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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

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 No. 1-768

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1.00 par value) [(1)]	New York Stock Exchange
9 3/8% Debentures due March 15, 2021	New York Stock Exchange
8% Debentures due February 15, 2023	New York Stock Exchange
5.3% Debentures due September 15, 2035	New York Stock Exchange

(1) In addition to the New York Stock Exchange, Caterpillar common stock is also listed on stock exchanges in Belgium, France, Germany, Great Britain and Switzerland.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller Reporting Company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2012, there were 653,268,696 shares of common stock of the Registrant outstanding, and the aggregate market value of the voting stock held by non-affiliates of the Registrant (assuming only for purposes of this computation that directors and executive officers may be affiliates) was approximately $55.3 billion.

As of December 31, 2012, there were 655,048,493 shares of common stock of the Registrant outstanding.

Documents Incorporated by Reference

Portions of the documents listed below have been incorporated by reference into the indicated parts of this Form 10-K, as specified in the responses to the item numbers involved.

Part III	2013 Annual Meeting Proxy Statement (Proxy Statement) to be filed with the Securities and Exchange Commission (SEC) within 120 days after the end of the calendar year.
Parts I, II, IV	General and Financial Information for 2012 containing the information required by SEC Rule 14a-3 for an annual report to security holders filed as Exhibit 13 to this Form 10-K (Exhibit 13).

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PART I

Item 1. Business.

General

Originally organized as Caterpillar Tractor Co. in 1925 in the State of California, our company was reorganized as Caterpillar Inc. in 1986 in the State of Delaware. As used herein, the term "Caterpillar," "we," "us," "our," or "the company" refers to Caterpillar Inc. and its subsidiaries unless designated or identified otherwise.

Overview

With 2012 sales and revenues of $65.875 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company is also a leading services provider through Caterpillar Financial Services Corporation (Cat Financial), Caterpillar Remanufacturing Services and Progress Rail Services Corporation (Progress Rail). Caterpillar is also a leading U.S. exporter. Through a global network of independent dealers and direct sales of certain products, Caterpillar builds long-term relationships with customers around the world.

In 2010, we announced a revised strategy and reorganization of our business into strategic business units. Currently, we have five operating segments, of which four are reportable segments and are described below. Further information about our reportable segments, including geographic information, appears in Note 22 — "Segment information" of Exhibit 13.

Categories of Business Organization

1. **Machinery and Power Systems** — Represents the aggregate total of Construction Industries, Resource Industries, Power Systems and All Other segments and related corporate items and eliminations.

2. **Financial Products** — Primarily includes the company's Financial Products Segment. This category includes Cat Financial, Caterpillar Insurance Holdings Inc. (Cat Insurance) and their respective subsidiaries.

Other information about our operations in 2012, including certain risks associated with our operations, is incorporated by reference from our "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 13.

Construction Industries

Our Construction Industries segment is primarily responsible for supporting customers using machinery in infrastructure and building construction applications. The majority of machine sales in this segment are made in the heavy construction, general construction, mining and quarry and aggregates markets. After a strong start for our sales of construction machinery in 2012, uncertainties in the global economy had a moderating impact on customer demand. Dealer deliveries to end users were higher compared with 2011, but dealers began reducing their inventory in the second half of 2012 to align their inventory with end-user demand. As a result, our sales of construction machinery declined slightly when compared with 2011. Although our sales were higher in North America, lower sales in other regions, including Asia/Pacific, more than offset these increases.

Customer demand for construction machinery has generally been characterized over the past decade by a shift from developed to developing economies. Customers in developing economies often prioritize purchase price in making their investment decisions, while customers in developed economies generally weigh productivity and other performance criteria that contribute to lower lifetime owning and operating costs of a machine. In response to increased demand in developing economies, Caterpillar has developed differentiated product offerings that target customers in those markets, including our SEM brand machines. We believe that these customer-driven product innovations enable us to compete more effectively in developing economies. In those developed economies that are subject to diesel engine emission requirements, we continued our multi-year roll out of products designed to meet those requirements. We believe that these products have been well-received by our customers and are providing us a competitive advantage.

In response to customer demand and our expectations for industry growth, we announced significant investment programs in 2010 and 2011 to increase our production of construction machinery, especially in the United States, Brazil and Asia. These investments are designed to better align our regional production capacity with customer demand. In August 2012, we began production of hydraulic excavators at a new facility in Victoria, Texas that will triple our U.S. production capacity for these machines when operating at full capacity. In light of global economic uncertainty and lower customer demand, we slowed other capacity increases and reduced production rates at several facilities. We also conducted targeted marketing programs to reduce inventory in certain markets, including China.

The competitive environment for construction machinery is characterized by some global competitors and many regional and specialized local competitors. Examples of global competitors include Komatsu Ltd., Volvo Construction Equipment (part of the Volvo Group), CNH Global N.V., Deere & Co., Hitachi Construction Machinery Co., J.C. Bamford Ltd., Doosan Infracore Co., Ltd. and Hyundai. As an example of regional and local competitors, our competitors in China also include LiuGong Machinery Co., Ltd., Longking Group, Sany Heavy Industry Co., Ltd., XiaGong Machinery Co. Ltd., XCMG Group, The Shandong Heavy Industry Group Co., Ltd. (Shantui Construction Machinery Co., Ltd., Strong Construction Machinery Co., Ltd., and Shandong JCM Construction Machinery Co., Ltd.), and Shandong Lingong Construction Machinery Co., Ltd. (part of Volvo Group). Each of these companies has varying product lines that compete with Caterpillar products, and each has varying degrees of regional focus.

The Construction Industries product portfolio includes the following machines and related parts:

- backhoe loaders
- small wheel loaders
- skid steer loaders
- multi-terrain loaders
- medium wheel loaders
- compact wheel loaders
- track-type loaders
- mini excavators
- small, medium and large track excavators
- wheel excavators
- small track-type tractors
- medium track-type tractors
- select work tools
- motor graders
- pipelayers

Resource Industries

The Resource Industries segment is primarily responsible for supporting customers using machinery in mine and quarry applications. It also serves forestry, paving, tunneling, industrial and waste customers. Our Resource Industries business was transformed by the acquisition of Bucyrus International, Inc. (Bucyrus) in July 2011, and now offers mining customers the broadest product range in the industry. We subsequently announced our intention to transition the Bucyrus distribution business to the independent Caterpillar dealers who support mining customers. We made significant progress integrating Bucyrus in 2012 and are working closely with our dealers to transition the distribution business, with twelve dealer transactions completed during the year.

Over the past two years, we have added capacity for mining products to better align production with expected demand. As a result of the increase in production capability, coupled with our existing mining order backlog, sales in 2012 were higher than 2011. However, in the second half of the year slow global growth and commodity prices that were off their 2012 highs resulted in some reductions, delays and cancellation of orders for mining products. We have continued our announced investments in new facilities and the expansion of existing facilities to increase capacity, but slowed the pace of these investments. We also completed the acquisition of ERA Mining Machinery Limited, including its wholly-owned subsidiary Zhengzhou Siwei Mechanical & Electrical Manufacturing Co., Ltd (Siwei), to pursue opportunities in the Chinese mid-tier market. Our investments reflect our belief that long-term trends of urbanization and related infrastructure development will support continued long-term mining industry growth.

