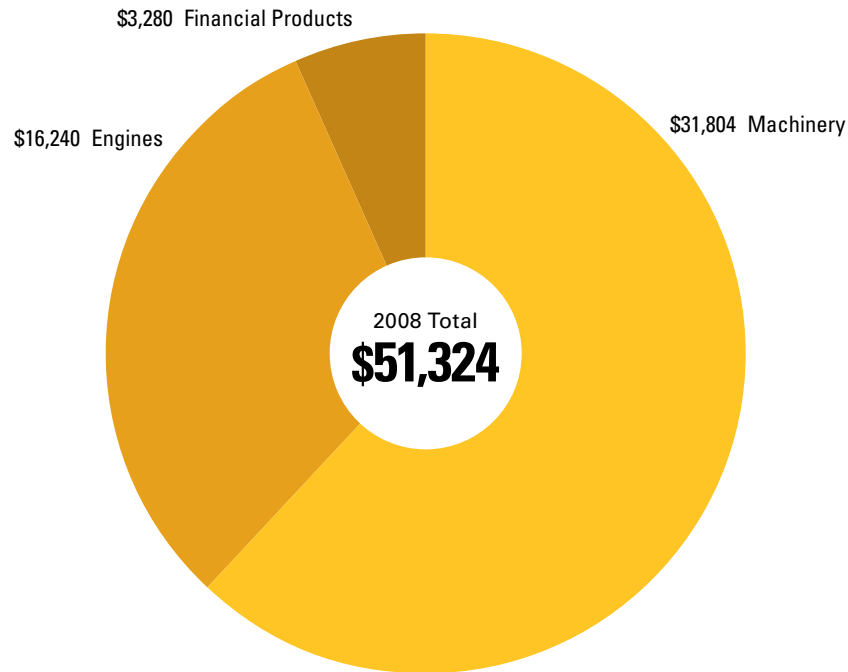
5 In 2006, we adopted the balance sheet recognition provisions of Statement of Financial Accounting Standard 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R)," which changed the manner in which we account for postemployment benefits.

6 In 2006, we adopted Statement of Financial Accounting Standard 123 (revised 2004), "Shared-Based Payment," which changed the manner in which we account for stock-based compensation.

7 In 2007, we adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109," which changed the manner in which we account for uncertain tax positions.

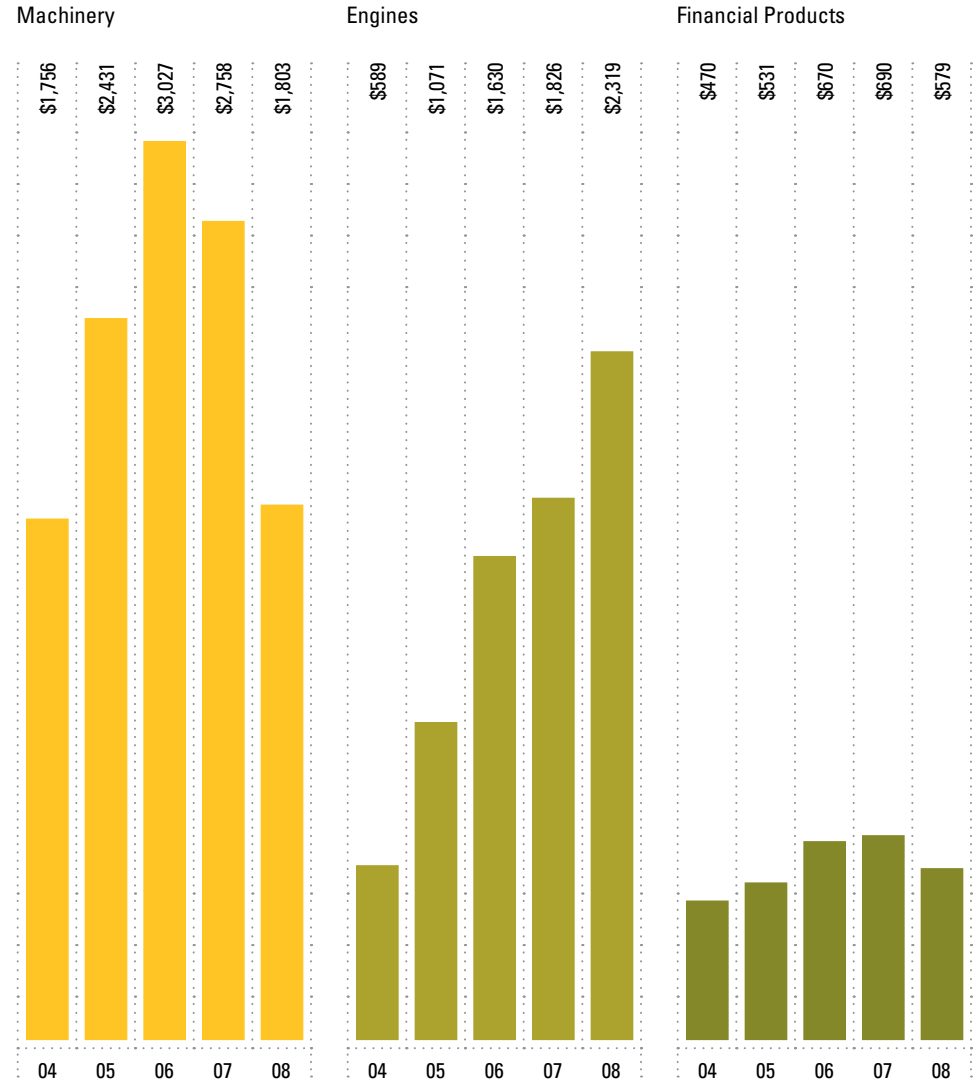
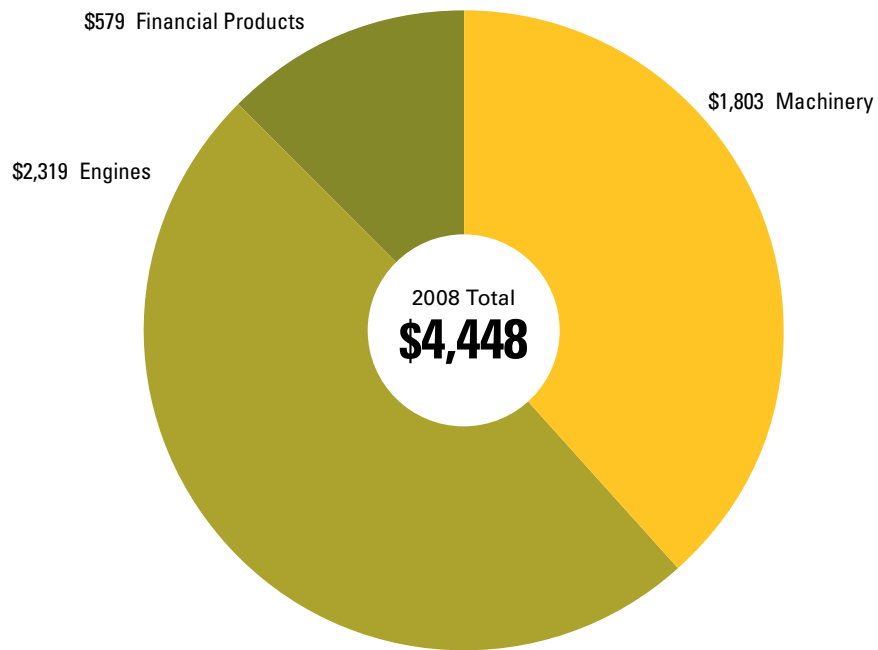
Sales & Revenues

