UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

CATERPILLAR®

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission File Number: 1-768

CATERPILLAR INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	37-0602744 (IRS Employer I.D. No.)
100 NE Adams Street, Peoria, Illinois (Address of principal executive offices)	61629 (Zip Code)

Registrant's telephone number, including area code:
(309) 675-1000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __.

At September 30, 2002, 344,181,672 shares of common stock of the Registrant were outstanding.

This summary page highlights selected information and may not contain all of the information that is important to you. For a detailed analysis of the company's results for the third quarter, you should read the entire document.

SUMMARY OF RESULTS

On October 16, 2002, Caterpillar Inc. reported sales and revenues of $5.08 billion and profit of $213 million or 61 cents per share for the third quarter 2002. Through the third quarter of the year, sales and revenues were $14.78 billion and profit was $493 million or $1.42 per share.

Sales and revenues for the quarter were $19 million above third quarter 2001, primarily due to a 2 percent increase in Financial Products revenues. Profit for the third quarter was $8 million higher than last year primarily due to lower income taxes. Profit before tax was down $12 million, as the favorable impact of improved price realization was more than offset by lower volume, particularly in large reciprocating engines and coal mining equipment.

"We have been putting into place the building blocks that will allow us to remain profitable at the bottom of the business cycle. And it is working. There is no doubt we are in an extended downturn and uncertainty about a recovery continues, yet we are delivering a solid profit. Intense focus has resulted in significantly improved machinery and engines cash flow, especially through lower capital expenditures. We have also benefited from cost reduction including lower employment levels while continuing to invest in new technologies," said Chairman and CEO Glen Barton.

Machinery and engine sales overall were about the same as last year. Sales were significantly higher in Asia/Pacific in the third quarter, with very strong growth in China. Sales in Europe, Africa and the Middle East were also higher mainly due to a sharp increase in sales of large engines. These increases offset declines in North America and Latin America. Sharply higher truck and bus engine sales, as well as higher sales in the heavy construction and quarry and aggregates industries, offset declines in electric power generation, coal mining and general construction.

"Our outlook for the year remains unchanged. However, near-term political and economic uncertainty could impact our fourth quarter results," continued Barton. "We are performing substantially better than we did during the early nineties. Our strategies are serving us well."

Caterpillar continues to focus on its ongoing strategy for cost reduction and improved cash flow, while investing in critical projects for future growth. For example, the company continues to invest in ACERT technology, which will allow Caterpillar to meet current emission standards while providing a line of sight to achieving future standards for both on-highway and off-highway applications. In all cases the company is leveraging the discipline of 6 Sigma to deliver bottom line benefits.

OUTLOOK

The company still expects sales and revenues for the year to be down slightly with full-year profit down about 15 percent from last year, excluding nonrecurring charges recorded in 2001. However, uncertain near-term political and economic conditions make the remainder of the year more difficult than normal to predict. Our full-year projections include the impact of a sharp drop in on-highway truck engine sales in the fourth quarter of 2002 following artificially strong third quarter truck engine demand caused by truck fleets pre-buying ahead of the October emissions deadline. North American heavy-duty truck manufacturers have experienced a sharp drop in incoming orders that will impact demand for our engines in the fourth quarter. Despite the fact that our certified engines will generate non-compliance penalties (NCPs) mandated by the EPA, we expect the financial impact on Caterpillar resulting from NCPs to be minimal for the year. (Complete outlook begins on page 17.)

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Caterpillar Inc.
Statement of Results of Operations
(Unaudited)
(Dollars in millions except per share data)

	Consolidated Three Months Ended September 30,		Supplemental Consolidating Data: Machinery & Engines [1] Three Months Ended September 30,		Supplemental Consolidating Data: Financial Products Three Months Ended September 30,	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
Sales and revenues:						
Sales of Machinery and Engines	$ 4,700	$ 4,699	$ 4,700	$ 4,699	$ -	$ -
Revenues of Financial Products	375	357	-	-	426	417
Total sales and revenues	5,075	5,056	4,700	4,699	426	417
Operating costs:						
Cost of goods sold	3,690	3,669	3,690	3,669	-	-
Selling, general, and administrative expenses	646	638	559	557	106	92
Research and development expenses	167	167	167	167	-	-
Interest expense of Financial Products	135	161	-	-	140	167
Other operating expenses	108	80	-	-	108	80
Total operating costs	4,746	4,715	4,416	4,393	354	339
Operating profit	329	341	284	306	72	78
Interest expense excluding Financial Products	66	69	66	69	-	-
Other income (expense)	20	23	(31)	(54)	24	34
Consolidated profit before taxes	283	295	187	183	96	112
Provision for income taxes	71	94	37	51	34	43
Profit of consolidated companies	212	201	150	132	62	69
Equity in profit (loss) of unconsolidated affiliated companies (Note 7)	1	4	(1)	2	2	2
Equity in profit of Financial Products' subsidiaries	-	-	64	71	-	-
Profit	$ 213	$ 205	213	$ 205	$ 64	$ 71

Profit per common share	$ 0.62	$ 0.60
Profit per common share - diluted [2]	$ 0.61	$ 0.59
Weighted-average common shares	344.2	343.3
Weighted-average common shares - diluted [2]	346.2	347.5
Cash dividends paid per common share	$ 0.35	$ 0.35

[1] Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.

[2] Diluted by assumed exercise of stock options, using the treasury stock method.

The supplemental consolidating data is presented for the purpose of additional analysis. Transactions between Machinery & Engines and Financial Products have been eliminated to arrive at the consolidated data.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Statement of Results of Operations
(Unaudited)
(Dollars in millions except per share data)

	Consolidated Nine Months Ended September 30, 2002	Consolidated Nine Months Ended September 30, 2001	Supplemental Consolidating Data: Machinery & Engines [1] Nine Months Ended September 30, 2002	Machinery & Engines [1] 2001	Supplemental Consolidating Data: Financial Products Nine Months Ended September 30, 2002	Financial Products 2001
Sales and revenues:						
Sales of Machinery and Engines	$ 13,659	$ 14,292	$ 13,659	$ 14,292	$ -	$ -
Revenues of Financial Products	1,116	1,062	-	-	1,247	1,230
Total sales and revenues	14,775	15,354	13,659	14,292	1,247	1,230
Operating costs:						
Cost of goods sold	10,751	11,086	10,751	11,086	-	-
Selling, general, and administrative expenses	1,915	1,914	1,654	1,679	317	267
Research and development expenses	524	506	524	506	-	-
Interest expense of Financial Products	393	518	-	-	406	542
Other operating expenses	300	222	-	-	300	222
Total operating costs	13,883	14,246	12,929	13,271	1,023	1,031
Operating profit	892	1,108	730	1,021	224	199
Interest expense excluding Financial Products	206	222	206	222	-	-
Other income (expense)	13	46	(44)	(130)	(5)	64
Consolidated profit before taxes	699	932	480	669	219	263
Provision for income taxes	196	297	116	199	80	98
Profit of consolidated companies	503	635	364	470	139	165
Equity in profit (loss) of unconsolidated affiliated companies (Note 7)	(10)	3	(16)	(2)	6	5
Equity in profit of Financial Products' subsidiaries	-	-	145	170	-	-
Profit	$ 493	$ 638	$ 493	$ 638	$ 145	$ 170

	2002	2001
Profit per common share	$ 1.43	$ 1.86
Profit per common share - diluted [2]	$ 1.42	$ 1.84
Weighted-average common shares	343.9	343.3
Weighted-average common shares - diluted [2]	347.2	347.2
Cash dividends paid per common share	$ 1.05	$ 1.03

[1] Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.

[2] Diluted by assumed exercise of stock options, using the treasury stock method.

The supplemental consolidating data is presented for the purpose of additional analysis. Transactions between Machinery & Engines and Financial Products have been eliminated to arrive at the consolidated data.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Statement of Changes in Stockholders' Equity
For the Nine Months Ended
(Unaudited)
(Dollars in millions)

	Consolidated			
	September 30, 2002		September 30, 2001	
Common stock:				
Balance at beginning of period	$ (1,653)		$ (1,628)	
Common shares issued, including treasury shares reissued: 09/30/02 - 805,228; 09/30/01 - 797,122	16		15	
Treasury shares purchased: 09/30/02 - 0; 09/30/01 - 937,000	-		(43)	
Balance at end of period	(1,637)		(1,656)	
Profit employed in the business:				
Balance at beginning of period	7,533		7,205	
Profit	493	$ 493	638	$ 638
Dividends declared	(241)		(237)	
Balance at end of period	7,785		7,606	
Accumulated other comprehensive income (net of tax):				
Foreign currency translation adjustment:				
Balance at beginning of period	(17)		55	
Aggregate adjustment for period	79	79	(71)	(71)
Balance at end of period	62		(16)	
Minimum pension liability adjustment:				
Balance at beginning of period	(202)		(32)	
Aggregate adjustment for period	(1)	(1)	4	4
Balance at end of period	(203)		(28)	
Derivative financial instruments: (Note 10)				
Balance at beginning of period	(26)		-	
Gains (losses) deferred during period	3	3	(42)	(42)
(Gains) losses reclassified to earnings	27	27	13	13
Balance at end of period	4		(29)	
Available-for-sale securities: (Note 9)				
Balance at beginning of period	(24)		-	
Gains (losses) deferred during period	(36)	(36)	-	
(Gains) losses reclassified to earnings	27	27	-	
Balance at end of period	(33)		-	
Comprehensive income		$ 592		$ 542
Stockholders' equity at end of period	$ 5,978		$ 5,877	

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Statement of Financial Position*
(Dollars in millions)

	Consolidated		Supplemental Consolidating Data: Machinery & Engines [1]		Supplemental Consolidating Data: Financial Products	
Assets	Sep 30, 2002	Dec 31, 2001	Sep 30, 2002	Dec 31, 2001	Sep 30, 2002	Dec 31, 2001
Current assets:						
Cash and short-term investments	$ 445	$ 400	$ 225	$ 251	$ 220	$ 149
Receivables - trade and other	2,868	2,592	2,216	2,170	1,333	1,182
Receivables - finance	6,667	5,849	-	-	6,667	5,849
Deferred and refundable income taxes	441	423	436	381	5	42
Prepaid expenses	1,280	1,211	1,282	1,220	8	8
Inventories (Note 4)	3,084	2,925	3,084	2,925	-	-
Total current assets	14,785	13,400	7,243	6,947	8,233	7,230
Property, plant and equipment - net	6,810	6,603	4,850	5,019	1,960	1,584
Long-term receivables - trade and other	56	55	56	55	-	-
Long-term receivables - finance	6,320	6,267	-	-	6,320	6,267
Investments in unconsolidated affiliated companies (Note 7)	751	787	402	460	349	327
Investments in Financial Products' subsidiaries	-	-	1,878	1,662	-	-
Deferred income taxes	834	938	924	999	12	13
Intangible assets (Note 5)	304	274	299	271	5	3
Goodwill (Note 5)	1,402	1,397	1,402	1,397	-	-
Other assets	1,112	936	611	465	501	471
Total assets	$ 32,374	$ 30,657	$ 17,665	$ 17,275	$ 17,380	$ 15,895
Liabilities						
Current liabilities:						
Short-term borrowings	$ 2,021	$ 2,180	$ 65	$ 219	$ 2,180	$ 2,164
Accounts payable	2,410	2,123	2,445	2,210	169	166
Accrued expenses	1,521	1,419	841	854	686	593
Accrued wages, salaries, and employee benefits	1,242	1,292	1,227	1,276	15	16
Dividends payable	-	120	-	120	-	-
Deferred and current income taxes payable	7	11	7	(29)	-	40
Deferred liability	-	-	-	-	257	298
Long-term debt due within one year	3,303	3,131	267	73	3,036	3,058
Total current liabilities	10,504	10,276	4,852	4,723	6,343	6,335
Long-term debt due after one year	12,435	11,291	3,410	3,492	9,025	7,799
Liability for postemployment benefits	3,065	3,103	3,065	3,103	-	-
Deferred income taxes and other liabilities	392	376	360	346	134	99
Total liabilities	26,396	25,046	11,687	11,664	15,502	14,233
Stockholders' equity						
Common stock of $1.00 par Authorized shares: 900,000,000 Issued shares: (09/30/02 - 407,447,312; 12/31/01 - 407,447,312) at paid in amount	1,035	1,043	1,035	1,043	835	801
Profit employed in the business	7,785	7,533	7,785	7,533	1,190	1,046
Accumulated other comprehensive income	(170)	(269)	(170)	(269)	(147)	(185)
Treasury stock (09/30/02 - 63,265,640; 12/31/01 - 64,070,868) at cost	(2,672)	(2,696)	(2,672)	(2,696)	-	-
Total stockholders' equity	5,978	5,611	5,978	5,611	1,878	1,662
Total liabilities and stockholders' equity	$ 32,374	$ 30,657	$ 17,665	$ 17,275	$ 17,380	$ 15,895

[1] Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.