The competitive environment for Resource Industries consists of a few larger global competitors that compete in several of the markets that we serve and a substantial number of smaller companies that compete in a more limited range of products and/or applications or in regional markets. Our global competitors include Komatsu Ltd., Joy Global Inc., Hitachi Construction Machinery Co., Ltd., Volvo Construction Equipment (part of Volvo Group), Atlas Copco, Wirtgen and Deere & Co. A number of Chinese companies are active in the mid-tier market, including Beijing Shougang Construction Group Co., Ltd., Chery Heavy Industry Co., Ltd., LiuGong Machinery Co., Ltd., Sany Heavy Industry Co., Ltd., XCMG Group and Zhengzhou Coal Mining Machinery Group Co., Ltd.

The Resource Industries product portfolio includes the following machines and related parts:

- electric rope shovels
- draglines
- hydraulic shovels
- drills
- highwall miners
- underground mining equipment
- large track-type tractors
- large mining trucks
- large electric drive mining trucks
- tunnel boring equipment
- large wheel loaders
- off-highway trucks
- articulated trucks
- wheel tractor scrapers
- wheel dozers
- compactors
- industrial swing machines
- select work tools
- forestry products
- paving products
- machinery components
- electronics and control systems

Power Systems

Our Power Systems segment is primarily responsible for supporting customers using reciprocating engines, turbines and related parts across industries serving electric power, industrial, petroleum and marine applications as well as rail-related businesses. Power Systems sales increased globally in 2012, driven by increased customer demand, and included a full year of sales by MWM Holding GmbH (MWM).

The Power Systems portfolio includes:

- reciprocating engine powered generator sets
- integrated systems used in the electric power generation industry
- reciprocating engines and integrated systems and solutions for the marine and petroleum industries
- reciprocating engines supplied to the industrial industry as well as Caterpillar machinery
- turbines and turbine-related services
- diesel-electric locomotives and components and other rail-related products and services.

As in our other segments, customer demand for most Power Systems products and services has increased significantly in the developing world, and we have made investments to increase our production in line with regional demand. In 2012, we opened a new Electro-Motive Diesel, Inc. (EMD) manufacturing facility in Sete Lagoas, Brazil. In October 2011 we acquired MWM, a leading supplier of natural gas and alternative-fuel engines, in response to increasing customer demand for sustainable power alternatives. While sales of engines and turbines for petroleum applications increased in 2012, along with sales of our rail products and services, these increases were partially offset by lower sales for industrial and electric power generation, excluding MWM. In response to lower sales in certain markets, we announced reductions in our workforce at certain facilities. Power Systems remains focused on increasing its product offerings and further integrating its products and services to provide complete systems and solutions to its customers.

Regulatory emissions standards of the U.S. Environmental Protection Agency (EPA) and similar standards in other developed economies have required us to make significant investments in research and development that will continue as new products are phased in over the next several years. This new product introduction process is the most extensive in the company's history. We believe that our emissions technology provides a competitive advantage in connection with emissions standards compliance and performance.

The competitive environment for reciprocating engines in marine, petroleum, construction, industrial, agriculture and electric power generation systems along with turbines consists of a few larger global competitors that compete in a variety of markets that Caterpillar serves, and a substantial number of smaller companies that compete in a limited-size product range, geographic region and/or application. Principal global competitors include Cummins Inc., Tognum AG, GE Oil & Gas, GE Power & Water, Deutz AG and Wartsila Corp. Other competitors, such as MAN Diesel & Turbo SE, Siemens Energy, Rolls Royce Group plc, Mitsubishi Heavy Industries Ltd., Volvo Penta (part of Volvo Group), Weichai Power Co., Ltd., Kirloskar Oil Engines Limited and other emerging market competitors compete in certain markets in which Caterpillar competes. An additional set of competitors, including Generac Power Systems, Inc., Kohler Co., and others, are packagers who source engines and/or other components from domestic and international suppliers and market products regionally and internationally through a variety of distribution channels. In rail-related businesses, our global competitors include GE Transportation, Vossloh AG, Siemens AG and Alstom Transport. We also compete with other companies on a more limited range of products, services and/or geographic regions.

Financial Products Segment

The business of our Financial Products segment is primarily conducted by Cat Financial, a wholly owned finance subsidiary of Caterpillar. Cat Financial's primary business is to provide retail and wholesale financing alternatives for Caterpillar products to customers and dealers around the world. Retail financing is primarily comprised of the financing of Caterpillar equipment, machinery and engines. Cat Financial also provides financing for vehicles, power generation facilities and marine vessels that, in most cases, incorporate Caterpillar products. In addition to retail financing, Cat Financial provides wholesale financing to Caterpillar dealers and purchases short-term receivables from Caterpillar and its subsidiaries. The various financing plans offered by Cat Financial are primarily designed to increase the opportunity for sales of Caterpillar products and generate financing income for Cat Financial. A significant portion of Cat Financial's activities is conducted in North America. However, Cat Financial has additional offices and subsidiaries in Asia, Australia, Europe and Latin America.

For over 30 years, Cat Financial has been providing financing in the various markets in which it participates, contributing to its knowledge of asset values, industry trends, product structuring and customer needs.

In certain instances, Cat Financial's operations are subject to supervision and regulation by state, federal and various foreign governmental authorities, and may be subject to various laws and judicial and administrative decisions imposing requirements and restrictions which, among other things, (i) regulate credit granting activities and the administration of loans, (ii) establish maximum interest rates, finance charges and other charges, (iii) require disclosures to customers and investors, (iv) govern secured transactions, (v) set collection, foreclosure, repossession and other trade practices and (vi) regulate the use and reporting of information related to a borrower's credit experience. Cat Financial's ability to comply with these and other governmental and legal requirements and restrictions affects its operations.

Cat Financial's retail leases and installment sale contracts (totaling 50 percent*) include:

- Tax leases that are classified as either operating or finance leases for financial accounting purposes, depending on the characteristics of the lease. For tax purposes, Cat Financial is considered the owner of the equipment (14 percent*).

- Finance (non-tax) leases, where the lessee for tax purposes is considered to be the owner of the equipment during the term of the lease, that either require or allow the customer to purchase the equipment for a fixed price at the end of the term (19 percent*).

- Installment sale contracts, which are equipment loans that enable customers to purchase equipment with a down payment or trade-in and structure payments over time (16 percent*).

- Governmental lease-purchase plans in the U.S. that offer low interest rates and flexible terms to qualified non-federal government agencies (1 percent*).

Cat Financial's wholesale notes receivable, finance leases and installment sale contracts (totaling 15 percent*) include:

- Inventory/rental programs, which provide assistance to dealers by financing their new Caterpillar inventory and rental fleets (5 percent*).

- Short-term receivables Cat Financial purchased from Caterpillar at a discount (10 percent*).

Cat Financial's retail notes receivables (35 percent*) include:

- Loans that allow customers and dealers to use their Caterpillar equipment or other assets as collateral to obtain financing.

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*Indicates the percentage of Cat Financial's total portfolio at December 31, 2012. We define total portfolio as total finance receivables (net of unearned income and allowance for credit losses) plus equipment on operating leases, less accumulated depreciation. For more information on the above and Cat Financial's concentration of credit risk, please refer to Note 6 — "Cat Financial Financing Activities" of Exhibit 13.