(dollars in millions)



Operating Profit

(dollars in millions)

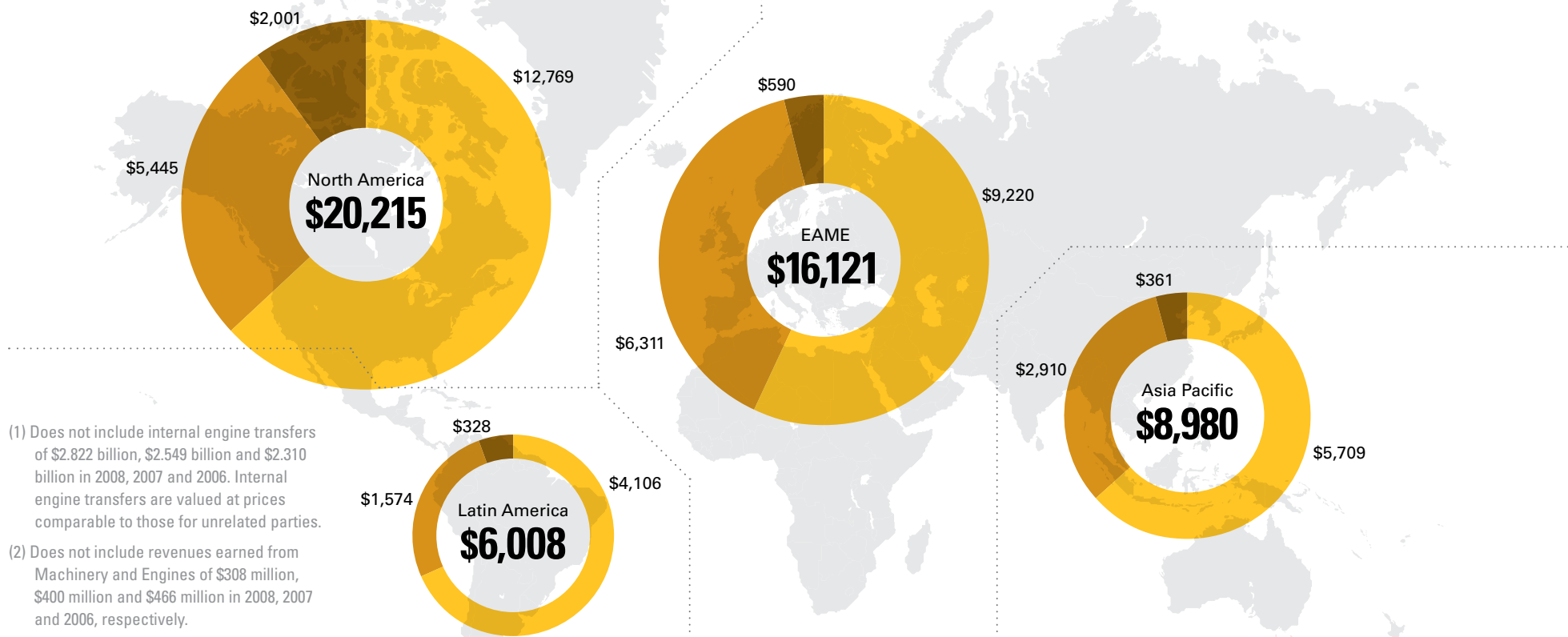


Eliminations of (\$131), (\$249), (\$406), (\$353) and (\$253) (dollars in millions) for 2004, 2005, 2006, 2007 and 2008, respectively, are required to arrive at consolidated operating profit.