*** Unaudited except for Consolidated December 31, 2001 amounts.**

The supplemental consolidating data is presented for the purpose of additional analysis. Transactions between Machinery & Engines and Financial Products have been eliminated to arrive at the consolidated data.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Statement of Cash Flow for the Nine months ended
(Unaudited)
(Dollars in millions)

	Consolidated September 30, 2002	Consolidated September 30, 2001	Supplemental Consolidating Data: Machinery & Engines [1] September 30, 2002	Machinery & Engines [1] September 30, 2001	Financial Products September 30, 2002	Financial Products September 30, 2001
Cash flow from operating activities:						
Profit	$ 493	$ 638	$ 493	$ 638	$ 145	$ 170
Adjustments for non-cash items:						
Depreciation and amortization	910	872	596	636	314	236
Profit of Financial Products	-	-	(145)	(170)	-	-
Other	131	142	(3)	112	121	(9)
Changes in assets and liabilities:						
Receivables - trade and other	(147)	63	20	81	(132)	34
Inventories	(159)	(208)	(159)	(208)	-	-
Accounts payable and accrued expenses	322	(28)	231	(141)	46	105
Other - net	(190)	24	(142)	(2)	(41)	42
Net cash provided by operating activities	1,360	1,503	891	946	453	578
Cash flow from investing activities:						
Capital expenditures - excluding equipment leased to others	(498)	(686)	(473)	(668)	(25)	(18)
Expenditures for equipment leased to others	(762)	(608)	-	(24)	(762)	(584)
Proceeds from disposals of property, plant and equipment	360	264	43	25	317	239
Additions to finance receivables	(11,323)	(12,463)	-	-	(11,323)	(12,463)
Collection of finance receivables	8,652	9,258	-	-	8,652	9,258
Proceeds from the sale of finance receivables	1,995	2,437	-	-	1,995	2,437
Net intercompany borrowings	-	-	(5)	74	26	80
Investments and acquisitions (net of cash acquired)	(290)	(396)	(23)	(109)	(267)	(287)
Other - net	(41)	(72)	(19)	4	(56)	(84)
Net cash used for investing activities	(1,907)	(2,266)	(477)	(698)	(1,443)	(1,422)
Cash flow from financing activities:						
Dividends paid	(361)	(354)	(361)	(354)	-	(5)
Common stock issued, including treasury shares reissued	8	5	8	5	34	7
Treasury shares purchased	-	(43)	-	(43)	-	-
Net intercompany borrowings	-	-	(26)	(80)	5	(74)
Proceeds from long-term debt issued	3,855	3,272	248	629	3,607	2,643
Payments on long-term debt	(2,772)	(2,494)	(194)	(349)	(2,578)	(2,145)
Short-term borrowings - net	(165)	273	(154)	(146)	(11)	419
Net cash provided by (used for) financing activities	565	659	(479)	(338)	1,057	845
Effect of exchange rate on cash	27	2	39	(13)	4	-
Increase (Decrease) in cash and short-term investments	45	(102)	(26)	(103)	71	1
Cash and short-term investments at beginning of period	400	334	251	206	149	128
Cash and short-term investments at end of period	$ 445	$ 232	$ 225	$ 103	$ 220	$ 129

[1] Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.

The supplemental consolidating data is presented for the purpose of additional analysis. Transactions between Machinery & Engines and Financial Products have been eliminated to arrive at the consolidated data.

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

1. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of (a) the consolidated results of operations for the three- and nine-month periods ended September 30, 2002 and 2001, (b) the changes in stockholders' equity for the nine-month periods ended September 30, 2002 and 2001, (c) the consolidated financial position at September 30, 2002 and December 31, 2001, and (d) the consolidated statement of cash flow for the nine-month periods ended September 30, 2002 and 2001, have been made. Certain amounts for prior periods have been reclassified to conform to the current period financial statement presentation.

2. The results for the three- and nine-month periods ended September 30, 2002 are not necessarily indicative of the results for the entire year 2002.

3. The company has reviewed the status of its environmental and legal contingencies and believes that there are no material changes from that disclosed in Form 10-K for the year ended December 31, 2001, with the following exception.

   On May 7, 2002, International Truck and Engine Corporation commenced an action against Caterpillar that alleges we breached various aspects of a long-term agreement term sheet. Caterpillar filed an answer denying International's claims and has filed a counterclaim seeking a declaration that the term sheet has effectively been terminated. The company denies International's claims and will vigorously contest them. The company further believes that final resolution of this matter will not have a material impact on our financial statements.

4. Inventories

Inventories (principally "last-in, first-out" method) comprise the following:

	(unaudited) Sep 30, 2002	Dec 31, 2001
Raw materials and work-in-process	$ 1,298	$ 1,085
Finished goods	1,603	1,658
Supplies	183	182
Total inventories	$ 3,084	$ 2,925

5. Intangible Assets and Goodwill

As of September 30, 2002, total intangible assets were $304. This included $212 of pension-related intangible assets. The remaining $92 represents the net carrying value of intellectual property. The gross carrying amount of the intellectual property was $116 with accumulated amortization of $24. Amortization expense for the three and nine months ended September 30, 2002 was $2 and $7, respectively. Amortization expense related to intangible assets is expected to be:

2002	2003	2004	2005	2006
$ 11	$ 11	$ 11	$ 9	$ 8

During the three and nine months ended September 30, 2002, no goodwill was acquired, impaired or disposed. Goodwill amortization expense for the three and nine months ended September 30, 2001 was $21 and $63, respectively. Excluding goodwill amortization expense, profit for the three and nine months ended September 30, 2001 was $219 and $681, respectively.

6. Future Accounting Changes

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS 143, we will adopt this new accounting standard on January 1, 2003. We believe the adoption of SFAS 143 will not have a material impact on our financial statements.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies the guidance of the Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS 146 requires that a liability for a cost that is associated with an exit or disposal activity be recognized when the liability is incurred. SFAS 146 also establishes that fair value is the objective for the initial measurement of the liability. The provisions of SFAS 146 are required for exit or disposal activities that are initiated after December 31, 2002. We will adopt SFAS 146 on October 1, 2002. Its adoption will not have any impact on our financial statements.

In October 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 147 (SFAS 147), "Acquisitions of Certain Financial Institutions." SFAS 147 requires that the guidance provided by SFAS 141 "Business Combinations," SFAS 142 "Goodwill and Other Intangible Assets" and SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" will apply to acquisitions of financial institutions (previously covered under special industry guidance). The transition provisions of SFAS 147 are effective on October 1, 2002. The adoption of SFAS 147 will not have any impact on our financial statements.

7. Unconsolidated Affiliated Companies

The company's investment in affiliated companies accounted for by the equity method consists primarily of a 50% interest in Shin Caterpillar Mitsubishi Ltd. in Japan. Combined financial information of the unconsolidated affiliated companies accounted for using the equity method (generally on a three month lag, i.e. SCM results reflect the periods ending June 30) was as follows:

Results of Operations (unaudited)

	Three Months Ended		Nine Months Ended	
	Sep 30, 2002	**Sep 30, 2001**	**Sep 30, 2002**	**Sep 30, 2001**
Sales	$ 651	$ 623	$ 1,920	$ 1,953
Cost of sales	520	496	1,528	1,540
Gross profit	$ 131	$ 127	$ 392	$ 413
Profit (loss)	$ 0	$ 10	$ (21)	$ 8
Caterpillar's profit (loss)	$ 1	$ 4	$ (10)	$ 3

Financial Position

	(unaudited) **Sep 30, 2002**	**Dec 31, 2001**
Assets:		
Current assets	$ 1,459	$ 1,451
Property, plant and equipment - net	1,180	986
Other	487	290
	3,126	2,727
Liabilities:		
Current liabilities	1,183	1,257
Long-term debt due after one year	814	414
Other liabilities	295	281
	2,292	1,952
Ownership	$ 834	$ 775
Caterpillar's investment in unconsolidated affiliated companies		
Investment in equity method companies	$ 442	$ 437
Plus: Investment in cost method companies	309	350
Total investment in unconsolidated affiliated companies	$ 751	$ 787

8. Segment Information

Caterpillar is organized based on a decentralized structure that has established accountabilities to continually improve business focus and increase our ability to react quickly to changes in both the global business cycle and competitors' actions. Our current structure uses a product, geographic matrix organization comprised of multiple profit center and service center divisions.

We have developed an internal measurement system, which is not based on generally accepted accounting principles (GAAP), that is intended to motivate desired behavior and drive performance rather than measure a division's contribution to enterprise results. It is the comparison of actual results to budgeted results that makes our internal reporting valuable to management. Consequently, we believe that segment disclosure based on Statement of Financial Accounting Standards No. 131 (SFAS 131) "Disclosures about Segments of an Enterprise and Related Information" has limited value to our external readers. As a result, in addition to the required SFAS 131 compliant segment information presented below, we are continuing to disclose GAAP-based financial results for our three lines of business (Machinery, Engines, and Financial Products) in our Management's Discussion and Analysis beginning on page 13.

Business Segments
(unaudited)
Three months ended September 30,

2002	Asia Pacific Marketing	Construction & Mining Products	EAME Marketing	Financial & Insurance Services	Latin America Marketing	Power Products	North America Marketing	All Other	Total
External sales and revenues	$ 417	$ 64	$ 724	$ 446	$ 287	$ 1,589	$ 1,291	$ 314	$ 5,132
Intersegment sales and revenues	1	1,520	420	-	37	1,112	41	486	3,617
Total sales and revenues	$ 418	$ 1,584	$ 1,144	$ 446	$ 324	$ 2,701	$ 1,332	$ 800	$ 8,749
Accountable profit (loss)	$ 31	$ 48	$ 23	$ 64	$ 14	$ 51	$ 17	$ 99	$ 347
Accountable assets at September 30, 2002	$ 424	$ 2,331	$ 884	$ 16,959	$ 528	$ 4,051	$ 1,687	$ 2,374	$ 29,238

2001	Asia Pacific Marketing	Construction & Mining Products	EAME Marketing	Financial & Insurance Services	Latin America Marketing	Power Products	North America Marketing	All Other	Total
External sales and revenues	$ 341	$ 66	$ 691	$ 439	$ 357	$ 1,482	$ 1,446	$ 298	$ 5,120
Intersegment sales and revenues	2	1,740	411	-	35	1,260	47	455	3,950
Total sales and revenues	$ 343	$ 1,806	$ 1,102	$ 439	$ 392	$ 2,742	$ 1,493	$ 753	$ 9,070
Accountable profit (loss)	$ 8	$ 111	$ 21	$ 118	$ 25	$ 72	$ (6)	$ 64	$ 413
Accountable assets at December 31, 2001	$ 441	$ 2,450	$ 826	$ 15,437	$ 587	$ 3,946	$ 1,369	$ 2,463	$ 27,519

Business Segments
(unaudited)
Nine months ended September 30,

2002	Asia Pacific Marketing	Construction & Mining Products	EAME Marketing	Financial & Insurance Services	Latin America Marketing	Power Products	North America Marketing	All Other	Total
External sales and revenues	$ 1,170	$ 169	$ 2,053	$ 1,311	$ 942	$ 4,209	$ 4,204	$ 875	$ 14,933
Intersegment sales and revenues	3	5,015	1,325	-	128	2,992	122	1,449	11,034
Total sales and revenues	$ 1,173	$ 5,184	$ 3,378	$ 1,311	$ 1,070	$ 7,201	$ 4,326	$ 2,324	$ 25,967
Accountable profit (loss)	$ 73	$ 259	$ 100	$ 205	$ 51	$ (9)	$ 57	$ 232	$ 968

2001	Asia Pacific Marketing	Construction & Mining Products	EAME Marketing	Financial & Insurance Services	Latin America Marketing	Power Products	North America Marketing	All Other	Total
External sales and revenues	$ 1,015	$ 170	$ 2,135	$ 1,289	$ 1,030	$ 4,253	$ 4,702	$ 890	$ 15,484
Intersegment sales and revenues	8	5,581	1,417	-	106	3,477	180	1,435	12,204
Total sales and revenues	$ 1,023	$ 5,751	$ 3,552	$ 1,289	$ 1,136	$ 7,730	$ 4,882	$ 2,325	$ 27,688
Accountable profit (loss)	$ 26	$ 426	$ 122	$ 263	$ 50	$ 123	$ 87	$ 185	$ 1,282

Reconciliation of Profit Before Tax	(unaudited)			
	Three months ended		Nine months ended	
	Sep 30, 2002	Sep 30, 2001	Sep 30, 2002	Sep 30, 2001
Total accountable profit from business segments	$ 347	$ 413	$ 968	$ 1,282
Methodology differences	(22)	(68)	(130)	(166)
Corporate costs	(46)	(72)	(163)	(214)
Other	4	22	24	30
Total consolidated profit before tax	$ 283	$ 295	$ 699	$ 932

9. Available-For-Sale Securities

Caterpillar Insurance Holdings, Inc. and Caterpillar Investment Management, Ltd. had investments in certain debt and equity securities at September 30, 2002 that have been classified as available-for-sale in accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115) and recorded at fair value based upon quoted market prices. Gains and losses arising from the revaluation of available-for-sale securities are included, net of applicable deferred income taxes, in equity ("Accumulated other comprehensive income" in the Statement of Financial Position). Realized gains and losses on sales of investments are determined using the specific identification method for debt instruments and the FIFO method for equity securities.