Cat Financial operates in a highly competitive environment, with financing for users of Caterpillar equipment available through a variety of sources, principally commercial banks and finance and leasing companies. Cat Financial's competitors include Wells Fargo Equipment Finance Inc., General Electric Capital Corporation and various other banks and finance companies. In addition, many of our manufacturing competitors own financial subsidiaries such as Volvo Financial Services, Komatsu Financial L.P. and John Deere Capital Corporation that utilize below-market interest rate programs (funded by the manufacturer) to assist machine sales. Caterpillar and Cat Financial work together to provide a broad array of financial merchandising programs around the world to meet these competitive offers.

Cat Financial's financial results are largely dependent upon the ability of Caterpillar dealers to sell equipment and customers' willingness to enter into financing or leasing agreements. It is also affected by, among other things, the availability of funds from its financing sources, general economic conditions such as inflation and market interest rates and its cost of funds relative to its competitors.

Cat Financial has a "match funding" policy that addresses interest rate risk by aligning the interest rate profile (fixed rate or floating rate) of its debt portfolio with the interest rate profile of its receivables portfolio (loans and leases with customers and dealers) within predetermined ranges on an ongoing basis. In connection with that policy, Cat Financial issues debt with a similar interest rate profile to its receivables, and also uses interest rate swap agreements to manage its interest rate risk exposure to interest rate changes and in some cases to lower its cost of borrowed funds. For more information regarding match funding, please see Note 3 — "Derivative financial instruments and risk management" of Exhibit 13. See also the risk factors on pages 9 through 18 for general risks associated with our financial products business included in Item 1A. of this Form 10-K.

In managing foreign currency risk for Cat Financial's operations, the objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions, and future transactions denominated in foreign currencies. This policy allows the use of foreign currency forward, option and cross currency contracts to offset the risk of currency mismatch between the receivable and debt portfolios, and exchange rate risk associated with future transactions denominated in foreign currencies. Substantially all such foreign currency forward, option and cross currency contracts are undesignated.

Cat Financial provides financing only when certain criteria are met. Credit decisions are based on, among other factors, the customer's credit history, financial strength and intended use of equipment. Cat Financial typically maintains a security interest in retail-financed equipment and requires physical damage insurance coverage on financed equipment. Cat Financial finances a significant portion of Caterpillar dealers' sales and inventory of Caterpillar equipment throughout the world. Cat Financial's competitive position is improved by marketing programs offered in conjunction with Caterpillar and/or Caterpillar dealers. Under these programs, Caterpillar, or the dealer, funds an amount at the outset of the transaction, which Cat Financial then recognizes as revenue over the term of the financing. We believe that these marketing programs provide Cat Financial a significant competitive advantage in financing Caterpillar products.

Caterpillar Insurance Company, a wholly owned subsidiary of Caterpillar Insurance Holdings Inc., is a U.S. insurance company domiciled in Missouri and primarily regulated by the Missouri Department of Insurance. Caterpillar Insurance Company is licensed to conduct property and casualty insurance business in 50 states and the District of Columbia and, as such, is also regulated in those jurisdictions. The State of Missouri acts as the lead regulatory authority and monitors Caterpillar Insurance Company's financial status to ensure that it is in compliance with minimum solvency requirements, as well as other financial ratios prescribed by the National Association of Insurance Commissioners. Caterpillar Insurance Company is also licensed to conduct insurance business through a branch in Zurich, Switzerland and, as such, is regulated by the Swiss Financial Market Supervisory Authority.

Caterpillar Life Insurance Company, a wholly owned subsidiary of Caterpillar, is a U.S. insurance company domiciled in Missouri and primarily regulated by the Missouri Department of Insurance. Caterpillar Life Insurance Company is licensed to conduct life and accident and health insurance business in 26 states and the District of Columbia and, as such, is also regulated in those jurisdictions. The State of Missouri acts as the lead regulatory authority and it monitors the financial status to ensure that it is in compliance with minimum solvency requirements, as well as other financial ratios prescribed by the National Association of Insurance Commissioners. Caterpillar Life Insurance Company provides stop loss insurance protection to a Missouri Voluntary Employees' Beneficiary Association (VEBA) trust used to fund medical claims of salaried retirees of Caterpillar under the VEBA.

Caterpillar Insurance Co. Ltd., a wholly owned subsidiary of Caterpillar Insurance Holdings Inc., is a captive insurance company domiciled in Bermuda and regulated by the Bermuda Monetary Authority. Caterpillar Insurance Co. Ltd. is a Class 2 insurer (as defined by the Bermuda Insurance Amendment Act of 1995), which primarily insures its parent and affiliates. The Bermuda Monetary Authority requires an Annual Financial Filing for purposes of monitoring compliance with solvency requirements.

Caterpillar Product Services Corporation (CPSC), a wholly owned subsidiary of Caterpillar, is a warranty company domiciled in Missouri. CPSC previously conducted a machine extended service contract program in Germany and France by providing machine extended warranty reimbursement protection to dealers in Germany and France. The program was discontinued effective January 1, 2013, though CPSC continues to provide extended warranty reimbursement protection under existing contracts.

Caterpillar Insurance Services Corporation, a wholly owned subsidiary of Caterpillar Insurance Holdings Inc., is a Tennessee insurance brokerage company licensed in all 50 states and the District of Columbia. It provides brokerage services for all property and casualty and life and health lines of business.

Caterpillar's insurance group provides protection for claims under the following programs:

- Contractual Liability Insurance to Caterpillar and its affiliates, Caterpillar dealers and original equipment manufacturers (OEMs) for extended service contracts (parts and labor) offered by Caterpillar, third party dealers and OEMs.
- Cargo insurance for the worldwide cargo risks of Caterpillar products.
- Contractors' Equipment Physical Damage Insurance for equipment manufactured by Caterpillar or OEMs, which is leased, rented or sold by third party dealers to customers.
- General liability, employer's liability, auto liability and property insurance for Caterpillar.
- Retiree Medical Stop Loss Insurance for medical claims under the VEBA.
- Brokerage services for property and casualty and life and health business.

Acquisitions

Information related to acquisitions appears in Note 23 — "Acquisitions" of Exhibit 13.

Competitive Environment

Caterpillar products and product support services are sold worldwide into a variety of highly competitive markets. In all markets, we compete on the basis of product performance, customer service, quality and price. From time to time, the intensity of competition results in price discounting in a particular industry or region. Such price discounting puts pressure on margins and can negatively impact operating profit. Outside the United States, certain of our competitors enjoy competitive advantages inherent to operating in their home countries or regions.