Sales & Revenues by Geographic Region

(dollars in millions)

- Machinery
- Engines¹
- Financial Products²



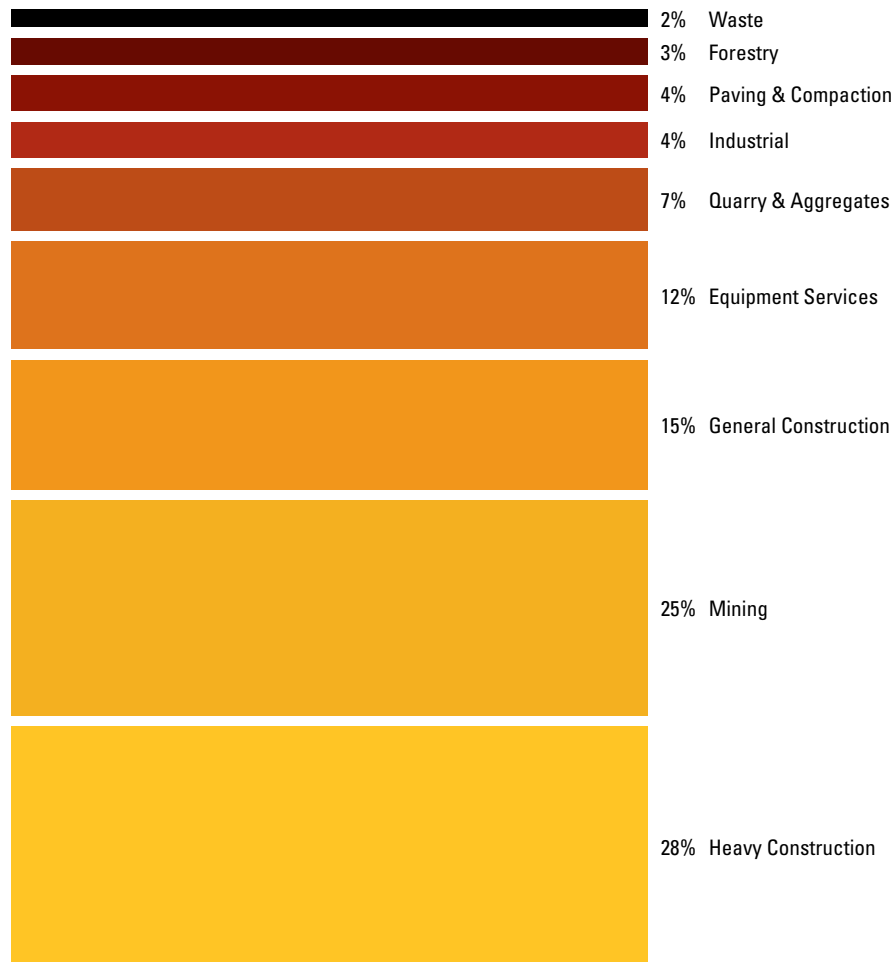
(1) Does not include internal engine transfers of \$2.822 billion, \$2.549 billion and \$2.310 billion in 2008, 2007 and 2006. Internal engine transfers are valued at prices comparable to those for unrelated parties.

(2) Does not include revenues earned from Machinery and Engines of \$308 million, \$400 million and \$466 million in 2008, 2007 and 2006, respectively.

	North America			EAME			Asia Pacific			Latin America			Total Sales & Revenues		
	08	07	06	08	07	06	08	07	06	08	07	06	08	07	06
Machinery	\$12,769	\$12,596	\$14,215	\$9,220	\$8,588	\$6,223	\$5,709	\$4,026	\$3,080	\$4,106	\$3,149	\$2,544	\$31,804	\$28,359	\$26,062
Engines	\$5,445	\$5,092	\$5,940	\$6,311	\$5,245	\$4,064	\$2,910	\$2,136	\$1,701	\$1,574	\$1,130	\$1,102	\$16,240	\$13,603	\$12,807
Financial Products	\$2,001	\$2,007	\$1,852	\$590	\$479	\$377	\$361	\$240	\$224	\$328	\$270	\$195	\$3,280	\$2,996	\$2,648
Total	\$20,215	\$19,695	\$22,007	\$16,121	\$14,312	\$10,664	\$8,980	\$6,402	\$5,005	\$6,008	\$4,549	\$3,841	\$51,324	\$44,958	\$41,517