	(unaudited) September 30, 2002		
	Cost Basis	Pre-tax Net Gains (Losses)	Fair Value
Government debt	$ 72	$ 1	$ 73
Corporate bonds	208	1	209
Equity securities	221	(56)	165
Total	$ 501	$ (54)	$ 447

	December 31, 2001		
	Cost Basis	Pre-tax Net Gains (Losses)	Fair Value
Government debt	$ 80	$ -	$ 80
Corporate bonds	157	1	158
Equity securities	200	(40)	160
Total	$ 437	$ (39)	$ 398

The fair value of the company's available-for-sale debt securities at September 30, 2002, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	(unaudited) Fair Value
Due in one year or less	$ 8
Due after one year through five years	$ 75
Due after five years through ten years	$ 60
Due after ten years	$ 139

Proceeds from sales of investments in debt and equity securities during the three and nine months ended September 30, 2002 were $156 and $197, respectively. Gross gains of $6 and gross losses of $1 were included in current earnings for the three months ended September 30, 2002 as a result of these sales. Gross gains of $8 and gross losses of $1 were included in current earnings for the nine months ended September 30, 2002 as a result of these sales. We also recognized a $1 and $41 pretax charge for the three and nine months ended September 30, 2002, respectively, in accordance with the application of SFAS 115 for "other than temporary" declines in the market value of securities in the Cat Insurance investment portfolio.

10. Derivative Instruments and Hedging Activities

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates, interest rates and commodity prices. Our "Risk Management Policy" (Policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate, interest rate and commodity price exposure. The company's derivative activities are subject to the management, direction and control of our Financial Officers. Risk management practices, including the use of financial derivative instruments, are presented to the Audit Committee of the Board of Directors at least annually.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate movements create a degree of risk by affecting the U.S. dollar value of sales made and costs incurred in foreign currencies. Movements in foreign currency rates also affect our competitive position as these changes may affect business practices and/or pricing strategies of non-U.S. based competitors. Additionally, we have balance sheet positions denominated in foreign currency, thereby creating exposure to movements in exchange rates.

Our Machinery and Engines operations purchase, manufacture and sell products in many locations around the world. As we have a diversified revenue and cost base, we manage our future foreign currency cash flow exposure on a net enterprise basis. We use foreign currency forward and option contracts to manage unmatched foreign currency cash inflow and outflow. Our objective is to minimize the risk of exchange rate movements that would reduce the U.S. dollar value of our foreign currency cash flow. Our Policy allows for managing anticipated foreign currency cash flow for up to four years.

We generally designate as cash flow hedges at inception of the contract any Australian dollar, Brazilian real, British pound, Canadian dollar, euro, Japanese yen, Mexican peso or Singapore dollar forward or option contracts that exceed 90 days in duration. Designation is performed on a specific exposure basis to support hedge accounting. The remainder of Machinery and Engines foreign currency contracts is undesignated. Gains of $.1 and $1 on the undesignated contracts were recorded in current earnings ("Other income (expense)" in the Statement of Results of Operations) for the three and nine months ended September 30, 2002, respectively. Losses of $.3 and $.6 due to changes in time value on options were excluded from effectiveness calculations and included in current earnings ("Other income (expense)") for the three and nine months ended September 30, 2002, respectively. As of September 30, 2002, $14 of deferred net gains included in equity ("Accumulated other comprehensive income" in the Statement of Financial Position) is expected to be reclassified to current earnings ("Other income (expense)") over the next twelve months. There were no circumstances where hedge treatment was discontinued during the three or nine months ended September 30, 2002.

In managing foreign currency risk for our Financial Products operations, our objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions. Our Policy allows the use of foreign currency forward contracts to offset the risk of currency mismatch between our receivable and debt portfolio. All such foreign currency forward contracts are undesignated. "Other income (expense)" included gains of $2 and losses of $59 on the undesignated contracts, substantially offset by balance sheet remeasurement and conversion losses and gains, for the three and nine months ended September 30, 2002, respectively.

Interest Rate Risk

Interest rate movements create a degree of risk by affecting the amount of our interest payments and the value of our fixed rate debt. Our Policy is to use interest rate swap agreements and forward rate agreements to manage our exposure to interest rate changes and lower the cost of borrowed funds.

Our Machinery and Engines operations generally use fixed rate debt as a source of funding. Our objective is to minimize the cost of borrowed funds. Our Policy allows us to enter fixed-to-floating interest rate swaps and forward rate agreements to meet that objective with the intent to designate as fair value hedges at inception of the contract all fixed-to-floating interest rate swaps. Designation as a hedge of the fair value of our fixed rate debt is performed to support hedge accounting. During 2001, our Machinery and Engines operations liquidated all fixed-to-floating interest rate swaps. Deferred gains on these liquidated fixed-to-floating interest rate swaps, which were previously designated as fair value hedges, are being amortized to earnings ratably over the remaining life of the hedged debt. Gains of $2 and $6 on the liquidated swaps were amortized to current earnings ("Other income (expense)") for the three and nine months ended September 30, 2002, respectively. We designate as cash flow hedges at inception of the contract all forward rate agreements. Designation as a hedge of the anticipated issuance of debt is performed to support hedge accounting. Machinery and Engines forward rate agreements are 100% effective. As of September 30, 2002, $.3 of deferred net gains included in equity ("Accumulated other comprehensive income") is expected to be reclassified to current earnings ("Other income (expense)") over the next twelve months. The reclassification of the remaining deferred amount to current earnings ("Other income (expense)") will occur over a maximum of thirty years. There were no circumstances where hedge treatment was discontinued during the three or nine months ended September 30, 2002.

Our Financial Products operations have a "match funding" objective whereby the interest rate profile (fixed rate or floating rate) of their debt portfolio matches the interest rate profile of their receivable, or asset portfolio within specified boundaries. In connection with that objective, we use interest rate derivative instruments to modify the debt structure to match the receivable portfolio. This "match funding" reduces the risk of deteriorating margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move. We also use these instruments to gain an economic and/or competitive advantage through lower cost of borrowed funds. This is accomplished by changing the characteristics of existing debt instruments or entering into new agreements in combination with the issuance of new debt.

Our Policy allows us to issue fixed-to-floating, floating-to-fixed, and floating-to-floating interest rate swaps to meet the "match funding" objective. We designate as fair value hedges at inception of the contract all fixed-to-floating interest rate swaps. Designation as a hedge of the fair value of our fixed rate debt is performed to support hedge accounting. As Financial Products fixed-to-floating interest rate swaps are 100% effective, gains on designated interest rate derivatives of $22 and $69 were offset completely by losses on hedged debt of $22 and $69 in current earnings ("Other income (expense)") for the three and nine months ended September 30, 2002, respectively. Through the third quarter of 2002, our Financial Products operations liquidated four fixed-to-floating interest rate swaps. Deferred gains on these liquidated fixed-to-floating interest rate swaps, which were previously designated as fair value hedges, are being amortized to earnings ratably over the remaining life of the hedged debt. Gains of $.5 and $1 on the liquidated swaps were amortized to current earnings ("Interest expense of Financial Products") for the three and nine months ended September 30, 2002, respectively. Financial Products policy is to designate as cash flow hedges at inception of the contract all floating-to-fixed interest rate swaps. Designation as a hedge of the variability of cash flow is performed to support hedge accounting. Gains of $.1 and $.5 due to ineffectiveness on floating-to-fixed interest rate swaps were included in current earnings ("Other income (expense)") for the three and nine months ended September 30, 2002, respectively. As of September 30, 2002, $26 of deferred net losses included in equity ("Accumulated other comprehensive income") is expected to be reclassified to current earnings ("Interest expense of Financial Products") over the next twelve months. There were no circumstances where hedge treatment was discontinued during the three or nine months ended September 30, 2002.

Commodity Price Risk

Commodity price movements create a degree of risk by affecting the price we must pay for certain raw material. Our policy is to use commodity forward and option contracts to manage the commodity risk and reduce the cost of purchased materials.

Our Machinery and Engines operations purchase aluminum, copper and nickel embedded in the components we purchase from suppliers. Our suppliers pass on to us price changes in the commodity portion of the component cost.

Our objective is to minimize volatility in the price of these commodities. Our policy allows us to enter commodity forward and option contracts to lock in the purchase price of the commodities within a four-year horizon. All such commodity forward and option contracts are undesignated. Losses on the undesignated contracts of $9 and $3 were recorded in current earnings ("Other income (expense)") for the three and nine months ended September 30, 2002, respectively.

11. Nonrecurring Cost Reserves

During the fourth quarter of 2001, the company recorded pretax nonrecurring charges of $153 related to the sale of the Challenger agricultural tractor line, plant closings and consolidations and costs for planned employment reductions. Refer to Note 23 of our 2001 Form 10-K for more information about these nonrecurring charges. Asset impairments, employee separation charges and other exit costs comprised $56, $44 and $53, respectively, of the $153 (pretax) charge taken.

In the third quarter, we recognized a $2 reduction to the reserve for separation benefits for 75 employees terminated from the Perkins Engine Shrewsbury, England plant. The employee separation reserve was $7 at September 30, 2002. We have reduced the other exit costs reserve as actual costs are incurred. The other exit costs reserve was $33 at September 30, 2002.

Item 2. Management's Discussion and Analysis of Results of Operations, Liquidity and Capital Resources and Critical Accounting Policies

A. Consolidated Results of Operations

THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2001

Third quarter 2002 sales and revenues were $5.08 billion with profit of $213 million or 61 cents per share. This compares with sales and revenues of $5.06 billion and profit of $205 million or 59 cents per share in third quarter 2001. Profit for the third quarter was $8 million higher than last year due primarily to lower income taxes. Profit before tax was down $12 million, as the favorable impact of improved price realization was more than offset by lower volume, particularly in large reciprocating engines and coal mining equipment.

Application of the goodwill non-amortization provisions of SFAS 142 resulted in a favorable pretax impact on earnings of $21 million for the third quarter. This was partially offset by a $14 million pretax increase in pension and other postretirement benefit expense. The increase was a result of lower plan asset returns in recent years and assumed discount rates used in 2002 compared to 2001, partially offset by the favorable pretax impact of other postretirement benefit plan changes made in the second quarter.

MACHINERY AND ENGINES

Sales
(Millions of dollars)

	Total	North America	EAME **	Latin America	Asia/ Pacific
Three Months Ended September 30, 2002					
Machinery	$ 2,905	$ 1,531	$ 802	$ 193	$ 379
Engines*	1,795	873	530	180	212
	$ 4,700	$ 2,404	$ 1,332	$ 373	$ 591
Three Months Ended September 30, 2001					
Machinery	$ 2,979	$ 1,674	$ 778	$ 218	$ 309
Engines*	1,720	888	452	174	206
	$ 4,699	$ 2,562	$ 1,230	$ 392	$ 515

* Does not include internal engine transfers of $329 and $303 in 2002 and 2001, respectively. Internal engine transfers are valued at prices comparable to those for unrelated parties.

** Europe, Africa & Middle East and Commonwealth of Independent States

Refer to table on page 20 for reconciliation of Machinery and Engine Sales by Geographic Region to External Sales by Marketing Segment.

Machinery sales were $2.91 billion, a decrease of $74 million or 2 percent from third quarter 2001. Physical sales volume decreased 6 percent from a year ago, and was partially offset by favorable price realization (including the impact of currency) outside North America. Strong sales gains in Asia/Pacific were more than offset by moderately lower sales in North America and Latin America. Sales in EAME were up slightly as the favorable impact of translation of non-U.S. dollar denominated sales offset lower physical volume. Sales in Asia/Pacific benefited from improved mining industry demand and strong retail sales growth in China. In North America, higher sales into the quarry and aggregates industry and flat sales into the heavy construction industry were more than offset by declines into the coal mining, general construction, waste and industrial sectors. Sales in Latin America declined as inventory cutbacks by dealers more than offset higher retail sales.

Engine sales were $1.80 billion, up $75 million from third quarter 2001. Physical sales volume rose slightly, up 3 percent. Moderately higher sales in EAME and slightly higher sales in Asia/Pacific and Latin America more than offset slightly lower sales in North America.

Operating Profit (Loss)
(Millions of Dollars)

	Three Months Ended	
	Sep 30, 2002	**Sep 30, 2001**
Machinery	$ 207	$ 173
Engines	77	133
	$ 284	$ 306

Caterpillar operations are highly integrated; therefore, the company uses a number of allocations to determine lines of business operating profit.

Machinery operating profit increased $34 million, or 20 percent from third quarter 2001 despite a $74 million decrease in sales. The favorable profit impact was primarily due to improved price realization outside North America partially offset by lower physical sales volume of large machines.