Raw Materials and Component Products

We source our raw materials and manufactured components from suppliers both domestically and internationally. These purchases include unformed materials and rough and finished parts. Unformed materials include a variety of steel products, which are then cut or formed to shape and machined in our facilities. Rough parts include various sized steel and iron castings and forgings, which are machined to final specification levels inside our facilities. Finished parts are ready to assemble components, which are made either to Caterpillar specifications or to the supplier developed specifications. We machine and assemble some of the components used in our machines, engines and power generation units and to support our after-market dealer parts sales. We also purchase various goods and services used in production, logistics, offices and product development processes. We maintain global strategic sourcing models to meet our global facilities' production needs while building long-term supplier relationships and leveraging enterprise spend. We expect our suppliers to maintain, at all times, industry-leading levels of quality and the ability to timely deliver raw materials and component products for our machine and engine products. We use a variety of agreements with suppliers to protect our intellectual property and processes to monitor and mitigate risks of the supply base causing a business disruption. The risks monitored include supplier financial viability, the ability to increase or decrease production levels, business continuity, quality and delivery.

Order Backlog

The dollar amount of backlog believed to be firm was approximately $19.6 billion, $29.8 billion and $18.7 billion at December 31, 2012, 2011 and 2010, respectively. The total backlog decline occurred in Construction Industries, Resource Industries and Power Systems, with the most significant decrease in Resource Industries. Although dealer deliveries to end users were higher compared to 2011, Cat dealers lowered their order rates well below end-user demand to reduce their inventories. In 2011, order backlog increased by approximately $4.1 billion due to the acquisition of Bucyrus. The remaining increase for 2011 compared to 2010 year end was primarily due to an increase in volume across most business units. Of the total backlog, approximately $4.4 billion, $4.0 billion and $2.8 billion at December 31, 2012, 2011 and 2010, respectively, was not expected to be filled in the following year.

Dealers and Distributors

Our machines are distributed principally through a worldwide organization of dealers (dealer network), 48 located in the United States and 141 located outside the United States, serving 182 countries and operating 3,494 places of business, including 1,249 dealer rental outlets. Reciprocating engines are sold principally through the dealer network and to other manufacturers for use in their products. Some of the reciprocating engines manufactured by Perkins Engines Company Limited (Perkins) are also sold through its worldwide network of 107 distributors located in 189 countries. Most of the electric power generation systems manufactured by F.G. Wilson Engineering Limited (FG Wilson) are sold through its worldwide network of 172 distributors located in 116 countries. Some of the large, medium speed reciprocating engines are also sold under the MaK brand through a worldwide network of 19 distributors located in 130 countries.

Our dealers do not deal exclusively with our products; however, in most cases sales and servicing of our products are the dealers' principal business. Turbines, locomotives and certain global mining products are sold through sales forces employed by the company. At times, these employees are assisted by independent sales representatives.

While the large majority of our worldwide dealers are independently owned and operated, we own and operate three dealerships in Japan: Caterpillar East Japan Ltd., Caterpillar West Japan Ltd. and Caterpillar Tohoku Ltd. (Cat Tohoku) in the North. In March 2012, we completed the acquisition of Cat Tohoku. We are currently operating these Japanese dealers directly and their results are reported in the Construction Industries segment. There are also three independent dealers in the Southern Region of Japan.

For Caterpillar branded products, the company's relationship with each of its independent dealers is memorialized in a standard sales and service agreement. Pursuant to this agreement, the company grants the dealer the right to purchase and sell its products and to service the products in a specified geographic service territory. Prices to dealers are established by the company after receiving input from dealers on transactional pricing in the marketplace. The company also agrees to defend its intellectual property and to provide warranty and technical support to the dealer. The agreement further grants the dealer a non-exclusive license to use the company's trademarks, service marks and brand names. In some instances, a separate trademark agreement exists between the company and a dealer.

In exchange for these rights, the agreement obligates the dealer to develop and promote the sale of the company's products to current and prospective customers in the dealer's service territory. Each dealer agrees to employ adequate sales and support personnel to market, sell and promote the company's products, demonstrate and exhibit the products, perform the company's product improvement programs, inform the company concerning any features that might affect the safe operation of any of the company's products and maintain detailed books and records of the dealer's financial condition, sales and inventories and make these books and records available at the company's reasonable request.

These sales and service agreements are terminable at will by either party upon 90 days written notice and provide for termination automatically if the dealer files for bankruptcy protection or upon the occurrence of comparable action seeking protection from creditors.

Patents and Trademarks

Our products are sold primarily under the brands "Caterpillar," "CAT," design versions of "CAT" and "Caterpillar," "Electro-Motive," "FG Wilson," "MaK," "MWM," "Olympian," "Perkins," "Progress Rail," "SEM" and "Solar Turbines." We own a number of patents and trademarks, which have been obtained over a period of years and relate to the products we manufacture and the services we provide. These patents and trademarks have been of value in the growth of our business and may continue to be of value in the future. We do not regard any of our business as being dependent upon any single patent or group of patents.

Research and Development

We have always placed strong emphasis on product-oriented research and development relating to the development of new or improved machines, engines and major components. In 2012, 2011 and 2010, we spent $2,466 million, $2,297 million and $1,905 million, or 3.7 percent, 3.8 percent, and 4.5 percent of our sales and revenues, respectively, on our research and development programs. Research and development expense is expected to decrease about 6 percent in 2013.

Employment

As of December 31, 2012, we employed 125,341 persons of whom 70,783 were located outside the United States. We build and maintain a productive, motivated workforce by striving to treat all employees fairly and equitably.

In the United States, most of our 54,558 employees are at-will employees and, therefore, not subject to any type of employment contract or agreement. At select business units, certain highly specialized employees have been hired under employment contracts that specify a term of employment and specify pay and other benefits.

As of December 31, 2012, there were 13,666 U.S. hourly production employees who were covered by collective bargaining agreements with various labor unions. The United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) represents 9,027 Caterpillar employees under a six-year central labor agreement that expires on March 1, 2017. The International Association of Machinists (IAM) represents 1,811 employees under labor agreements that will expire on May 17, 2015 and April 30, 2018. The United Steelworkers (USW) represents 1,213 employees under labor agreements that will expire on April 30, 2013, April 30, 2015 and August 19, 2018.

Outside the United States, the company enters into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction.

Sales and Revenues

Sales and revenues outside the United States were 69 percent of consolidated sales and revenues for 2012, 70 percent for 2011 and 68 percent for 2010.

Environmental Matters

The company is regulated by federal, state and international environmental laws governing our use, transport and disposal of substances and control of emissions. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to internal combustion engines. We have made, and will continue to make, significant research and development and capital expenditures to comply with these emissions standards.

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is reasonably probable we will pay remedial costs at a site, and those costs can be reasonably estimated, the costs are accrued against our earnings. In formulating that estimate, we do not consider amounts expected to be recovered from insurance companies or others. The amount recorded for environmental remediation is not material and is included in the line item “Accrued expenses” in Statement 3 — “Consolidated Financial Position at December 31” of Exhibit 13.

We cannot reasonably estimate costs at sites in the very early stages of remediation. Currently, we have a few sites in the very early stages of remediation, and there is no more than a remote chance that a material amount for remedial activities at any individual site, or at all sites in the aggregate, will be required.