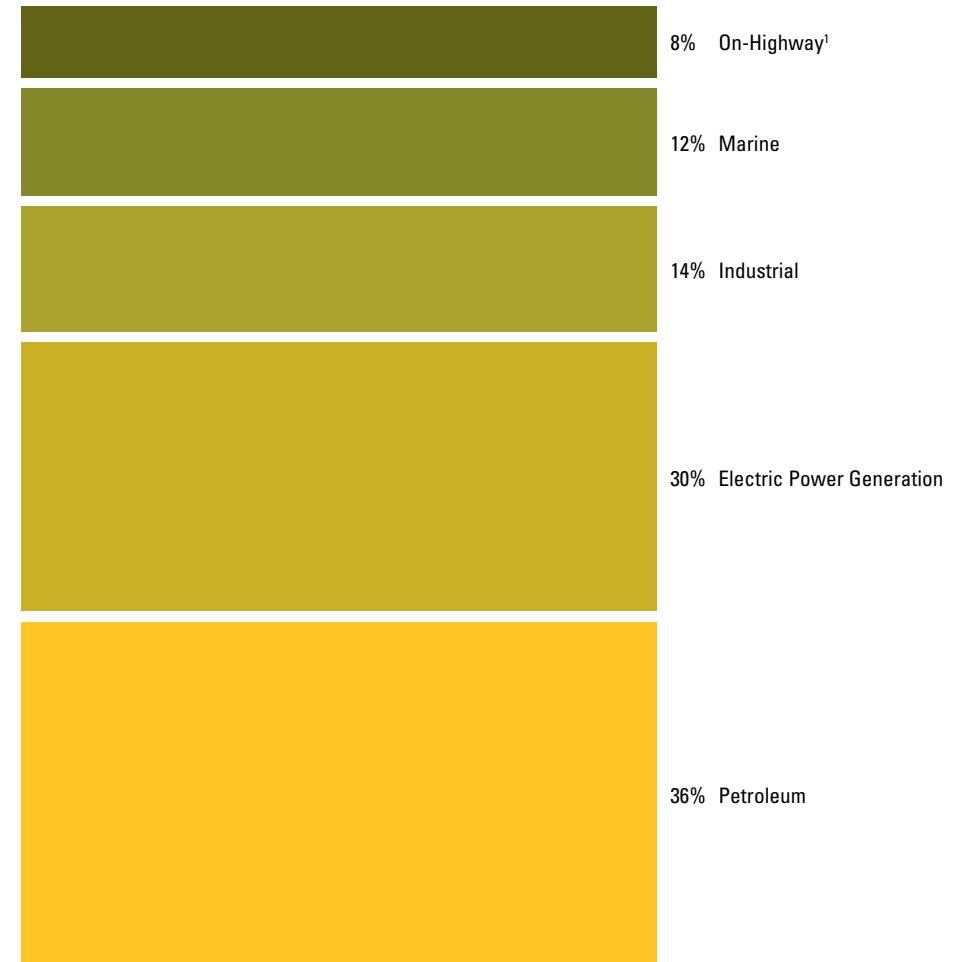
New Machinery Distribution to End Users

(2008 dealer reported worldwide distribution of Cat[®] machinery by major end use)



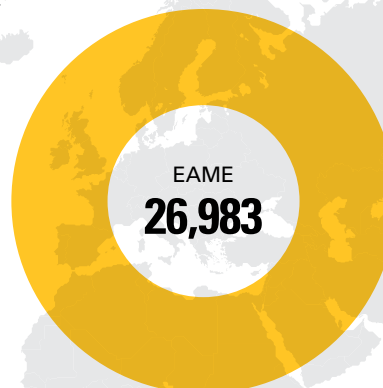
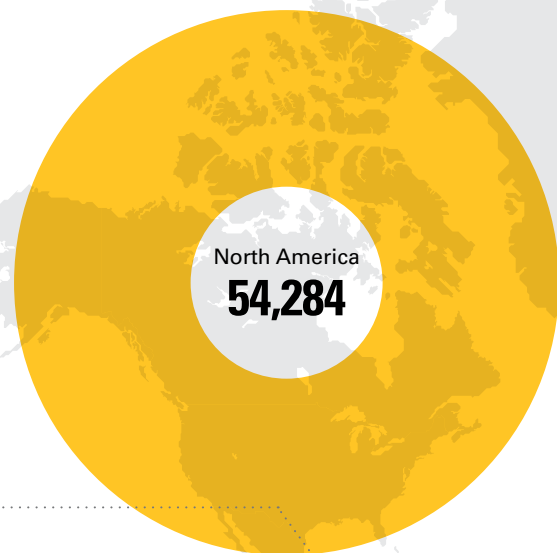
New Engine Distribution to End Users

(2008 worldwide distribution of Cat engines)



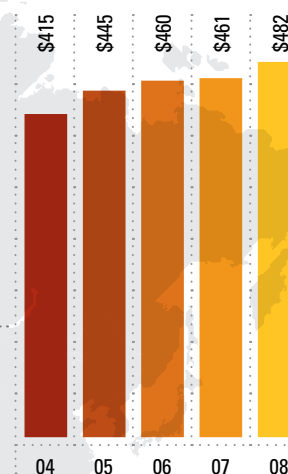
(1) In 2008 we decided to exit the on-highway engine business.

Full-Time Employees at Year-End¹



Sales & Revenues Per Employee²

(dollars in thousands)