Engine operating profit decreased $56 million, or 42 percent from third quarter 2001 primarily due to lower physical volume of large reciprocating engines, adverse mix and manufacturing inefficiencies related to sharp changes in production levels.

Interest expense was $3 million lower than a year ago.

Other income/expense was favorable by $23 million compared to third quarter a year ago mostly due to lower cost of financing trade receivables.

FINANCIAL PRODUCTS

Revenues for the third quarter were $426 million, up $9 million or 2 percent compared with third quarter 2001. The favorable impact of continued portfolio growth at Caterpillar Financial Services Corporation (Cat Financial) was partially offset by the impact of generally lower interest rates on Cat Financial revenues.

Before tax profit was $96 million, down $16 million or 14 percent from the third quarter a year ago. A larger portfolio at Cat Financial favorably impacted profit, but was more than offset by lower gains on the securitization of receivables.

INCOME TAXES

Third quarter 2002 tax expense reflects an estimated annual tax rate of 28 percent compared to 32 percent a year ago. Third quarter 2002 tax expense also reflects an adjustment resulting from a decrease in the estimated annual tax rate from 30 percent to 28 percent for the first six months of 2002 due to a change in the geographic mix of profits.

UNCONSOLIDATED AFFILIATED COMPANIES

The company's share of unconsolidated affiliated companies' results decreased $3 million from third quarter a year ago, primarily due to losses at Shin Caterpillar Mitsubishi Ltd.

SUPPLEMENTAL INFORMATION

Dealer Machine Sales to End Users and Deliveries to Dealer Rental Operations

Worldwide dealer sales (including both sales to end users and deliveries to dealer rental operations) were lower compared to third quarter 2001. Gains in Asia/Pacific and Latin America were more than offset by declines in North America and EAME.

Dealer sales in North America were lower compared to third quarter 2001. Sales to the heavy construction industry remain strong at near year-earlier levels. Higher sales to quarry & aggregates and forestry industries were more than offset by declines in mining, general construction, agriculture, waste and industrial sectors.

Dealer sales in EAME declined. Sales increases in heavy construction were more than offset by declines in the mining, general construction, forestry, industrial and waste sectors. Sales to the quarry & aggregates industry remained near year-earlier levels.

In Asia/Pacific, dealer sales increased in the mining, heavy construction and quarry & aggregates sectors. Sales to general construction, forestry and industrial sectors remained near year-earlier levels.

Dealer sales in Latin America increased in the general construction, heavy construction, and industrial sectors. Sales to the mining industry remained near year-earlier levels.

Dealer Inventories of New Machines

Worldwide dealer new machine inventories at the end of the third quarter were lower than a year ago. Inventories declined in North America, EAME and Latin America. Dealer inventory in Asia/Pacific remained near year-earlier levels. Inventories compared to current selling rates were lower than year-earlier levels in all regions.

Engine Sales to End Users and OEMs

Worldwide engine sales to end users and OEMs rose slightly compared to the third quarter of 2001. Sales were slightly higher in all geographic regions with the largest gains in Latin America and EAME.

North American demand for engines used in on-highway applications almost doubled in the third quarter of 2002 compared to a year ago, as major truck manufacturers raised their third quarter production schedules. Overall North American engine sales rose slightly as the higher truck engine sales more than offset sharply lower demand in the electric power and petroleum sectors, which were impacted by weak business investment compared to third quarter 2001.

In EAME, overall sales rose slightly with a sharp increase in demand for larger engines used in petroleum, a moderate increase in overall marine engine sales with particular strength in large engine demand and a slight increase in sales in the industrial sector. Sales of engines used in electric power applications were moderately lower than third quarter 2001.

In Asia/Pacific, sales rose slightly. Sharply higher sales of large engines used in the marine sector more than offset lower sales from electric power, petroleum and industrial sectors.

Sales also rose slightly in Latin America with moderate gains in petroleum primarily associated with strong demand for large engines and a surge in on-highway truck engine demand; these sales gains more than offset lower demand from the electric power and marine sectors.

NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2001

Sales and revenues for nine months ended September 30, 2002 were $14.78 billion with profit of $493 million or $1.42 per share. This compares with sales and revenues of $15.35 billion and profit of $638 million or $1.84 per share for the first nine months of 2001. The decrease in profit was due primarily to the lower physical sales volume of larger machines and engines and related manufacturing inefficiencies partially offset by the favorable impact of currency and improved price realization outside North America. In addition, the company has recognized a $41 million pretax charge for "other than temporary" declines in the market value of securities in the investment portfolio at Cat Insurance, as the result of market performance and in accordance with SFAS 115.

Application of the goodwill non-amortization provisions of SFAS 142 resulted in a favorable pretax impact on earnings of $63 million for the nine months ended September 30, 2002. This was more than offset by a $73 million pretax increase in pension and other postretirement benefit expense. The increase was a result of lower plan asset returns in recent years and assumed discount rates used in 2002 compared to 2001, partially offset by the favorable pretax impact of other postretirement benefit plan changes made in the second quarter.

MACHINERY AND ENGINES

Sales
(Millions of dollars)

	Total	North America	EAME **	Latin America	Asia/ Pacific
Nine Months Ended September 30, 2002					
Machinery	$ 8,824	$ 4,877	$ 2,274	$ 633	$ 1,040
Engines*	4,835	2,231	1,438	509	657
	$ 13,659	$ 7,108	$ 3,712	$ 1,142	$ 1,697
Nine Months Ended September 30, 2001					
Machinery	$ 9,359	$ 5,373	$ 2,406	$ 669	$ 911
Engines*	4,933	2,654	1,337	400	542
	$ 14,292	$ 8,027	$ 3,743	$ 1,069	$ 1,453

* Does not include internal engine transfers of $970 and $935 in 2002 and 2001, respectively. Internal engine transfers are valued at prices comparable to those for unrelated parties.

** Europe, Africa & Middle East and Commonwealth of Independent States

Refer to table on page 20 for reconciliation of Machinery and Engine Sales by Geographic Region to External Sales by Marketing Segment.

Machinery sales were $8.82 billion, a decrease of $535 million or 6 percent from the first nine months of 2001. Physical sales volume decreased 7 percent from a year ago, and was partially offset by favorable price realization (including the impact of currency) outside North America. Strong sales gains in Asia/Pacific were more than offset by moderately lower sales in North America, EAME and Latin America. Sales in Asia/Pacific benefited from strong demand in the heavy construction sector. In North America, flat sales into the quarry & aggregates and heavy construction industries were more than offset by declines into the coal mining, general construction, waste and industrial sectors. Sales in EAME declined due to lower retail demand. Sales in Latin America declined as inventory cutbacks by dealers more than offset higher retail sales.

Engine sales were $4.84 billion, a decrease of $98 million or 2 percent from the first nine months of 2001. Physical sales volume decreased 2 percent from a year ago. Moderately higher sales in Latin America and Asia/Pacific and slightly higher sales in EAME were more than offset by moderately lower sales in North America.

Operating Profit (Loss)
(Millions of Dollars)

	Nine-Months Ended Sep 30, 2002	Nine-Months Ended Sep 30, 2001
Machinery	$ 581	$ 712
Engines	149	309
	$ 730	$ 1,021

Caterpillar operations are highly integrated; therefore, the company uses a number of allocations to determine lines of business operating profit.

Machinery operating profit decreased $131 million, or 18 percent from the first nine months of 2001 primarily due to the lower physical sales volume of larger machines and related manufacturing inefficiencies.

Engine operating profit decreased $160 million, or 52 percent from the first nine months of 2001. The decrease in operating profit was primarily due to lower physical volume of large reciprocating engines, adverse mix and manufacturing inefficiencies related to sharp changes in production levels.

Interest expense was $16 million lower than a year ago.

Other income/expense was favorable by $86 million compared to the first nine months of 2001 mostly due to lower cost of financing trade receivables.

FINANCIAL PRODUCTS

Revenues for the first nine months of 2002 were $1.25 billion, up $17 million or 1 percent compared with the first nine months of 2001. The favorable impact of the continued portfolio growth at Caterpillar Financial Services Corporation (Cat Financial) and an increase in extended service contract premiums earned at Caterpillar Insurance Holdings, Inc. (Cat Insurance) was mostly offset by the impact of generally lower interest rates on Cat Financial revenues.

Before tax profit was $219 million, down $44 million or 17 percent from the first nine months of 2001. A better spread on the portfolio at Cat Financial and higher underwriting income at Cat Insurance favorably impacted profit. These were more than offset by the recognition of a $41 million pretax charge of "other than temporary" declines in the market value of securities in the investment portfolio at Cat Insurance, as the result of market performance and in accordance with SFAS 115, and an increase in operating expenses at Cat Financial.

INCOME TAXES

First nine months tax expense reflects an effective annual tax rate of 28 percent for 2002 and 32 percent for 2001. The decrease was primarily a result of a change in the geographic mix of profits.

UNCONSOLIDATED AFFILIATED COMPANIES

The company's share of unconsolidated affiliated companies' results decreased $13 million from a year ago, primarily due to losses at Shin Caterpillar Mitsubishi Ltd. and Caterpillar Claas America.

EMPLOYMENT

We have reduced employment by 2,076 excluding the impact of acquisitions. At the end of third quarter 2002, Caterpillar's worldwide employment was 70,379 compared with 71,927 one year ago.

OUTLOOK

Summary

Global industrial production moved up about 5 percent in the first six months of 2002, but lost momentum in the third quarter as rising geopolitical uncertainties caused oil prices to move up sharply and world equity prices to decline. Business and consumer confidence, which had moved up sharply in the first half of 2002, moved back down in August and September. Most industrialized markets continued to operate at relatively low levels of capacity utilization and as a result capital goods prices, margins and earnings continued to be under pressure in the third quarter.

For 2002, worldwide industry sales are expected to be down moderately and company sales are estimated to be down slightly. Full-year profit in 2002 is expected to be about 15 percent lower than last year, excluding nonrecurring charges recorded in 2001 for the sale of the Challenger agricultural tractor line, plant closing and consolidations and costs for planned employment reductions. However, uncertain near-term political and economic conditions make the remainder of the year more difficult than normal to predict.

North America

In North America, consumption and housing continued at good rates through the third quarter, but corporate earnings are trailing the recovery and resulting cash flow continues to be poor. While overall capital spending started to show signs of stabilizing in the third quarter, the projected improvement in the fourth quarter is from a low base and faces significant headwinds. Industry sales and company sales are estimated to be down moderately.

EAME

Overall growth in EAME was weak in the first half and leading indicators also point to some deterioration in momentum at the end of the third quarter. Industry sales are expected to be down moderately and company sales about flat.

Asia/Pacific/Latin America

In Asia/Pacific (excluding Japan) industry sales and company sales are expected to be up moderately in response to strong regional growth. In Latin America, industry sales and company sales are expected to be down slightly.

B. Liquidity & Capital Resources

Sources of funds

The company generates its capital resources primarily through operations. Consolidated operating cash flow was $1.36 billion through the third quarter of 2002, compared with $1.5 billion through the third quarter of 2001. The decrease was largely due to lower profit partially offset by decreased working capital requirements. We anticipate that the majority of future capital resource requirements will be funded by operating cash flow, which is largely driven by profit. See our Outlook on page 17.

Debt is also a source of capital resources for the company. Total debt as of September 30, 2002 was $17.76 billion, an increase of $1.16 billion from year-end 2001. During 2002, debt related to Machinery and Engines decreased $42 million, to $3.74 billion, while debt related to Financial Products (Cat Financial) increased $1.22 billion to $14.24 billion. We have a global credit facility of $4.55 billion available to both Machinery and Engines and Cat Financial to support commercial paper programs. Cat Financial may use up to 90% of the available facility subject to a maximum debt to equity and a minimum interest coverage ratio. Machinery and Engines may use up to 100% of the available facility subject to a minimum level of net worth. Based on these restrictions, and the allocating decisions of available credit made by management, the facility available to Cat Financial at September 30, 2002 was $3.95 billion. The facility is comprised of two components of equal amounts expiring in September 2002 and September 2006. Our total credit commitments as of September 30, 2002 were:

	(Millions of dollars)		
	Consolidated	**Machinery and Engines**	**Financial Products**
Credit lines:			
Global credit facility	$ 4,550	$ 600	$ 3,950
Other external	1,044	374	670
Intercompany	-	500	824
Total credit lines available	5,594	1,474	5,444
Less: Global credit facility supporting commercial paper	3,476	-	3,476
Less: Utilized credit	225	76	149
Available credit	$ 1,893	$ 1,398	$ 1,819

We also generate funding through the securitization of receivables. Through the third quarter of 2002, we generated $1.38 billion and $641 million of capital resources from the securitization of trade and finance receivables, respectively. As of September 30, 2002, we had trade and finance receivables of $2.92 billion and $12.99 billion, respectively.