Available Information

The company files electronically with the Securities and Exchange Commission (SEC) required reports on Form 8-K, Form 10-Q, Form 10-K and Form 11-K; proxy materials; ownership reports for insiders as required by Section 16 of the Securities Exchange Act of 1934 (Exchange Act); and registration statements on Forms S-3 and S-8, as necessary; and other forms or reports as required. The public may read and copy any materials the company has filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the

SEC. The company maintains an Internet site (www.Caterpillar.com) and copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished with the SEC are available free of charge through our Internet site (www.Caterpillar.com/secfilings) as soon as reasonably practicable after filing with the SEC. Copies of our board committee charters, our board's Guidelines on Corporate Governance Issues, Worldwide Code of Conduct and other corporate governance information are available on our Internet site (www.Caterpillar.com/governance). The information contained on the company's website is not included in, or incorporated by reference into, this annual report on Form 10-K.

Additional company information may be obtained as follows:

Current information -

- phone our Information Hotline - (800) 228-7717 (U.S. or Canada) or (858) 764-9492 (outside U.S. or Canada) to request company publications by mail, listen to a summary of Caterpillar's latest financial results and current outlook, or to request a copy of results by facsimile or mail
- request, view or download materials on-line or register for email alerts at www.Caterpillar.com/materialsrequest

Historical information -

- view/download on-line at www.Caterpillar.com/historical

Item 1A. Risk Factors.

The statements in this section describe the most significant risks to our business and should be considered carefully in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Notes to Consolidated Financial Statements" of Exhibit 13 to this Form 10-K. In addition, the statements in this section and other sections of this Form 10-K include "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and involve uncertainties that could significantly impact results. Forward-looking statements give current expectations or forecasts of future events about the company or our outlook. You can identify forward-looking statements by the fact they do not relate to historical or current facts and by the use of words such as "believe," "expect," "estimate," "anticipate," "will be," "should," "plan," "project," "intend," "could" and similar words or expressions.

Forward-looking statements are based on assumptions and on known risks and uncertainties. Although we believe we have been prudent in our assumptions, any or all of our forward-looking statements may prove to be inaccurate, and we can make no guarantees about our future performance. Should known or unknown risks or uncertainties materialize or underlying assumptions prove inaccurate, actual results could materially differ from past results and/or those anticipated, estimated or projected.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, consult any subsequent disclosures we make in our filings with the SEC on Form 10-Q or Form 8-K.

The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business. In addition to the factors discussed elsewhere in this report, the following are some of the important factors that, individually or in the aggregate, we believe could make our actual results differ materially from those described in any forward-looking statements. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of risks, uncertainties and assumptions.

Our business is highly sensitive to global economic conditions and economic conditions in the industries and markets we serve.

Our results of operations are materially affected by conditions in the global economy generally and in various capital markets. The demand for our products and services tends to be cyclical and can be significantly reduced in an economic environment characterized by higher unemployment, lower consumer spending, lower corporate earnings and lower levels of government and business investment. A prolonged period of slow growth may also reduce demand for our products and services. Economic conditions vary across regions and countries, and demand for our products generally increases in those regions and countries experiencing economic growth and investment. A change in the global mix of regions and countries experiencing economic growth and investment could have an adverse effect on our business, results of operations and financial condition.

The energy and mining industries are major users of our products, including the coal, iron ore, gold, copper, oil and natural gas industries. Decisions to purchase our products are dependent upon the performance of the industries in which our customers operate. If demand or output in these industries increases, the demand for our products will generally increase. Likewise, if demand or output in these industries declines, the demand for our products will generally decrease. Prices of commodities in these industries are frequently volatile and change in response to general economic conditions, economic growth, government actions, regulatory actions, commodity inventories and any disruptions in production or distribution. We assume certain prices for key commodities in preparing our general economic and financial outlooks (outlooks). Commodity prices lower than those assumed in our outlooks may negatively impact our business, results of operations and financial condition.

The rates of infrastructure spending, housing starts and commercial construction also play a significant role in our results. Our products are an integral component of these activities, and as these activities increase or decrease inside or outside of the United States, demand for our products may be significantly impacted, which could negatively impact our results. Slower rates of economic growth than anticipated in our outlooks could also adversely impact our business, results of operations and financial condition.

Changes in government monetary or fiscal policies may negatively impact our results.

Most countries have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. Interest rate changes affect overall economic growth, which affects demand for residential and nonresidential structures, energy and mined products, which in turn affects sales of our products that serve these activities. Interest rate changes also affect our customers' ability to finance machine purchases, can change the optimal time to keep machines in a fleet and can impact the ability of our suppliers to finance the production of parts and components necessary to manufacture and support our products. Our outlooks typically include assumptions about interest rates in a number of countries. Interest rates higher than those contained in our assumptions could result in lower sales than anticipated and supply chain inefficiencies.

Central banks and other policy arms of many countries take actions to vary the amount of liquidity and credit available in an economy. Liquidity and credit policies different from those assumed in our outlooks could impact the customers and markets we serve or our suppliers, which could adversely impact our business, results of operations and financial condition.

Changes in monetary and fiscal policies, along with other factors, may cause currency exchange rates to fluctuate. Actions that lead the currency exchange rate of a country in which we manufacture products to increase relative to other currencies could reduce the competitiveness of products made in that country, which could adversely affect our competitive position, results of operations and financial condition.

Government policies on taxes and spending also affect our business. Throughout the world, government spending finances a significant portion of infrastructure development, such as highways, airports, sewer and water systems and dams. Tax regulations determine depreciation lives and the amount of money users of our products can retain, both of which influence investment decisions. Unfavorable developments, such as declines in government revenues, decisions to reduce public spending or increases in taxes, could negatively impact our results.

Commodity or component price increases, fluctuations in demand for our products or significant shortages of component products may adversely impact our financial results or our ability to meet commitments to customers.

We are a significant user of steel and many other commodities required for the manufacture of our products. Unanticipated increases in the prices of such commodities would increase our costs, negatively impacting our business, results of operations and financial condition if we are unable to fully offset the effect of these increased costs through price increases, productivity improvements or cost reduction programs.

We rely on suppliers to secure component products, particularly steel, required for the manufacture of our products. A disruption in deliveries to or from suppliers or decreased availability of components or commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. On the other hand, if demand for our products is less than we expect, we may experience excess inventories and be forced to incur additional charges and our profitability may suffer. Our business, competitive position, results of operations or financial condition could be negatively impacted if supply is insufficient for our operations. Our financial condition and results of operations may be negatively impacted if we experience excess inventories or we are unable to adjust our production schedules or our purchases from suppliers to reflect changes in customer demand and market fluctuations on a timely basis.

Disruptions or volatility in global financial markets could limit our sources of liquidity, or the liquidity of our customers, dealers and suppliers.

Global economic conditions may cause volatility and disruptions in the capital and credit markets. Although we generally generate funds from our operations to pay our operating expenses, fund our capital expenditures and support growth, fund our employee retirement benefit programs, pay dividends and buy back stock, continuing to meet these cash requirements over the long-term requires substantial liquidity and access to sources of funds, including capital and credit markets. Changes in global economic conditions, including material cost increases and decreases in economic activity in the markets that we serve, and the success of plans to manage cost increases, inventory and other important elements of our business may significantly impact our ability to generate funds from operations. Market volatility, changes in counterparty credit risk, the impact of government intervention in financial markets and general economic conditions may also adversely impact our ability to access capital and credit markets to fund operating needs. Global or regional economic downturns could cause financial markets to decrease the availability of liquidity, credit and credit capacity for certain issuers, including certain of our customers, dealers and suppliers. An inability to access capital and credit markets may have an adverse effect on our business, results of operations, financial condition and competitive position.