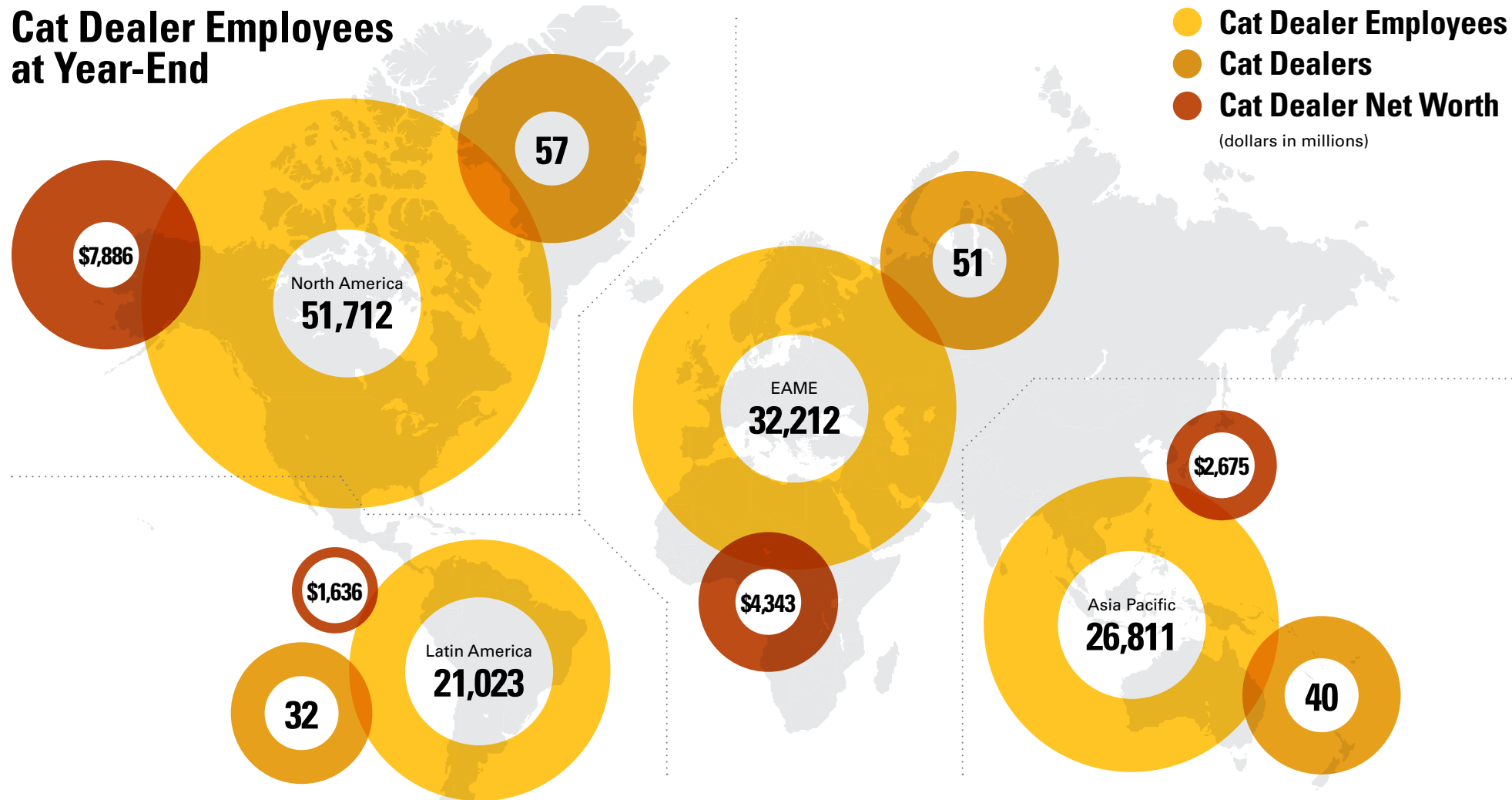
	08	07	06
Inside U.S.	53,509	50,545	48,709
Outside U.S.	59,378	50,788	45,884
Total	112,887	101,333	94,593

	08	07	06
North America	54,284	50,901	49,018
EAME	26,983	26,168	24,845
Asia Pacific	17,217	10,334	7,499
Latin America	14,403	13,930	13,231

(1) Does not include flexible workforce of agency, contract and non-Caterpillar workers.

(2) Total sales and revenues divided by average number of employees.

Cat Dealer Employees at Year-End



	North America			EAME			Asia Pacific			Latin America			Total		
	08	07	06	08	07	06	08	07	06	08	07	06	08	07	06
Cat Dealer Employees	51,712	52,583	51,530	32,212	28,796	28,611	26,811	22,518	21,620	21,023	17,465	15,647	131,758	121,362	117,408
Cat Dealers	57	58	59	51	50	50	40	40	40	32	33	33	180	181	182
Cat Dealer Net Worth	\$ 7,886	\$ 7,588	\$ 6,687	\$ 4,343	\$ 3,095	\$ 2,566	\$ 2,675	\$ 2,079	\$ 1,637	\$ 1,636	\$ 1,405	\$ 1,254	\$16,540	\$14,167	\$12,144

Patent Information

430

The number of patents awarded to Caterpillar increased for the fourth straight year, as Caterpillar has continued to increase its investment in new products and services. In 2008, over 600 employees were named on the more than 430 patents granted to Caterpillar companies worldwide.