Committed funds

The company has committed cash outflow related to debt and operating lease agreements and capital expenditures. Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are expected to be:

(Millions of dollars)

2002	2003	2004	2005	2006	After 2006	Total
$ 210	$ 181	$ 146	$ 106	$ 91	$ 340	$ 1,074

The aggregate amounts of maturities of long-term debt as of September 30, including that due within one year and classified as current, are expected to be:

(Millions of dollars)

	2002	2003	2004	2005	2006	After 2006	Total
Machinery and Engines	$ 267	$ 47	$ 20	$ 238	$ 202	$ 2,903	$ 3,677
Financial Products	3,036	1,127	2,599	1,463	2,791	1,045	12,061
Total	$ 3,303	$ 1,174	$ 2,619	$ 1,701	$ 2,993	$ 3,948	$ 15,738

We had commitments for the purchase of construction or capital assets of approximately $236 million at September 30, 2002.

We did not have contingent liabilities with more than a remote chance of occurrence at September 30, 2002.

Pension Funding

Due to continued poor performance of the equity markets, the value of our pension fund assets has declined during 2002. SFAS 87 requires recognition of an Additional Minimum Liability if the market value of plan assets is less than the accumulated benefit obligation at the end of the plan year. Based on quarter-end plan asset values, we would be required to increase the Additional Minimum Liability by approximately $2.8 billion at December 31, 2002. This would result in a decrease in Accumulated Other Comprehensive Income (a component of Shareholders' Equity on the Statement of Financial Position) of approximately $1.8 billion after-tax. These amounts fluctuate and have increased from those disclosed in the second quarter Form 10-Q as a result of further deterioration in the equity markets and, due to a change in the expected funded status of certain U.S. Plans, the SFAS 87 requirement to offset the $1.0 billion prepaid asset position with an Additional Minimum Liability. Final determination will only be known at the end of the plan year, which is November 30, 2002. The company has adequate liquidity resources to fund plans, as it deems necessary.

Machinery and Engines

Operating cash flow was $891 million through the third quarter of 2002, compared with $946 million for the same period a year ago. This slight decrease was primarily due to lower profit, partially offset by a decrease in working capital requirements during the nine months ended September 30, 2002 compared to the same period a year ago.

Capital expenditures, excluding equipment leased to others, during the nine months ended September 30, 2002 were $473 million compared with $668 million for the same period a year ago. Our debt to debt plus equity ratio as of September 30, 2002 was 38%.

Financial Products

Operating cash flow was $453 million through the third quarter 2002, compared with $578 million for the same period a year ago. The decrease is primarily due to increased working capital requirements and lower profit during 2002. Cash used to purchase equipment leased to others was $762 million during 2002. In addition, net cash used for finance receivables was $676 million for 2002, compared to $768 million for 2001. At September 30, 2002, finance receivables past due over 30 days were 4.2%, compared with 3.4% at the end of the same period one year ago.

Financial Products' debt at September 30, 2002 was comprised of $10.16 billion of medium term notes, $3.48 billion of commercial paper, $224 million of notes payable to Caterpillar, and $377 million of notes payable to banks and others. Financial Products was in compliance with all debt covenants at September 30, 2002.

C. Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. The more significant estimates include: residual values for leased assets, fair market values for goodwill impairment tests and reserves for warranty, product liability and insurance losses, postemployment benefits, post-sale discounts, credit losses and certain nonrecurring costs. We use the following methods and assumptions in determining our estimates:

Warranty reserve - Determined by applying historical claim rate experience to the current field population and dealer inventory. Generally, historical claim rates are developed using a 12-month rolling average of actual warranty expense. These rates are applied to the field population and dealer inventory to determine the reserve.

Product liability and insurance loss reserves - Determined based upon reported claims in process of settlement and actuarial estimates for losses incurred but not reported.

Postemployment benefit reserve - Determined in accordance with SFAS 87 and 106 using the assumptions detailed in Note 8 of our 2001 Form 10-K.

Post-sale discount reserve - The company extends numerous merchandising programs that provide discounts to dealers as products are sold to end users. The reserve is determined based on historical data adjusted for known changes in merchandising programs.

Residual values for leased assets - Determined based on the product, specifications, application, and hours of usage. Each product has its own model for evaluation that includes market value cycles and forecasts. Consideration is also given to the number of machines that will be returned from lease during a given time frame.

Credit loss reserve - Determined by applying historical credit loss experience to the current receivable portfolio with consideration given to the condition of the economy and trends in past due accounts.

Fair market values for goodwill impairment tests - Determined for each reporting unit by discounting projected cash flow for the upcoming five years and adding a year-five residual value based upon a market EBITDA multiple.

Nonrecurring charges - Determined in accordance with the appropriate accounting guidance depending upon the facts and circumstances surrounding the situation.

Impairment of available for sale securities - Securities are evaluated for impairment in accordance with SFAS 115 and related guidance. When a security is determined to be other than temporarily impaired, the write-down is recorded as an investment loss in the Results of Operations. Write-downs include amounts previously deferred in Other Comprehensive Income.

We have incorporated many years of historical data into the determination of each of these estimates. We have a proven history of using accurate estimates and sound assumptions to calculate and record appropriate reserves and residual values.

Reconciliation of Machinery and Engine Sales by Geographic Region to External Sales by Marketing Segment (Millions of Dollars)

	(unaudited)			
	Three months ended		Nine months ended	
	Sep 30, 2002	Sep 30, 2001	Sep 30, 2002	Sep 30, 2001
North American Geographic Region	$ 2,404	$ 2,562	$ 7,108	$ 8,027
Engine sales included in the Power Products segment	(873)	(888)	(2,233)	(2,647)
Company owned dealer sales included in the All Other segment	(92)	(99)	(258)	(328)
Certain governmental sales included in the All Other segment	(82)	(63)	(207)	(155)
Other*	(66)	(66)	(206)	(195)
North American Marketing external sales	$ 1,291	$ 1,446	$ 4,204	$ 4,702
EAME Geographic Region	$ 1,332	$ 1,230	$ 3,712	$ 3,743
Power Products sales not included in the EAME Marketing segment	(435)	(427)	(1,181)	(1,234)
Other*	(173)	(112)	(478)	(374)
EAME Marketing external sales	$ 724	$ 691	$ 2,053	$ 2,135
Latin America Geographic Region	$ 373	$ 392	$ 1,142	$ 1,069
Power Products sales not included in the Latin America Marketing segment	(158)	(58)	(409)	(126)
Other*	72	23	209	87
Latin America Marketing external sales	$ 287	$ 357	$ 942	$ 1,030
Asia Pacific Geographic Region	$ 591	$ 515	$ 1,697	$ 1,453
Power Products sales not included in the Asia/Pacific Marketing segment	(123)	(109)	(386)	(246)
Other*	(51)	(65)	(141)	(192)
Asia Pacific Marketing external sales	$ 417	$ 341	$ 1,170	$ 1,015

*Represents primarily external sales of the Construction & Mining Products and the All Other segments.

D. ***Safe Harbor Statement under the Securities Litigation Reform Act of 1995***

Certain statements contained in our Third-Quarter 2002 Form 10-Q are forward looking and involve uncertainties that could significantly impact results. The words "believes," "expects," "estimates," "anticipates," "will be" and similar words or expressions identify forward-looking statements made on behalf of Caterpillar. Uncertainties include factors that affect international businesses, as well as matters specific to the Company and the markets it serves.

World Economic Factors
Our current outlook calls for the continuation of moderate growth in the U.S. economy in the fourth quarter of 2002. Our outlook assumes that the events of September 11, 2001 and the resulting impact on the economy were a one-time event and that there will be no further events of this magnitude. If, however, there are other significant shocks or sequence of shocks, financial, economic or acts of war and/or political terror, there could be a more protracted negative impact on consumer spending, housing starts, and capital spending which would negatively impact company results.

After a strong first quarter, followed by more moderate growth in the second and third quarters, U.S. GDP growth is expected to continue at moderate rates in the fourth quarter of 2002. Should recent interest rate and tax reductions fail to sustain growth in the U.S. economy as expected, leading to renewed economic weakness, then sales of machines and engines may be lower than expected in the fourth quarter of 2002. The outlook also projects that economic growth in the fourth quarter of 2002 will continue in Asia/Pacific, Europe, Africa & Middle East and Latin America. If, for any reason, these projected growth rates do not occur, sales would likely be lower than anticipated in the affected region. Persistent weakness in the construction sector in Japan is leading to lower machine sales in the Japanese market. In general, renewed currency speculation, significant declines in the stock markets, further oil or energy price increases, political disruptions or higher interest rates could result in weaker than anticipated economic growth and worldwide sales of both machines and engines could be lower than expected as a result. Economic recovery could also be delayed or weakened by growing budget or current account deficits or inappropriate government policies.

In particular, our outlook assumes that Europe, the United Kingdom and Canada implement and commit to maintain economic stimulus measures and that the Japanese government remains committed to stimulating their economic recovery with appropriate monetary and fiscal policies. The outlook also assumes that the Brazilian government follows through with promised fiscal and structural reforms; that there is an orderly democratic transition in Brazilian elections, and that the Argentina crisis is confined to only Argentina, and does not spill over to negatively impact growth prospects in neighboring countries. If negative spillover effects become amplified, this could result in greater regional economic and financial uncertainty and weaker regional growth. Our outlook for the remaining months of 2002 also assumes that currency and stock markets remain relatively stable, and that average world oil prices fluctuate in a range of $22 to $29 a barrel. If commodity and/or currency markets experience a significant increase in volatility, and/or stock markets show further weakness, uncertainty would increase, both of which would result in slower economic growth, lower sales and potential impairment of investments. In addition, an eruption of political violence in the Middle East or a war with Iraq could lead to oil supply disruptions and persistent upward pressure on oil prices. In this case business and consumer confidence would fall and inflation pressures would move up leading to slower world economic growth and lower company sales.

The Russian economy has improved, but political and economic uncertainty remains high and an unexpected deterioration could impact worldwide stock or currency markets, which in turn could weaken company sales.

Commodity Prices
The outlook for our sales also depends on commodity prices. Industrial metal prices improved in the first nine months of 2002, but further gains are required before we see gains in production and a positive impact on equipment sales. As a result, machine sales to the industrial metals industry have been delayed and further delays could happen in the final months of 2002. Oil prices declined, as expected, from an average of about $30 to $32 a barrel in 2000 to an average of $25 to $30 a barrel in 2001. We are expecting an average price of $22 to $29 a barrel in 2002. Based on this forecast, equipment sales into sectors that are sensitive to crude oil prices (oil, oil sands, coal and natural gas) are expected to be down moderately in 2002.

Extended weakness in world economic growth could lead to sharp declines in commodity prices and lower than expected sales to the industrial metals and agriculture sectors.

Monetary and Fiscal Policies
For most companies operating in a global economy, monetary and fiscal policies implemented in the U.S. and abroad could have a significant impact on economic growth, and, accordingly, demand for a product. In the United States, the Federal Reserve moved aggressively to reduce interest rates in 2001. Rates were maintained at a low level in 2002, and we expect further modest reductions before the end of 2002. These actions, together with federal tax cuts, are expected to lead to a sustained recovery in U.S. growth in the fourth quarter of 2002. In Europe, the European Central Bank reduced interest rates in 2001, and growth in Europe is expected to improve in the last quarter of 2002. However, recent currency movements leading to a stronger euro may dampen European growth prospects in the fourth quarter of 2002 and this would cause machine sales to be lower than expected.

In general, higher than expected interest rates, reductions in government spending, higher taxes, significant currency devaluations, and uncertainty over key policies are some factors likely to lead to slower economic growth and lower industry demand. The current outlook is for higher year over year U.S. growth in 2002. This is expected to lead to about flat industry sales levels in the fourth quarter of 2002. If, for whatever reason, there was a setback leading to weak or negative growth in the fourth quarter of 2002 then demand for company products could fall in the U.S. and Canada and would also be lower throughout the rest of the world.

Political Factors
Political factors in the U.S. and abroad have a major impact on global companies. In 2001, the U.S. Congress enacted a tax cut with the first reductions effective in the third and fourth quarters of 2001 and with additional benefits in 2002, which is having and should continue to have a positive impact on the U.S. economy. The Company is one of the largest U.S. exporters as a percentage of sales. International trade and fiscal policies implemented in the U.S. this year could impact the Company's ability to expand its business abroad. U.S. foreign relations with certain countries and any related restrictions imposed could also have a significant impact on foreign sales. There are a number of significant political developments in Latin America, Asia, Europe, and Africa/Middle East which are expected to take place in the fourth quarter of 2002 that could affect U.S. trade policies and/or de-stabilize local market conditions leading to lower company sales. In particular, a recent escalation of political uncertainty in Brazil is contributing to a decline in business confidence and reduced capital investment intentions.

In addition, significant political and economic instability persists in Argentina, Venezuela, the Middle East and Indonesia. Our outlook assumes that the effects of instability in Argentina and Venezuela will be confined to those countries and not spread to other countries in the region. Our outlook also assumes that stability will ultimately be restored in Argentina and Venezuela through democratic means. If, however, the instability persists, worsens or spreads to other countries in the region, it could materially impact company sales into Argentina, Venezuela and other countries in the region. In addition, our outlook assumes that the recent escalation of the conflict in the Middle East does not deteriorate further into a significant armed conflict. In addition, we assume that recent terrorist incidents in Indonesia do not lead to a major, persistent escalation of political and economic uncertainty in that country.