In addition, demand for our products generally depends on customers' ability to pay for our products, which, in turn, depends on their access to funds. Subject to global economic conditions, customers may experience increased difficulty in generating funds from operations. Further, following capital and credit market volatility and uncertainty, many financial institutions have revised their lending standards, thereby decreasing access to capital. If capital and credit market volatility occurs, customers' liquidity may decline which, in turn, would reduce their ability to purchase our products.

Our global operations are exposed to political and economic risks, commercial instability and events beyond our control in the countries in which we operate.

Our global operations are dependent upon products manufactured, purchased and sold in the U.S. and internationally, including in countries with political and economic instability. In some cases, these countries have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than in our other markets. Operating and seeking to expand business in a number of different regions and countries exposes us to a number of risks, including:

- multiple and potentially conflicting laws, regulations and policies that are subject to change;
- imposition of currency restrictions, restrictions on repatriation of earnings or other restraints;
- imposition of burdensome tariffs or quotas;
- national and international conflict, including terrorist acts; and
- political and economic instability or civil unrest that may severely disrupt economic activity in affected countries.

The occurrence of one or more of these events may negatively impact our business, results of operations and financial condition.

Failure to maintain our credit ratings would increase our cost of borrowing and could adversely affect our access to capital markets.

Caterpillar's and Cat Financial's costs of borrowing and ability to access the capital markets are affected not only by market conditions but also by the short- and long-term debt ratings assigned to their debt by the major credit rating agencies. These ratings are based, in significant part, on Caterpillar's and Cat Financial's performance as measured by financial metrics such as net worth and interest coverage and leverage ratios, as well as transparency with rating agencies and timeliness of financial reporting. In 2009, two of the major credit rating agencies modified their outlook for Caterpillar and Cat Financial. Also in 2009, one major credit rating agency that had previously rated Caterpillar and Cat Financial slightly higher than the others downgraded its ratings to a comparable level and assigned a stable outlook. While the two rating agencies that had modified their outlooks subsequently improved their outlooks to stable, there can be no assurance that Caterpillar's or Cat Financial's credit ratings and/or outlooks will not be lowered in the future.

Although Caterpillar and Cat Financial have committed credit facilities to provide liquidity, any downgrades of our credit ratings may increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including restricting, in whole or in part, our access to the commercial paper market. There can be no assurance that the commercial paper market will continue to be a reliable source of short-term financing for the company. An inability to access the capital markets could have an adverse effect on our cash flow, results of operations and financial condition.

Our Financial Products line of business is subject to risks associated with the financial services industry.

Cat Financial is significant to our operations and provides financing support to a significant share of our global sales. The inability of Cat Financial to access funds to support its financing activities to our customers could have an adverse effect on our business, results of operations and financial condition.

During the last global economic downturn, financial markets decreased the availability of liquidity, credit and credit capacity for certain issuers, including certain of Cat Financial's customers and our dealers and suppliers. Continuing to meet Cat Financial's cash requirements over the long-term could require substantial liquidity and access to sources of funds, including capital and credit markets. Cat Financial has continued to maintain access to key global medium term note and commercial paper markets, but there can be no assurance that such markets will continue to represent a reliable source of financing. If global economic conditions were to deteriorate, Cat Financial could face materially higher financing costs, become unable to access adequate funding to operate and grow its business and/or meet its debt service obligations as they mature, and be required to draw upon contractually committed lending agreements and/or by seeking other funding sources. However, under extreme market conditions, there can be no assurance that such agreements and other funding sources would be available or sufficient. Any of these events could negatively impact Cat Financial’s business, as well as our and Cat Financial's results of operations and financial condition.

Market disruption and volatility may also lead to a number of other risks in connection with these events, including but not limited to:

- Market developments that may affect customer confidence levels and cause declines in the demand for financing and adverse changes in payment patterns, causing increases in delinquencies and default rates, which could impact Cat Financial’s write-offs and provision for credit losses.

- The process Cat Financial uses to estimate losses inherent in its credit exposure requires a high degree of management’s judgment regarding numerous subjective qualitative factors, including forecasts of economic conditions and how economic predictors might impair the ability of its borrowers to repay their loans. Financial market disruption and volatility may impact the accuracy of these judgments.

- Cat Financial’s ability to engage in routine funding transactions or borrow from other financial institutions on acceptable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.

- As Cat Financial’s counterparties are primarily financial institutions, their ability to perform in accordance with any of its underlying agreements could be adversely affected by market volatility and/or disruptions in financial markets.

Changes in interest rates or market liquidity conditions could adversely affect Cat Financial's and our earnings and/or cash flow.

Changes in interest rates and market liquidity conditions could have an adverse effect on Cat Financial's and our earnings and cash flows. Because a significant number of the loans made by Cat Financial are made at fixed interest rates, its business is subject to fluctuations in interest rates. Changes in market interest rates may influence its financing costs, returns on financial investments and the valuation of derivative contracts and could reduce its and our earnings and cash flows. Although Cat Financial manages interest rate and market liquidity risks through a variety of techniques, including a match funding program, the selective use of derivatives and a broadly diversified funding program, there can be no assurance that fluctuations in interest rates and market liquidity conditions will not have an adverse effect on its and our earnings and cash flows. If any of the variety of instruments and strategies Cat Financial uses to hedge its exposure to these types of risk is ineffective, we may incur losses. With respect to Cat Insurance's investment activities, changes in the equity and bond markets could cause an impairment of the value of its investment portfolio, requiring a negative adjustment to earnings.

An increase in delinquencies, repossessions or net losses of Cat Financial customers could adversely affect its results.

Inherent in the operation of Cat Financial 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 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. Any increase in delinquencies, repossessions and net losses on customer obligations could have a material adverse effect on Cat Financial's and our earnings and cash flows. In addition, although Cat Financial evaluates and adjusts its allowance for credit losses related to past due and non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of its customers could change the timing and level of payments received and thus necessitate an increase in Cat Financial's estimated losses, which could also have a material adverse effect on Cat Financial's and our earnings and cash flows.

Changes in financial services regulation could adversely impact Caterpillar and Cat Financial.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law in July 2010 and includes extensive provisions regulating the financial services industry. We continue to monitor and evaluate the impact of this legislation as regulators continue to propose, adopt and enforce the implementing rules. We are also monitoring other U.S. and international initiatives that further regulate the financial services industry. While many of the regulations implementing Dodd-Frank have not yet been adopted, these and other regulatory initiatives are expected to impose additional reporting, capital and other financial requirements that could result in significant costs or restrictions for Cat Financial or us and have an adverse effect on Cat Financial's and our results of operations and financial condition.

We may not realize all of the anticipated benefits of our acquisitions, joint ventures or divestitures, or these benefits may take longer to realize than expected.

In pursuing our business strategy, we routinely evaluate targets and enter into agreements regarding possible acquisitions, divestitures and joint ventures. We often compete with others for the same opportunities. To be successful, we conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete complex transactions and manage post-closing matters such as the integration of acquired businesses. Our due diligence reviews are subject to the completeness and accuracy of disclosures made by third parties. We may incur unanticipated costs or expenses following a completed acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. For example, as discussed in Note 23 — "Acquisitions" of Exhibit 13, we recorded goodwill impairment of $580 million in 2012 related to our acquisition of Siwei.