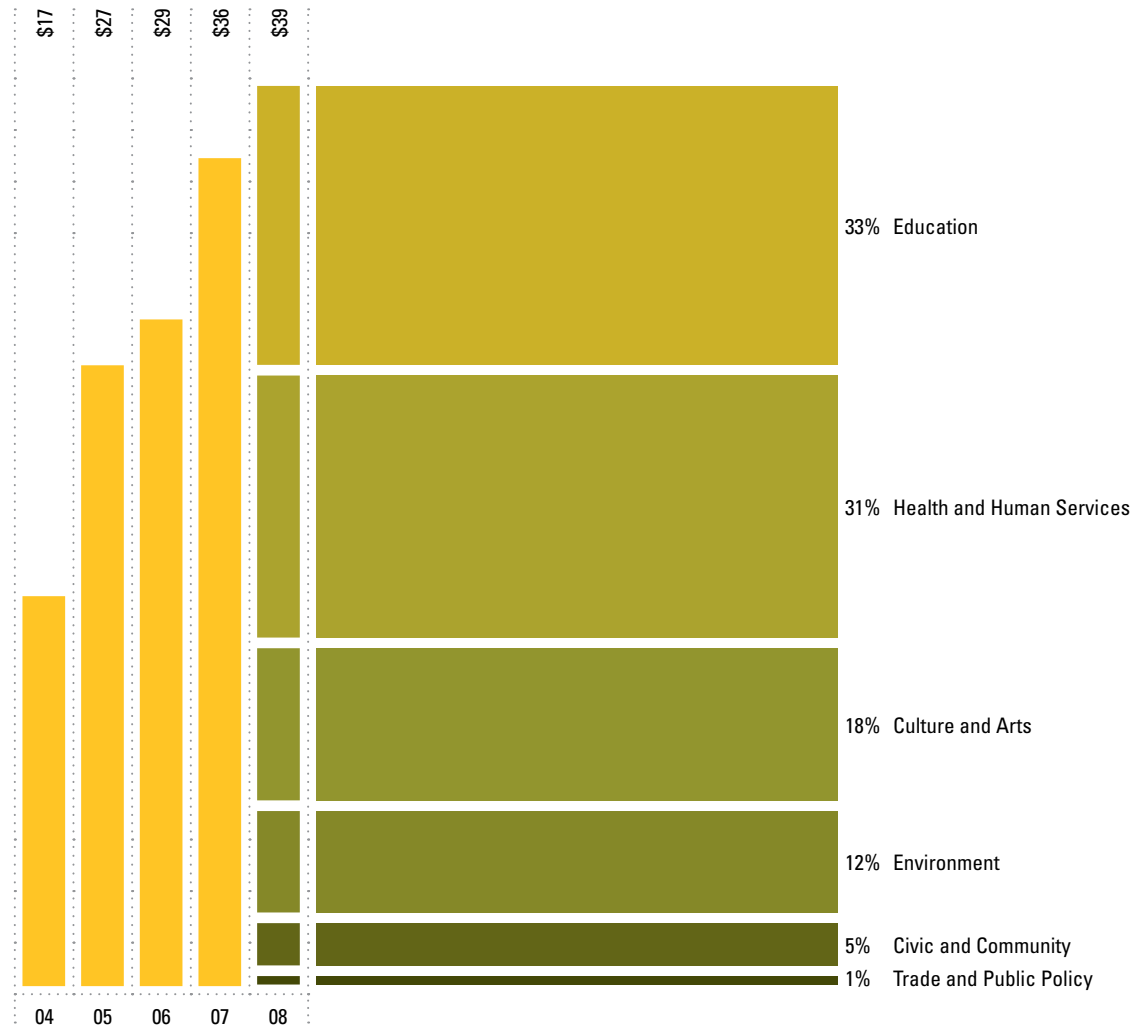
Exports from the U.S.

(dollars in millions)

Canada	\$2,172
EAME	\$6,568
Asia Pacific	\$3,834
Latin America	\$3,577

Corporate Giving

(dollars in millions)





2008 Board of Directors

(as of December 31, 2008)

W. Frank Blount 70

Chairman and CEO of JI Ventures, Inc. (venture capital). Other directorships: Alcatel-Lucent S.A.; Entergy Corporation; and KBR, Inc. Mr. Blount has been a director of the company since 1995.

Dr. John R. Brazil 63

President of Trinity University (San Antonio, Texas). Dr. Brazil has been a director of the company since 1998.

Daniel M. Dickinson 47

Managing Partner of Thayer | Hidden Creek (private equity investment). Other directorship: BFI Canada Ltd. Mr. Dickinson has been a director of the company since 2006.

John T. Dillon 70

Former Chairman and CEO of International Paper (paper and forest products). Mr. Dillon serves as Vice Chairman of Evercore Capital Partners (advisory and

investment firm) and Senior Managing Director of the firm's investment activities and private equity business. Other directorships: E.I. du Pont de Nemours and Company; Kellogg Co.; and Vertis Inc. Mr. Dillon has been a director of the company since 1997.

Eugene V. Fife 68

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. He currently serves as the non-executive Chairman of Eclipsys Corporation. Mr. Fife has been a director of the company since 2002.

Gail D. Fosler 61

President, Chief Economist and Trustee of The Conference Board (research and business membership). Prior to her current position, Ms. Fosler served as Executive Vice President, Senior Vice President and Chief Economist of The Conference Board. Other directorship: Baxter International Inc. Ms. Fosler has been a director of the company since 2003.

Juan Gallardo 61

Chairman of Grupo Embotelladoras Unidas S.A. de C.V. (bottling). Former Vice Chairman of Home Mart de Mexico, S.A. de C.V. (retail trade), former Chairman of Grupo Azucarero Mexico, S.A. de C.V. (sugar mills) and former Chairman of Mexico Fund Inc. (mutual fund). Other directorships: Grupo Mexico S.A. de C.V. and Lafarge S.A. Mr. Gallardo has been a director of the company since 1998.

David R. Goode 68

Former Chairman, President and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). Other directorships: Delta Air Lines, Inc. and Texas Instruments Incorporated. Mr. Goode has been a director of the company since 1993.

Peter A. Magowan 67

Former President and Managing General Partner of the San Francisco Giants (major league baseball team). Mr. Magowan has been a director of the company since 1993.