Currency Fluctuations

Currency fluctuations are also an unknown for global companies. The Company has facilities in major sales areas throughout the world and significant costs and revenues in most major currencies. This diversification greatly reduces the overall impact of currency movements on results. However, if the U.S. dollar strengthens suddenly against foreign currencies, the conversion of net non-U.S. dollar proceeds to U.S. dollars would somewhat adversely impact the Company's results. Since the Company's largest manufacturing presence is in the U.S., any unexpected upward pressure on the U.S. dollar versus key overseas currencies could have an unfavorable impact on our global competitiveness.

Dealer Practices

A majority of the Company's sales are made through its independent dealer distribution network. Dealer practices, such as changes in inventory levels for both new and rental equipment, are not within the Company's control (primarily because these practices depend upon the dealer's assessment of anticipated sales and the appropriate level of inventory) and may have a significant positive or negative impact on our results. In particular, the outlook assumes that dealer inventories of new machines will be slightly lower at the end of 2002 than at the end of 2001. If dealers reduce inventory levels more than anticipated, company sales will be adversely impacted.

Other Factors

The rate of infrastructure spending, housing starts, commercial construction and mining play a significant role in the Company's results. Our products are an integral component of these activities and as these activities increase or decrease in the U.S. or abroad, demand for our products may be significantly impacted. In 1999, the six-year Federal highway bill did not boost U.S. sales as much as anticipated due to delays in getting major capital projects for highways underway. In 2000 and 2001, there was a material increase in the volume of highway construction contracts, which had a positive impact on sales of certain types of equipment, and the company expects higher highway construction activity in 2002. In the first nine months of 2002 contracts let for highways, streets and bridges were about flat. Due to a sharp increase in obligations of federal highway funding at the end of the 2001/2002 fiscal year, highway contracts let are expected to pick up in the final three months of 2002. A bill approving federal funding for highways, streets, bridges, airports, etc. in the final quarter of 2002 has been delayed. However, the baseline outlook assumes that a new transportation appropriations bill is passed before the end of 2002 that maintains funding levels. If funding is reduced, sales could be negatively impacted. Furthermore, if infrastructure spending plans are reduced by Federal and/or state governments due to budget constraints, machine sales would be lower in the fourth quarter of 2002 than current projections.

Pursuant to a Consent Decree Caterpillar entered into with the United States Environmental Protection Agency ("EPA"), the Company is required to meet certain emission standards by October 2002. The Consent Decree provides, however, for the possibility that diesel engine manufacturers may not be able to meet these standards exactly on that date, and allows companies to continue selling non-compliant engines if they pay non-conformance penalties on those engines. The EPA has set new levels for these non-conformance penalties. Our outlook assumes that complying with the Consent Decree, and related volatility in on-highway truck engine demand, will not materially impact our results. If, however, these penalties are higher than anticipated, our profit could be negatively impacted.

Projected cost savings or synergies from alliances with new partners could also be negatively impacted by a variety of factors. These factors could include, among other things, higher than expected wages, energy and/or materials costs, and/or higher than expected financing costs due to unforeseen changes in central bank interest rate policies. Cost savings could also be negatively impacted by unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any of the jurisdictions where the alliances conduct their operations.

Results may be impacted positively or negatively by changes in the sales mix. Our outlook assumes a certain geographic mix of sales as well as a product mix of sales.

The Company operates in a highly competitive environment and our outlook depends on a forecast of the Company's share of industry sales. A reduction in that share could result from pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, a failure to price the product competitively, or an unexpected buildup in competitors' new machine or dealer owned rental fleets, leading to severe downward pressure on machine rental rates and/or used equipment prices.

The environment also remains very competitive from a pricing standpoint. Additional price discounting would result in lower than anticipated price realization.

This discussion of uncertainties is by no means exhaustive but is designed to highlight important factors that may impact our outlook. Obvious factors such as general economic conditions throughout the world do not warrant further discussion but are noted to further emphasize the myriad of contingencies that may cause the Company's actual results to differ from those currently anticipated.

Inherent in the operation of the Financial Products Division is the credit risk associated with its customers. The creditworthiness of each customer, and the rate of delinquencies, repossessions and net losses on customer obligations are directly impacted by several factors, including, but not limited to, relevant industry and economic conditions, the availability of capital, the experience and expertise of the customer's management team, commodity prices, political events, and the sustained value of the underlying collateral. Additionally, interest rate movements create a degree of risk to our operations by affecting the amount of our interest payments and the value of our fixed rate debt. While our policy is to use interest rate swap agreements to manage our exposure to interest rate changes and lower the costs of borrowed funds, if interest rates move more sharply than anticipated, it could negatively impact our results.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days before the filing date of this quarterly report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of this evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

PART II. OTHER INFORMATION

Item 2. Changes in Securities

Non-U.S. Employee Stock Purchase Plans

We have twenty-five employee stock purchase plans administered outside the United States for our foreign employees. As of September 30, 2002, those plans had approximately 8,834 participants in the aggregate. During the third quarter of 2002, approximately 27,121 shares of Caterpillar common stock or foreign denominated equivalents were distributed under the plans.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

99.1 Certification of Glen A. Barton, Chairman and Chief Executive Officer of Caterpillar Inc. and F. Lynn McPheeters, Chief Financial Officer of Caterpillar Inc., as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

4 Second Amended and Restated Rights Agreement dated October 18, 2002 between Caterpillar Inc. and Mellon Investor Services LLC.

(b) During the quarter ended September 30, 2002, reports on Form 8-K were filed pursuant to Item 5 on July 16 (2) and August 14, 2002. Additional reports on Form 8-K were filed on October 10, October 11, October 15, October 16 (2), and November 8 (2), 2002 pursuant to Item 5. No financial statements were filed as part of those reports.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CATERPILLAR INC.

November 12, 2002	/s/ Glen A. Barton (Glen A. Barton)	Chairman of the Board and Chief Executive Officer
November 12, 2002	/s/ F. Lynn McPheeters (F. Lynn McPheeters)	Vice President and Chief Financial Officer
November 12, 2002	/s/ James B. Buda (James B. Buda)	Secretary

CERTIFICATIONS

I, Glen A. Barton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002	/s/ Glen A. Barton	Chairman of the Board and Chief Executive Officer
	(Glen A. Barton)	

I, F. Lynn McPheeters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002	/s/ F. Lynn McPheeters (F. Lynn McPheeters)	Chief Financial Officer

SECOND AMENDED AND RESTATED RIGHTS AGREEMENT

AMENDED AND RESTATED RIGHTS AGREEMENT (this *"Agreement"*), dated October 18, 2002, between Caterpillar Inc., a Delaware corporation, (the *"Company"*), and Mellon Investor Services LLC, a New Jersey limited liability company (the *"Rights Agent"*) to the Amended and Restated Rights Agreement dated September 27, 2001 (the *"Rights Agreement"*), between the Company and Mellon Investor Services LLC.

The Board of Directors of the Company has determined to amend and restate the Rights Agreement to include a provision for a required review at least every three years of the continued appropriateness of the Rights Agreement by a TIDE Committee composed entirely of independent outside Directors. The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a *"Right"*) for each Common Share (as hereinafter defined) of the Company outstanding at the close of business on December 23, 1996 (the *"Record Date"*), each Right representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date (as such terms are hereinafter defined); *provided, however,* that Rights may be issued with respect to Common Shares that shall become outstanding after the Distribution Date and prior to the earlier of the Redemption

Date and the Final Expiration Date in accordance with the provisions of Section 21 of this Agreement.

The parties agree as follows:

Section 1. *Certain Definitions.* For purposes of this Agreement, the following terms have the meanings indicated:

(a) *"Acquiring Person"* shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 15% or more of the then outstanding Common Shares. Notwithstanding the foregoing, (A) the term "Acquiring Person" shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any employee benefit plan of the Company or of any Subsidiary of the Company, (iv) any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (v) any Person, who or which together with all Affiliates and Associates of such Person becomes the Beneficial Owner of 15% or more of the outstanding Common Shares because of the acquisition of Common Shares directly from the Company, and (B) no Person shall be deemed to be an "Acquiring Person" either (X) as a result of the acquisition of Common Shares by the Company which, by reducing the number of Common Shares outstanding, increases the proportional number of shares beneficially owned by such Person together with all Affiliates and Associates of such Person; except that if (i) a Person would become an Acquiring Person (but for the operation of this subclause X) as a result of the acquisition of Common Shares by the Company, and (ii) after such share acquisition by the Company, such Person, or an Affiliate or Associate of such Person, becomes the Beneficial Owner of any additional Common Shares, then such Person shall be deemed an Acquiring Person, or (Y) if (i) within 8 days after such Person would otherwise have become an Acquiring Person (but for the operation of this subclause Y), such Person notifies the Board of Directors that such Person did so inadvertently and (ii) within 2 days after such notification, such Person is the Beneficial Owner of less than 15% of the outstanding Common Shares.

(b) *"Act"* shall mean the Securities Act of 1933, as amended and as in effect on the date of this Agreement.

(c) *"Affiliate"* and *"Associate"* shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended and in effect on the date of this Agreement (the *"Exchange Act"*).

(d) A Person shall be the *"Beneficial Owner"* of any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; *provided, however,* that a Person shall not be deemed the Beneficial Owner of any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with Exchange Act rules and (2) is not then reportable on Schedule 13D under the Exchange Act; or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any such Person's Affiliates or Associates) has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) relating to the acquisition, holding, voting (except to the extent contemplated by the proviso to Section 1(d)(ii)(B)) or disposing of any securities of the Company.

(e) *"Business Day"* shall mean any day other than a Saturday, Sunday or U.S. federal holiday.

(f) *"Close of business"* on any given date shall mean 5:00 P.M., New York time, on such date; *provided, however,* that if such date is not a Business Day it shall mean 5:00 P.M., New York time, on the next succeeding Business Day.

(g) *"Common Shares"* when used with reference to the Company shall mean the shares of Common Stock, par value $1.00 per share, of the Company or, in the event of a subdivision, combination or consolidation with respect to such shares of Common Stock, the shares of Common Stock resulting from such subdivision, combination or consolidation. *"Common Shares"* when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(h) *"Distribution Date"* shall have the meaning set forth in Section 3.

(i) *"Final Expiration Date"* shall have the meaning set forth in Section 7.

(j) *"Interested Stockholder"* shall mean any Acquiring Person or any Affiliate or Associate of any Acquiring Person or any other Person in which any such Acquiring Person, Affiliate or Associate has an interest, or any other Person acting directly or indirectly on behalf of or in concert with an Acquiring Person, Affiliate or Associate.

(k) *"Person"* shall mean any individual, firm, partnership, corporation, limited liability company, trust, association, joint venture or other entity, and shall include any successor (by merger or otherwise) of such entity.

(l) *"Preferred Shares"* shall mean shares of Series A Junior Participating Preferred Stock, with a par value of $1.00 per share of the Company having the relative rights, preferences and limitations set forth in the Certificate of Designation dated November 14, 1986, applicable to such Series A Junior Participating Preferred Stock.

(m) *"Redemption Date"* shall have the meaning set forth in Section 7.

(n) *"Section 11(a)(ii) Event"* shall mean any event described in Section 11(a)(ii).

(o) *"Section 13 Event"* shall mean any event described in clause (a), (b) or (c) of Section 13.

(p) *"Shares Acquisition Date"* shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(q) *"Subsidiary"* of any Person shall mean any Company or other Person of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

(r) *"Triggering Event"* shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Section 2. *Appointment of Rights Agent.* The Company appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent accepts such appointment.

Section 3. *Issuance of Right Certificates.* (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth day (or such later date as may be determined by action of the Company's Board of Directors) after the date of commencement by any Person (other than the Company, any Subsidiary of the Company,

any employee benefit plan of the company, any Subsidiary of the Company or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) to commence a tender or exchange offer the consummation of which would result in any Person becoming an Acquiring Person (including, in the case of both (i) and (ii), any such date which is after the date of this Agreement and prior to the issuance of the Rights), the earlier of such dates being herein referred to as the *"Distribution Date,"* (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of holders thereof (which certificates shall also be deemed to be Right Certificates) and not be separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of the underlying Common Shares (including a transfer to the Company). As soon as practicable after the Distribution Date, the Company will promptly notify the Rights Agent thereof, and prepare and execute, the Rights Agent will countersign, and the Company will send to each record holder of Common Shares as of the close of business on the Distribution Date a Right Certificate, substantially in the form of Exhibit A (a *"Right Certificate"*), evidencing one Right for each Common Share so held. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) Promptly following the Record Date, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares in the form of Exhibit B (the *"Summary of Rights"*) to each record holder of Common Shares as of the close of business on the Record Date. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of holders thereof together with a copy of the Summary of Rights.