The risks associated with our past or future acquisitions also include the following:

- the business culture of the acquired business may not match well with our culture;
- technological and product synergies, economies of scale and cost reductions may not occur as expected;
- unforeseen expenses, delays or conditions may be imposed upon the acquisition, including due to required regulatory approvals or consents;
- we may acquire or assume unexpected liabilities or be subject to unexpected penalties or other enforcement actions;
- faulty assumptions may be made regarding the integration process;
- unforeseen difficulties may arise in integrating operations, processes and systems;
- higher than expected investments may be required to implement necessary compliance processes and related systems, including IT systems, accounting systems and internal controls over financial reporting;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- higher than expected costs may arise due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any jurisdiction in which the acquired business conducts its operations; and
- we may experience problems in retaining customers and integrating customer bases.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management’s time and attention. They may also delay the realization of the benefits we anticipate when we enter into a transaction.

In order to conserve cash for operations, we may undertake acquisitions financed in part through public offerings or private placements of debt or equity securities, or other arrangements. Such acquisition financing could result in a decrease of our ratio of earnings to fixed charges and adversely affect other leverage measures. If we issue equity securities or equity-linked securities, the issued securities may have a dilutive effect on the interests of the holders of our common shares.

Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have an adverse effect on our business, financial condition and results of operations. Furthermore, we make strategic divestitures from time to time, including the ongoing divestiture of the Bucyrus distribution business to our independent dealers. In the case of divestitures, we may agree to indemnify acquiring parties for certain liabilities arising from our former businesses. These divestitures may also result in continued financial involvement in the divested businesses, including through guarantees or other financial arrangements, following the transaction. Lower performance by those divested businesses could affect our future financial results.

International trade policies may impact demand for our products and our competitive position.

Government policies on international trade and investment such as import quotas, capital controls or tariffs, whether adopted by individual governments or addressed by regional trade blocs, can affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. The implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs or new barriers to entry, in countries in which we sell large quantities of products and services could negatively impact our business, results of operations and financial condition. For example, a government's adoption of "buy national" policies or retaliation by another government against such policies could have a negative impact on our results of operations.

The success of our business depends on our ability to develop, produce and market quality products that meet our customers' needs.

Our business relies on continued global demand for our brands and products. To achieve business goals, we must develop and sell products that appeal to our dealers, OEMs and customers. This is dependent on a number of factors, including our ability to maintain key dealer relationships, our ability to produce products that meet the quality, performance and price expectations of our customers and our ability to develop effective sales, advertising and marketing programs. In addition, our continued success in selling products that appeal to our customers is dependent on leading-edge innovation, with respect to both products and operations, and on the availability and effectiveness of legal protection for our innovation. Failure to continue to deliver high quality, innovative, competitive products to the marketplace, to adequately protect our intellectual property rights, to supply products that meet applicable regulatory requirements, including EPA Tier 4 Interim and Tier 4 Final diesel engine emission requirements and equivalent standards in the EU, Israel, Japan and Canada (Tier 4), or to predict market demands for, or gain market acceptance of, our products, could have a negative impact on our business, results of operations and financial condition.

We operate in a highly competitive environment, which could adversely affect our sales and pricing.

We operate in a highly competitive environment, and our outlook depends on a forecast of our share of industry sales based on our ability to compete with others in the marketplace. We compete on the basis of product performance, customer service, quality and price. There can be no assurance that our products will be able to compete successfully with other companies' products. Thus, our share of industry sales could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively, our failure to produce our products at a competitive cost 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.

Our sales outlook assumes that certain price increases we announce from time to time will hold in the marketplace. Changes in market acceptance of price increases, changes in market requirements for price discounts or changes in our competitors' behavior could have an adverse impact on our business, results of operations and financial condition.

In addition, our results and ability to compete may be impacted negatively by changes in our sales mix. Our outlook assumes a certain geographic mix of sales as well as a product mix of sales. If actual results vary from this projected geographic and product mix of sales, our results could be negatively impacted.

We may not realize all of the anticipated benefits from capacity expansion projects, cost-reduction initiatives, cash flow improvement initiatives and efficiency or productivity initiatives, including the Caterpillar Production System (CPS).

We are implementing a number of capacity expansion projects to meet expected customer demand and to expand our share of industry sales. There can be no assurance that these projects will succeed in meeting customer demand or that the benefits expected from these projects will be realized as anticipated or at all. If we overestimate customer demand, we may have underutilized assets and we may experience reduced margins. Certain of our competitors have also announced investments to increase capacity. Industry overcapacity could contribute to a weak pricing environment, which could have an adverse impact on our business, results of operations and financial condition.

We are also actively engaged in a number of initiatives to increase our productivity, efficiency and cash flow and to reduce costs, which have had a positive effect on our business, results of operations and financial condition. CPS is a productivity initiative that aims to improve our order-to-delivery processes and factory efficiency, as well as to reduce waste and maximize value for our customers. We are also in the process of implementing a new operating and financial reporting system in many of our businesses to increase efficiency and harmonize our operations and reporting. There can be no assurance that these systems and initiatives or others will continue to be beneficial to the extent anticipated, or that the estimated efficiency improvements, incremental cost savings or cash flow improvements will be realized as anticipated or at all. If our new operating and reporting system is not implemented successfully, it could have an adverse effect on our operations and results of operations, including our ability to report accurate and timely financial results.

Our business is subject to the inventory management decisions and sourcing practices of our dealers and our OEM customers.

We sell finished products through an independent dealer network and directly to OEMs and are subject to risks relating to their inventory management decisions and sourcing practices. Both carry inventories of finished products as part of ongoing operations and adjust those inventories based on their assessments of future needs. Such adjustments may impact our results positively or negatively. If the inventory levels of our dealers and OEM customers are higher than desired, they may postpone product purchases from us, which may negatively impact our results. Similarly, our results could be negatively impacted through the loss of time-sensitive sales if our dealers and OEM customers do not maintain inventory levels sufficient to meet customer demand. Additionally, some of our engine customers are OEMs that manufacture or could in the future manufacture engines for their own products. Despite their engine manufacturing abilities, these customers have chosen to outsource certain types of engine production to us due to the quality of our engine products and in order to reduce costs, eliminate production risks and maintain company focus. However, we cannot assure that these customers will continue to outsource engine manufacture in the future. Decreased levels of production outsourcing by these customers could result from a number of factors, such as shifts in our customers' business strategies, acquisition by a customer of another engine manufacturer, the inability of third-party suppliers to meet specifications and the emergence of low-cost production opportunities in foreign countries. A significant reduction in the level of engine production outsourcing from our OEM customers could significantly impact our revenues and, accordingly, have an adverse effect on our business, results of operations and financial condition.

We are subject to stringent environmental laws and regulations that impose significant compliance costs.

Our facilities, operations and products are subject to increasingly stringent environmental laws and regulations, including laws and regulations governing emissions to air, discharges to water and the generation, handling, storage, transportation, treatment and disposal of non-hazardous and hazardous waste materials. We cannot provide assurances that we will not be adversely affected by costs, liabilities or claims with respect to existing or subsequently acquired operations or under present laws and regulations or those that may be adopted or imposed in the future.