William A. Osborn 61

Chairman and former CEO of Northern Trust Corporation (multibank holding company) and The Northern Trust Company (bank). Other directorship: Abbott Laboratories. Mr. Osborn has been a director of the company since 2000.

James W. Owens 63

Chairman and CEO of Caterpillar Inc. (machinery, engines, and financial products). Prior to his current position, Mr. Owens served as Vice Chairman and as Group President of Caterpillar. Other directorships: Alcoa Inc. and International Business Machines Corporation. Mr. Owens has been a director of the company since 2004.

Charles D. Powell 67

Chairman of Capital Generation Partners (asset and investment management), LVMH Services Limited (luxury goods) and Magna Holdings (real estate investment). Prior to his current positions, Lord Powell was Chairman of Sagitta Asset Management Limited (asset management). Other directorships: Hongkong Land Holdings Limited; LVMH Moët-Hennessy Louis

Vuitton; Mandarin Oriental International Ltd.; Northern Trust Global Services Limited; Textron Corporation; Schindler Holding Ltd.; and Yell Group plc. Lord Powell has been a director of the company since 2001.

Edward B. Rust, Jr. 58

Chairman, President and CEO 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 directorships: Helmerich & Payne, Inc. and The McGraw-Hill Companies, Inc. Mr. Rust has been a director of the company since 2003.

Joshua I. Smith 68

Chairman and Managing Partner of the Coaching Group, LLC (management consulting). Other directorships: Comprehensive Care Corporation; Federal Express Corporation and The Allstate Corporation. Mr. Smith has been a director of the company since 1993.

Committee Membership and Officers

(as of December 31, 2008)

Audit Committee

Eugene V. Fife, Chair

John R. Brazil

John T. Dillon

William A. Osborn

Compensation Committee

David R. Goode, Chair

Daniel M. Dickinson

Edward B. Rust, Jr.

Governance Committee

W. Frank Blount, Chair

Gail D. Fosler

Peter A. Magowan

Public Policy Committee

Charles D. Powell, Chair

Juan Gallardo

Joshua I. Smith

Chairman and Chief Executive Officer

James W. Owens

Group Presidents

Richard P. Lavin

Stuart L. Levenick

Douglas R. Oberhelman

Edward J. Rapp

Gérard R. Vittecoq

Steven H. Wunning

Vice Presidents

Kent M. Adams

Financial Products

William P. Ainsworth

Progress Rail Services

Ali M. Bahaj

Caterpillar Japan

Sidney C. Banwart

Human Services

Michael J. Baunton (retiring May 2009)

Europe, Africa, Middle East Operations

Rodney C. Beeler

Marketing and Product Support Center of Excellence

Mary H. Bell

Building Construction Products

Thomas J. Bluth

Earthmoving

James B. Buda

Legal Services

David B. Burritt

Global Finance & Strategic Services

Richard J. Case

Marine & Petroleum Power

Robert B. Charter

Asia Pacific Distribution

Christopher C. Curfman

Mining

Paolo Fellin

Europe, Africa, Middle East Distribution

Steven L. Fisher

Remanufacturing

Gregory S. Folley

Core Components

Thomas A. Gales (retiring December 2009)

Americas Distribution Services

Stephen A. Gosselin

Solar Turbines Incorporated

Hans Haefeli

Advanced Systems

John S. Heller

Global Information Services

Gwenne A. Henricks

Industrial Power Systems

Stephen P. Larson

Logistics

Daniel M. Murphy

Global Purchasing

James J. Parker

Americas Distribution Services

Mark R. Pflederer

Electronics & Connected Worksite

William J. Rohner

Electric Power

Cristiano V. Schena

Europe, Africa, Middle East Operations

William F. Springer

Quarry & Specialty Industries

Gary A. Stamanato

Excavation

Gary A. Stroup

Large Power Systems

Tana L. Utley

Product Development Center of Excellence

James D. Waters

Production Center of Excellence

Robert T. Williams

Americas Operations

Jiming Zhu

Caterpillar China

General Counsel & Secretary

James B. Buda

Chief Financial Officer

David B. Burritt

Chief Human Resources Officer

Sidney C. Banwart

Chief Information Officer

John S. Heller

Chief Technology Officer

Tana L. Utley

Controller

Bradley M. Halverson

Treasurer

Kevin E. Colgan

Chief Ethics and Compliance Officer

Edward J. Scott

Chief Accounting Officer

Jananne A. Copeland

Assistant Treasurer

Robin D. Beran

Assistant Secretaries

Tinkie E. Demmin

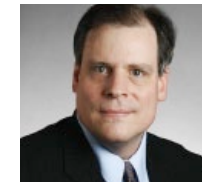
Laurie J. Huxtable

New Vice Presidents

(Effective January 1, 2009)



Robert B. Charter



Gregory S. Folley



Jiming Zhu

Supplemental Stockholder Information

STOCKHOLDER SERVICES

Registered stockholders should contact:

Stock Transfer Agent

BNY Mellon Shareowner Services
P.O. Box 358015

Pittsburgh, PA 15252-8015

Phone: (866) 203-6622 (U.S. and Canada)

(201) 680-6578 (Outside U.S. and Canada)

Hearing Impaired: (800) 231-5469

(U.S. or Canada)

(201) 680-6610 (Outside U.S. or Canada)

Internet: [www.bnymellon.com/
shareowner/isd](http://www.bnymellon.com/shareowner/isd)

Caterpillar Assistant Secretary

Laurie J. Huxtable

Caterpillar Inc.