Until the Distribution Date (or the earlier of the Redemption Dates or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights, shall also constitute the transfer of Rights associated with Common Shares.

(c) Certificates for Common Shares which become outstanding after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date, shall be deemed also to be certificates for Rights, and shall bear the following legend:

> This certificate evidences and entitles the holder to certain rights set forth in a Amended and Restated Rights Agreement between Caterpillar Inc. and Mellon Investor Services LLC, dated September 27, 2001 (the ″Rights Agreement″), the terms of which are incorporated by reference and a copy of which is on file at the principal executive offices of Caterpillar Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Caterpillar Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request for it. Under certain circumstances, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and certain related persons, whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common

Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. *Form of Right Certificate*. The Right Certificates shall be in the form of Exhibit A and may have such marks, legends, summaries or endorsements as the Company may deem appropriate (but which do not affect the rights, duties or responsibilities of the Rights Agent). The Right Certificates shall entitle the holders to purchase such number of one-hundredths of a Preferred Share set forth at the price per one one-hundredth of a Preferred Share set forth (the *"Purchase Price"*), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price shall be subject to adjustment as provided.

Section 5. *Countersignature and Registration.* (a) The Right Certificates shall be executed on behalf of the Company by its Chairman, any Group President, or any of its Vice Presidents, shall have affixed the Company's seal and shall be attested by the Secretary or an Assistant Secretary of the Company. The Right Certificates shall be countersigned by the Rights Agent and shall not be valid unless countersigned.

(b) Following the Distribution Date and receipt by the Rights Agent of all necessary information, the Rights Agent will keep books for registration and transfer of the Right Certificates. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the certificate number and the date of each of the Right Certificates.

Section 6. *Transfer, Split-Up, Combination and Exchange of Right Certificates, Mutilated, Destroyed, Lost or Stolen Right Certificate.* (a) Subject to the provisions of Section 14, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredth of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificates shall make such request in writing to the Rights Agent, and shall surrender the Right Certificates to be transferred, split up, combined or exchanged at the office of the Rights Agent designated for such purpose. The Company may require payment sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. The Rights Agent shall have no duty or obligation to take any action under any Section of this Agreement which requires the payment by a Rights holder of applicable taxes and governmental charges unless and until the Rights Agent is satisfied that all such taxes and/or charges have been paid.

(b) Upon receipt by the Company and the Rights Agent of evidence satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, and, at the Company's or the Rights Agent's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate to the Rights Agent for countersignature and delivery.

Section 7. *Exercise of Rights; Purchase Price; Expiration Date of Rights*. (a) The registered holder of any Right Certificate may exercise the Rights in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate duly executed, to the Rights Agent with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on December 11, 2006 (the *"Final Expiration Date"*), (ii) the time at which the Rights are redeemed as provided in Section 22 (the *"Redemption Date"*), or (iii) the time at which such Rights are exchanged as provided in Section 23.

(b) The Purchase Price for each one one-hundredth of a Preferred Share pursuant to the exercise of a Right shall initially be $300, subject to adjustment as provided. In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, each Common Share outstanding following such subdivision, combination or consolidation shall continue to have a Right associated with it and the Purchase Price following any such event shall be proportionately adjusted to equal the result obtained by multiplying the Purchase Price immediately prior to such event by a fraction the numerator of which shall be the total number of Common Shares outstanding immediately prior to the event and the denominator of which shall be the total number of Common Shares outstanding immediately following the event.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment of the Purchase Price for the Preferred Shares and an amount equal to any applicable tax or charge required to be paid by the holder, the Rights Agent shall promptly (i) (A) requisition certificates for the number of Preferred Shares to be purchased or (B) requisition depositary receipts representing such number of one one-hundredth of a Preferred Share to be purchased, (ii) when necessary to comply with this Agreement, requisition from the Company the amount of cash to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by the holder, and (iv) when necessary to comply with this Agreement, after receipt thereof, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Sections 6 and 14 hereof.

Section 8. *Cancellation and Destruction of Right Certificates.* All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon exercise. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy canceled Right Certificates and deliver a certificate of destruction to the Company.

Section 9. *Reservation and Availability of Preferred Shares.* (a) The Company agrees that prior to a Section 11(a)(ii) Event it will reserve out of its authorized and unissued Preferred Shares, or any authorized and issued Preferred Shares held in its treasury, the number of Preferred Shares sufficient to permit exercise in full of all outstanding Rights and, after the occurrence of a Section 11(a)(ii) Event, shall, to the extent reasonably practicable, so reserve a sufficient number of Common Shares (and/or other securities) which may be required to permit exercise in full of Rights pursuant to this Agreement.

(b) The Company agrees that it will pay any taxes and governmental charges which may be payable for the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any tax or charge which may be payable for any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates of depository receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise, or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights, until any such tax or charge shall have been paid or until it has been established to the Company's satisfaction that no tax or charge is due.

Section 10. *Preferred Shares Record Date.* Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall be the holder of record of the Preferred Shares represented, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable taxes and charges) was made; *provided, however*, that, if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to exercise of the Rights, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable.

Section 11. *Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights.* The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment as provided in this Section.

(a) (i) If the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving Company), except as otherwise provided in this Section, the Purchase Price in effect at the time of such event, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; *provided, however,* that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) In the event any Person, alone or together with its Affiliates and Associates, shall become an Acquiring Person, then each holder of a Right shall have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price such number of Common Shares as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event, and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares on the date of such first occurrence;

(iii) After the occurrence of such event, any Rights that were acquired or beneficially owned by an Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of such Rights shall have no right to exercise the Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be canceled.

(iv) If there shall not be sufficient treasury shares or authorized but unissued (and unreserved) Common Shares to permit the exercise in full of the Rights, the Company shall take all such action as may be necessary to authorize additional Common Shares. If the Company is unable to authorize additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares *("equivalent preferred shares"))* or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as determined pursuant to Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current per share market price, and the denominator of which shall be number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); *provided, however,* that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving Company) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price (as determined pursuant to Section 11(d) hereof) of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; *provided, however,* that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the *"current per share market price"* of any security (a *"Security"* for the purpose of this Section 11(d)(i)) shall be the average of the daily closing prices per share of such Security for thirty (30) consecutive Trading Days immediately prior to but not including such date; *provided, however,* that in the event that the current per share market price of the Security is determined during a period following the announcement of (A) a dividend or distribution payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of thirty (30) Trading Days after but not including the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted , the average of the high bid and low asked prices in the over-the-counter market as reported by the National Association of Securities Dealers, Inc. Automated Quotations System (*"NASDAQ"*) or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the

Board of Directors of the Company. If on any such date no such market marker is making market in the Security, the fair value of the Security on such date as determined in good faith by the Board of Directors of the Company shall be used. The term *"Trading Day"* shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the *"current per share market price"* of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i), (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by 100. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; *provided, however,* that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three

(3) years from the date of the transaction which mandates such adjustment or (ii) the Final Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13, the holder of any Right exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of other shares so receivable upon exercise of any Right shall be subject to adjustment.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price shall evidence the right to purchase at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable upon exercise of the Rights, all subject to further adjustment as provided.

(h) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made, and shall promptly give the Rights Agent a copy of such announcement. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(h), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing the additional Rights to which holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates distributed shall be issued, executed and countersigned in the manner provided and shall be registered in the names of the holders of record as specified in the public announcement.

(i) Right Certificates thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates.

(j) Before taking any action that would cause an adjustment reducing the Purchase Price below par value, if any, of the number of one one-hundredths of a Preferred Share, Common Shares or other securities issuable upon exercise of the Rights, the Company shall take any corporate action necessary for the Company to validly issue such number of fully paid and nonassessable one one-hundredths of a Preferred Share, Common Shares or other securities at such adjusted Purchase Price.

(k) If Section 11 requires an adjustment in the Purchase Price effective as of a record date for a specified event, the Company may defer (and shall give prompt written notice of such election to the Rights Agent) until the occurrence of such event the issuance to the holder of any Right exercised after such record date the Preferred Shares, Common Shares or other securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares, Common Shares or other securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; *provided, however,* that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring adjustment.

(l) The Company may make reductions in the Purchase Price so that (i) any consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of Preferred Shares at less than the current market price, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

Section 12. *Certificate of Adjusted Purchase Price or Number of Shares.* Whenever an adjustment is made as provided in Sections 11 or 13, the Company shall promptly (a) prepare a certificate setting forth the adjustment and a brief statement of the facts and computations accounting for such adjustment, (b) file with the Rights Agent a copy of such certificate and (c) mail a brief summary to each holder of a Right Certificate. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment contained therein and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

Section 13. *Consolidation, Merger or Sale or Transfer of Assets or Earning Power.* In the event, at any time after a Person has become an Acquiring Person, (a) the Company shall consolidate with, or merge with and into, any other Person (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving Company of such merger and, in connection with such merger, all or part of the Common Shares shall be exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its

Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries to any other Person other than the Company or one or more of its wholly-owned Subsidiaries, then (i) each holder of a right shall have the right to receive, in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving Company) as shall equal the result obtained by (A) multiplying the current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11 (d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. *Fractional Rights and Fractional Shares.* (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Rights, the fair value of the Rights on such a date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are one one-hundredth or integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are one one-hundredth or integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; *provided* that such agreement shall provide that the holders of such depositary receipts shall have the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not one one-hundredth or integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of one Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of exercise.

(c) Following occurrence of one of the transactions or events specified in Section 11 giving rise to the right to receive Common Shares, capital stock equivalents (other than Preferred Shares) or other securities upon the exercise of a Right, the Company shall not be required to issue fractions of shares or units of such Common Shares, capital stock equivalents or other securities upon exercise of the Rights or to distribute certificates which evidence fractions of such Common Shares, capital stock, equivalents or other securities. In lieu of fractional shares or units of such Common Shares, capital stock equivalents or other securities, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised an amount in cash equal to the same fraction of the current market value of a share or unit of such Common Shares, capital stock equivalents or other securities. For purposes of this Section 14(c), the current market value shall be determined in the manner set forth in Section 11(d) for the Trading

Day immediately prior to the date of exercise and, if such capital stock equivalent is not traded, each capital stock equivalent shall have the value of one one-hundredth of a Preferred Share.

(d) The Rights Agent shall have no duty or obligation with respect to this Section 14 or any other Section hereof concerning fractional shares unless and until it has received specific instructions (and sufficient cash, if required) from the Company with respect to its duties and obligations under such Sections.

Section 15. *Agreement of Right Holders.* Every holder of a Right agrees that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate form fully executed;

(c) the Company and the Rights Agent may treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby; and

(d) neither the Company nor the Rights Agent shall have any liability to any holder of a Right or a beneficial interest in a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; *provided, however,* the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 16. *Right Certificate Holder Not Deemed a Stockholder*. No holder of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders, or to receive dividends or other distributions or to exercise any preemptive or subscription rights, or otherwise, until the Rights evidenced by such Right Certificate shall have been exercised.

Section 17. *Concerning the Rights Agent.* (a) The Company agrees to pay the Rights Agent reasonable compensation for all services rendered, and, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred (and, to the extent fees for such services are provided for, such compensation and expenses are in accordance with the fee schedule provided for in Exhibit D to the Service Agreement for Transfer Agent Services to Caterpillar Inc., dated September 13, 2001 between the Company and Mellon Investor Services) in the preparation, administration, delivery, execution and amendment of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (each as determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction), for any action taken, suffered or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability hereunder and of enforcing the rights of indemnification. The provisions of this Section 17 and Section 19 below shall survive the expiration of the Rights, the termination of this Agreement and the resignation or removal of the Rights Agent.

(b) The Rights Agent shall be authorized and protected and shall incur no liability for any action in connection with its acceptance and administration of this Agreement in reliance upon any Right Certificate or certificate for Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other document believed to be genuine and signed, executed and, where necessary, verified or acknowledged, by the proper Persons, or otherwise upon the advice of counsel as set forth in Section 19. The Rights Agent shall not be deemed to have knowledge of any event of which it was supposed to receive notice thereof hereunder, and the Rights Agent shall be fully protected and shall incur no liability for failing to take any action in connection therewith unless and until it has received such notice in writing.

Section 18. *Merger or Consolidation or Change of Name of Rights Agent.*

(a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the stock transfer or all or substantially all of the corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such Person would be eligible for appointment as a successor Rights Agent. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) If the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 19. *Duties of Rights Agent.* The Rights Agent undertakes only those duties and obligations imposed by this Agreement (and no implied duties and obligations) upon the following terms and conditions, all of which the Company and the holders of Rights Certificates shall be bound:

(a) The Rights Agent may consult with legal counsel and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for, or in respect of any action taken, suffered or omitted by it in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking, suffering or omitting to take action hereunder, such fact or matter may be deemed to be conclusively proved and established by a certificate signed by the Chief Executive Officer, any Group President or any Vice President of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent for any action in reliance upon such certificate.

(c) The Rights Agent shall be liable only for its own gross negligence, bad faith or willful misconduct (each as determined by a final, non-appealable order, judgment, decree or ruling of a court of competent jurisdiction). Any liability of the Rights Agent under this Agreement will be limited to the amount of fees paid by the Company to the Rights Agent.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or the Right Certificates (except its countersignature on such Right Certificates) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility or have any liability in respect of the validity of this Agreement or its execution and delivery (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any change in the exercisability of the Rights, a transfer to an Acquiring Person or any adjustment required under Section 11 or Section 13 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of the certificate described in Section 12); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when issued, be validly authorized and issued, fully paid and non-assessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver acts, instruments and assurances reasonably required by the Rights Agent.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman, any Group President, or Vice President of the Company, and to apply to such officers for advice or instructions in connection with its duties and such instructions shall be full authorization and protection to the Rights Agent, and the Rights Agent shall not be liable for any action taken, suffered or omitted by it in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Right Agent, set forth in writing any action proposed to be taken or omitted by the Right Agent under this Rights Agreement and the date on or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instruction in response to such application specifying the action to be taken, suffered or omitted.

(h) The Rights Agent and any stockholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company or any other reason resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct (each as determined by a final, non-appealable order, judgment, decree or ruling or a court of competent jurisdiction) in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it reasonably believes that repayment of such funds or adequate indemnification against such risk or liability is not assured it.

Section 20. *Change of Rights Agent.* The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing to the Company and to holders of the Rights Certificates. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' written notice to the Rights Agent or successor Rights Agent and to holders of the Rights Certificates. If the Rights Agent shall resign or be removed, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by a court, shall be (i) a Person organized and doing business under the laws of the United States or of the State of Illinois or New York (or of any other state of the United States so long as such Person is authorized to do business as a banking institution in the State of Illinois or New York), in good standing, having an office in the State of Illinois or New York, is authorized under such laws to exercise corporate trust or transfer powers and which is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50,000,000, or (ii) an Affiliate of a Person described in clause (i). After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice in writing to the registered holders of the Right Certificates. Failure to give adequate notice shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment, of the successor Rights Agent.

Section 21. *Issuance of New Right Certificates.* (a) The Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

(b) In addition, in connection with the issuance or sale of Common Shares following the Distribution Date, and prior to the earlier of the Redemption Date and the Final Expiration Date, the Company (a) shall with respect to Common Shares as issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; *provided, however*, that (i) the Company shall not be obligated to issue any such Right Certificates if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, and (ii) no Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 22. *Redemption and Termination.*

(a) (i) The Board of Directors of the Company may, at its option, redeem all but not less than all outstanding Rights at a redemption price of $.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction (such redemption price being hereinafter referred to as the *"Redemption Price"*). Redemption of the Rights may be effective at such time, on such basis and with such conditions as the Board of Directors of the Company, in its sole discretion, may establish.

(b) Immediately upon redemption, the right to exercise the Rights will terminate and the only right thereafter of the holders shall be to receive the Redemption Price. The Company shall promptly give public notice of any redemption; *provided, however,* that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within ten (10) days after the date for redemption set forth in a resolution of the Board of Directors ordering the redemption, the Company shall mail a notice of redemption to all the holders of the outstanding Rights and shall give prompt written notice to the Rights Agent. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights in any manner other than that specifically set forth in this Section and other than in connection with the purchase of Common Shares prior to the Distribution Date.

(c) The Company may discharge all of its obligations by (i) issuing a press release announcing the manner of redemption of the Rights in accordance with this Agreement and (ii) mailing payment of the Redemption Price to the registered holders of the Rights.

Section 23. *Exchange.* (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). The Board of Directors shall not be empowered to effect an exchange after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company, or any such

Subsidiary, any entity holding Common Shares for or pursuant to the terms of any such a plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to subsection (a) and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any exchange (with prompt written notice thereof to the Rights Agent); *provided, however,* that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly mail notice of any exchange to all holders. Each notice will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of valid Rights held.

(c) In any exchange pursuant to this Section, the Company, at its option, may substitute Preferred Shares for some or all of the Common Shares exchangeable for Rights, at the initial rate of one one-hundredth of a Preferred Share (or equivalent preferred share) for each Common Share, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Shares, so that the fraction of a Preferred Share delivered in lieu of each Common Share shall have the same voting rights as one Common Share.

(d) In the event that there shall not be sufficient Common Shares or Preferred Shares authorized to permit an exchange of Rights, the Company shall take all action necessary to authorize additional Common Shares or Preferred Shares for issuance.

Section 24. *Notice of Certain Events.* (a) If the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares, (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with any other Person or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer) in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries to any other Person or Persons, or (v) to effect the liquidation, dissolution or winding up of the Company, then the Company shall give to each holder of a Right Certificate notice of such proposed action and file a certificate with the Rights Agent to that effect, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to occur and the date of participation by the holders of the Preferred Shares. Such notice shall be given in the case of any action covered by clause (i) or (ii) above at least ten (10) days prior to the date for determining holders of the Preferred Shares for purposes of the action, and in the case of any other action, at least ten (10) days prior to the date of the taking of the proposed action or the date of participation therein by the holders of the Preferred Shares, whichever shall be earlier.

(b) In case of a Section 11(a)(ii) Event, (i) the Company shall as soon as practicable give to each holder of a Right Certificate, notice of such event, and (ii) all references in the preceding paragraph (a) to Preferred Shares shall be deemed thereafter to refer also to Common Shares and/or, if appropriate, other securities of the Company.

Section 25. *Notices.* Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) or by facsimile transmission as follows:

Caterpillar Inc.
Attn: General Counsel and Corporate Secretary
100 N. E. Adams Street
Peoria, IL 61629-7310
Attention: Secretary
Facsimile No.: (309) 675-6886

Any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Mellon Investor Services LLC
One Memorial Drive
Suite 900
St. Louis, MO 63102
Attention: Relationship Manager
Facsimile No.: (314) 588-2211

with a copy to:

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660
Attention: General Counsel
Facsimile No.: (201) 296-4004

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate or, if prior to the Distribution Date, to the holder of certificates representing Common Shares shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. *Supplements and Amendments.* Prior to the Distribution Date, the Company and the Rights Agent may, if the Company so directs but subject to the other provisions of this Section, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Shares. From and after the Distribution Date, the Company and the Rights Agent may, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interest of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); *provided, however,* that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section, the Rights Agent shall execute such supplement or amendment, provided that such supplement or amendment does not adversely affect the rights, duties, liabilities or obligations of the Rights Agent under this Agreement. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Shares.

Section 27. *Successors.* All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 29. *Governing Law.* This Agreement, each Right and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 30. *Determinations And Actions By The Board Of Directors, Etc.* (a) The Board of Directors of the Company shall have the exclusive power and authority to administer this Rights Agreement and to exercise all rights and powers specifically granted to the Board of Directors or to the Company, or as may be necessary or advisable in the administration of this Rights Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Rights Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Rights Agreement (including a determination to redeem or not redeem the Rights or to amend the Rights Agreement and a determination of whether there is an Acquiring Person. All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors in good faith shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board of Directors to any liability to the holders of the Rights. The Rights Agent shall always be entitled to assume that the Company's Board of Directors acted in good faith and shall be fully protected and incur no liability in reliance thereon.

(b) It is understood that the TIDE Committee (as defined below) of the Board of Directors shall review and evaluate this Rights Agreement in order to consider whether the maintenance of this Rights Agreement continues to be in the interests of the Company, its shareholders and any other relevant constituencies of the Company, at least every three years, or sooner if any Person shall have made a proposal to the Company, or taken any other action, that, if effective, could cause such Person to become an Acquiring Person hereunder, if a majority of the members of the TIDE Committee shall deem such review and evaluation appropriate after giving due regard to all relevant circumstances. Following each such review, the TIDE Committee will communicate its conclusions to the full Board of Directors, including any recommendation in light thereof as to whether this Rights Agreement should be modified or the Rights should be redeemed. The TIDE Committee shall be comprised of the members of the Nominating and Governance

Committee of the Board, composed of Directors of the Company who are not officers, employees or Affiliates of the Company.

Section 31. *Counterparts.* This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the date and year first above written.

Caterpillar Inc.

Attest:

By: /s/ Tinkie E. Demmin
Name: Tinkie E. Demmin
Title: Assistant Secretary

By: /s/ James B. Buda
Name: James B. Buda
Title: Vice President, Secretary and General Counsel

Mellon Investor Services LLC

Attest:

By: /s/ Jane Martin
Name: Jane Martin
Title: Relationship Manager

By: /s/ Ruth Brunette
Name: Ruth Brunette
Title: Relationship Manager

Exhibit A to Rights Agreement

Form of Right Certificate

Certificate No. R-

NOT EXERCISABLE AFTER DECEMBER 11, 2006 OR EARLER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

CATERPILLAR INC.

This certifies that __________________________________, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Amended and Restated Rights Agreement, dated as of September 27, 2001 (the "Rights Agreement"), between Caterpillar Inc., a Delaware corporation (the "Company") and Mellon Investor Services LLC, a New Jersey limited liability company (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 p.m., New York City time, on April 30, 2006 at the office of the Rights Agent designated for such purposes, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value $1.00 per share, of the Company, (the "Preferred Shares") at a purchase price of $300 (subject to adjustment as provided in the Rights Agreement) per one one-hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of December 11, 1996, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are incorporated by reference. Copies of the Rights Agreement are on file at the offices of the Company and Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the office of the Rights Agent designated for such purposes, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Right Certificate (i) may be redeemed by the Company at a redemption price of $.01 per Right or (ii) may be exchanged for shares of the Company's Common Stock, par value $1.00 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but, in lieu thereof, a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein, be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of .

CATERPILLAR INC.

ATTEST:

By

Name: Name:
Title: Title:

Countersigned:

MELLON INVESTOR SERVICES LLC

By
Name:
Title:

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such
holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED hereby sells, assigns and transfer unto

(Please print name and address of transferee)

this Right Certificate, together with all rights, title and interest therein, and does hereby irrevocably constitute and appoint Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated:

____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

____
Signature

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise
Rights represented by the Right Certificate.)

To: CATERPILLAR INC.

The undersigned hereby irrevocably elects to exercise Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security
or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)
Dated:

____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

____
Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

Exhibit B to Rights Agreement

December 23, 1996

RE: SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES

On December 11, 1996, the Board of Directors of Caterpillar Inc. declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of Caterpillar common stock (the "Common Shares"). The dividend is payable on December 23, 1996 (the "Record Date") to stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock (the "Preferred Shares") for $300 (the "Purchase Price"), subject to adjustment. Terms of the Rights are in a Rights Agreement (the "Rights Agreement") between the Company and Mellon Investor Services LLC (the "Rights Agent").

Separate certificates evidencing the Rights will not be distributed until the earlier of:

- 10 days following public announcement that a person (an "Acquiring Person") has acquired 15% or more of the outstanding Common Shares; or
- 10 business days following commencement of a tender offer or exchange offer which would result in a person or group owning15% or more of the outstanding Common Shares (the "Distribution Date").

Until the Distribution Date:

- the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by the Common Share certificate with a copy of this Summary of Rights attached;
- the Rights will be transferred only with the Common Shares;
- new Common Share certificates will contain a notation incorporating the Rights Agreement by reference;
- the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights attached, will constitute the transfer of the Rights associated with the Common Shares.

Following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and these separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on December 11, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company. The number of outstanding Rights, the Purchase Price, and the number of Preferred Shares issuable upon exercise of the Rights are subject to adjustment to prevent dilution.

If any person becomes an Acquiring Person, each Right holder, other than the Acquiring Person, will have the right to receive that number of Common Shares having a market value of two times the exercise price of the Right. If the Company is acquired in a merger or other transaction or 50% or more of its consolidated assets or earning power are sold after a person becomes an Acquiring Person, each holder of a Right will have the right to receive that number of shares of common stock of the acquiring company having a market value of two times the exercise price of the Right.

At any time after any person becomes an Acquiring Person and prior to the acquisition by such person of 50% or more of the outstanding Common Shares, the Board of Directors may exchange the Rights at a ratio of one Common Share, or one one-hundredth of a Preferred Share, per Right.

At any time prior to the acquisition by a person of 15% or more of the outstanding Common Shares, the Board of Directors of the Company may redeem the Rights in whole at a price of $.01 per Right (the "Redemption Price"). Immediately upon redemption of the Rights, the right to exercise the Rights will terminate and the only right of the Rights holders will be to receive the Redemption Price.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement also is available free of charge from the Company by contacting the Company's Secretary. This summary description of the Rights is qualified in its entirety by the Rights Agreement which is incorporated by reference.

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Caterpillar Inc. (the "Company") on Form 10-Q for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2002	/s/ Glen A. Barton (Glen A. Barton)	Chairman of the Board and Chief Executive Officer
November 12, 2002	/s/ F. Lynn McPheeters (F. Lynn McPheeters)	Chief Financial Officer

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