100 N.E. Adams Street

Peoria, IL 61629-7310

Phone: (309) 675-4619

Fax: (309) 675-6620

E-mail: catshareservices@cat.com

Shares Held in Street Position

Stockholders that hold shares through a street position should contact their bank or broker with questions regarding those shares.

STOCK PURCHASE PLAN

Current stockholders and other interested investors may purchase Caterpillar Inc. common stock directly through the Investor Services Program sponsored and administered by our Transfer Agent. Current stockholders can get more information on the program from our Transfer Agent using the contact information provided above.

Non-stockholders can request program materials by calling: (866) 353-7849. The Investor Services Program materials are available on-line from our Transfer Agent's website or by following a link from www.cat.com/dspp

INVESTOR RELATIONS

Institutional analysts, portfolio managers, and representatives of financial institutions seeking additional information about the Company should contact:

Director of Investor Relations

Mike DeWalt

Caterpillar Inc.

100 N.E. Adams Street

Peoria, IL 61629-5310

Phone: (309) 675-4549

Fax: (309) 675-4457

E-mail: catir@cat.com

Internet: www.cat.com/investor

COMMON STOCK (NYSE: CAT)

Listing Information

Caterpillar common stock is listed on the New York and Chicago stock exchanges in the United States, and on stock exchanges in Belgium, France, Germany, Great Britain and Switzerland.

Compliance

For 2008, Caterpillar filed an Annual CEO Certification in compliance with New York stock exchange rules and CEO/CFO certifications in compliance with Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. These certifications are included as exhibits to our Form 10-K filing for the relevant fiscal year.

Price Ranges

Quarterly price ranges of Caterpillar common stock on the New York Stock Exchange, the principal market in which the stock is traded, were:

Quarter	2008		2007	
	High	Low	High	Low
First	\$78.63	\$59.60	\$68.43	\$57.98
Second	\$85.96	\$72.56	\$82.89	\$65.86
Third	\$75.87	\$58.11	\$87.00	\$70.59
Fourth	\$59.03	\$31.95	\$82.74	\$67.00

Number of Stockholders

Stockholders of record at year-end totaled 39,578, compared with 39,061 at the end of 2007. Approximately 60 percent of our issued shares are held by institutions and banks, 32 percent by individuals, and 8 percent by employees through company stock plans.

Caterpillar tax qualified defined contribution retirement plans held 40,114,225 shares at year-end, including 10,108,741 shares acquired during 2008. Non-U.S. employee stock purchase plans held an additional 4,909,252 shares at year-end, including 965,309 shares acquired during 2008.

Company Information

Current Information

Phone our Information Hotline: (800) 228-7717 (U.S. or Canada) or (858) 244-2080 (Outside U.S. or Canada) to request company publications by mail, listen to a summary of Caterpillar's latest financial results and current outlook, or to request a copy of results by fax or mail.

Request, view or download materials on-line or register for email alerts by visiting www.cat.com/materialsrequest

Historical Information

View/download online at www.cat.com/historical

Annual Meeting

On Wednesday, June 10, 2009, at 1:30 p.m., Central Time, the annual meeting of stockholders will be held at the Northern Trust Building, Chicago, Illinois. Proxy materials are being sent to stockholders on or about May 1, 2009.

Internet

Visit us on the Internet at www.cat.com. Information contained on our website is not incorporated by reference into this document.

Credits

PRODUCED BY
Caterpillar Corporate Public Affairs

DESIGN
VSA Partners, Inc.

PHOTOGRAPHY
Anders Thomsen, Pon Equipment
Caterpillar Television & Electronic Media Solutions
Gianluca Franchini, Photo Service
Mitch Colgan, Colgan Photographic
OAO Gazprom
Victor Molina, Solar Turbines
Stig Stasig

Trademark Information

CAT, CATERPILLAR, their respective logos, TODAY'S WORK., TOMORROW'S WORLD., "Caterpillar Yellow" and the POWER EDGE trade dress, as well as corporate and product identity used herein, are trademarks of Caterpillar and may not be used without permission. MaK is a trademark of Caterpillar Motoren GmbH & Co. KG and may not be used without permission. PROGRESS RAIL SERVICES and design is a trademark of Progress Rail Services Corporation and may not be used without permission. SOLAR, as well as corporate and product identity used herein, are trademarks of Solar Turbines Incorporated and may not be used without permission. PERKINS, the "square and circles" design and "Perkins Blue" are trademarks of Perkins Holdings Limited and may not be used without permission. FG WILSON and the "globe" design are trademarks of FG WILSON (Engineering) Limited and may not be used without permission.

Safe Harbor Statement

Certain statements in this report relate to future events and expectations that constitute forward-looking statements involving known and unknown factors that may cause actual results of Caterpillar Inc. to be different from those expressed or implied in the forward-looking statements. In this context, words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "will" or other similar words and phrases often identify forward-looking statements. Actual results of the company may differ materially from those described or implied by such forward-looking statements based on a number of factors and uncertainties, including, but not limited to, changes in economic, political or competitive conditions; market acceptance of the company's products and services; changes in law, regulations and tax rates; and other general economic, business and financing conditions and factors described in more detail in the company's filings with the Securities and Exchange Commission, included in its year-end report on Form 10-K filed on February 20, 2009. We do not undertake to update our forward-looking statements.

© 2009 Caterpillar
All Rights Reserved
Incorporated in Delaware
An equal opportunity employer

WWW.CAT.COM

Peoria, IL 61629
(309) 675-1000
YECX0021