Our engines are subject to extensive statutory and regulatory requirements governing exhaust emissions and noise, including standards imposed by the EPA, state regulatory agencies in the United States and other regulatory agencies around the world. For instance, national, state or local governments may set new emissions standards that could impact our products and operations in ways that are difficult to anticipate with accuracy. Thus, significant changes in standards, or the adoption of new standards, have the potential to negatively impact our business, results of operations, financial condition and competitive position.

Our global operations are subject to extensive trade and anti-corruption laws and regulations.

Due to the international scope of our operations, we are subject to a complex system of import- and export-related laws and regulations, including U.S. regulations issued by Customs and Border Protection, the Bureau of Industry and Security, the

Office of Antiboycott Compliance, the Directorate of Defense Trade Controls and the Office of Foreign Assets Control, as well as the counterparts of these agencies in other countries. Any alleged or actual violations may subject us to government scrutiny, investigation and civil and criminal penalties, and may limit our ability to import or export our products or to provide services outside the United States. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

In addition, the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws. Our continued operation and expansion outside the United States, including in developing countries, could increase the risk of such violations. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business, and result in an adverse effect on our reputation, business and results of operations or financial condition.

Moreover, several of our joint venture partners are domiciled in areas of the world with laws, rules and business practices that differ from those in the United States. Although we strive to select joint venture partners who share our values and understand our reporting requirements as a U.S.-domiciled company and to ensure that an appropriate business culture exists within these ventures to minimize and mitigate our risk, we nonetheless face the reputational and legal risk that our joint venture partners will violate applicable laws, rules and business practices.

We may incur additional tax expense or become subject to additional tax exposure.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our domestic and international tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors, including income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, as well as, changes in tax laws and regulations. We are also subject to the continuous examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. The results of audit and examination of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on the company's provision for income taxes and cash tax liability.

Currency exchange rate fluctuations affect our results of operations, as reported in our financial statements.

We conduct operations in many areas of the world, involving transactions denominated in a variety of currencies. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, because our financial statements are reported in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. While we customarily enter into financial transactions to address these risks, there can be no assurance that currency exchange rate fluctuations will not adversely affect our results of operations, financial condition and cash flows. In addition, while the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

We also face risks arising from the imposition of exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation.

Restrictive covenants in our debt agreements could limit our financial and operating flexibility.

We maintain a number of credit facilities to support general corporate purposes (facilities) and have issued debt securities to manage liquidity and fund operations (debt securities). The agreements relating to a number of the facilities and the debt securities contain certain restrictive covenants applicable to us and certain of our subsidiaries, including Cat Financial. These covenants include maintaining a consolidated net worth (defined as the consolidated stockholder's equity including preferred stock but excluding the pension and other post-retirement benefits balance within accumulated other comprehensive income (loss)) of not less than $9 billion, limitations on the incurrence of liens and certain restrictions on consolidation and merger. Cat Financial has also agreed under certain of these agreements to maintain a leverage ratio (consolidated debt to consolidated net worth, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31) not greater than 10.0 to 1, to maintain a minimum interest coverage ratio (profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to interest expense, calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended) of not less than 1.15 to 1 and not to terminate, amend or modify its support agreement with us.

A breach of one or more of the covenants could result in adverse consequences that could negatively impact our business, results of operations and financial condition. These consequences may include the acceleration of amounts outstanding under certain of the facilities, triggering of an obligation to redeem certain debt securities, termination of existing unused commitments by our lenders, refusal by our lenders to extend further credit under one or more of the facilities or to enter into new facilities or the lowering or modification of our credit ratings or those of one or more of our subsidiaries.

Sustained increases in funding obligations under our pension plans may reduce our profitability.

We maintain certain defined benefit pension plans for our employees, which impose on us certain funding obligations. In determining our future payment obligations under the plans, we assume certain rates of return on the plan assets and growth rates of certain costs. Significant adverse changes in credit or capital markets could result in actual rates of return being materially lower than projected and increased pension expense in future years. We may be required to make contributions to our pension plans in the future, and these contributions could be material. Our cost growth rates may also be materially higher than projected. These factors could significantly increase our payment obligations under the plans, require us to take a significant charge on our balance sheet and, as a result, adversely affect our business, results of operations and financial condition.

Union disputes or other labor matters could adversely affect our operations and financial results.

Some of our employees are represented by labor unions in a number of countries under various collective bargaining agreements with varying durations and expiration dates. There can be no assurance that any current or future issues with our employees will be resolved or that we will not encounter future strikes, work stoppages or other types of conflicts with labor unions or our employees. We may not be able to satisfactorily renegotiate collective bargaining agreements in the United States and other countries when they expire. If we fail to renegotiate our existing collective bargaining agreements, we could encounter strikes or work stoppages or other types of conflicts with labor unions. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future. We may also be subject to general country strikes or work stoppages unrelated to our business or collective bargaining agreements. A work stoppage or other limitations on production at our facilities for any reason could have an adverse effect on our business, results of operations and financial condition. In addition, many of our customers and suppliers have unionized work forces. Strikes or work stoppages experienced by our customers or suppliers could have an adverse effect on our business, results of operations and financial condition.

Costs associated with lawsuits or investigations or increases in the reserves we establish based on our assessment of contingencies may have an adverse effect on our results of operations.

We face an inherent business risk of exposure to various types of claims and lawsuits. We are involved in various intellectual property, product liability, product warranty and environmental claims and lawsuits and other legal proceedings that arise in and outside of the ordinary course of our business. The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. It is not possible to predict with certainty the outcome of claims, investigations and lawsuits, and we could in the future incur judgments, fines or penalties or enter into settlements of lawsuits and claims that could have an adverse effect on our business, results of operations and financial condition in any particular period. In addition, while we maintain insurance coverage with respect to certain claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims.

As required by U.S. generally accepted accounting principles (GAAP), we establish reserves based on our assessment of contingencies, including contingencies related to legal claims asserted against us. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could have an adverse effect on our results of operations.

Additional carbon emissions constraints may impact our capital expenditures, results of operations and competitive position.

The potential for government-mandated reductions of carbon emissions from our facilities and products is increasing. Mandatory legislative, regulatory and/or policy-based constraints are being implemented or considered by many jurisdictions. For example, the EPA has promulgated regulations governing carbon emissions from automobiles and heavy-duty on-highway diesel vehicles, which may lead to regulation of other mobile sources. Although various attempts to pass comprehensive legislation reducing carbon emissions have been unsuccessful in the United States, the EPA has also proceeded with regulating carbon emissions from stationary sources under existing law. The final details and scope of these various legislative, regulatory and policy measures around the world are unclear and their potential impact is still uncertain, so we cannot fully predict the impact on us. However, should legislation or regulations be adopted imposing significant operational restrictions and compliance requirements upon us or our products, they could negatively impact our capital expenditures, results of operations and competitive position.

Changes in accounting guidance could have an adverse effect on our results of operations, as reported in our financial statements.

Our consolidated financial statements are prepared in accordance with GAAP, which is periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting guidance and related interpretations issued by recognized authoritative bodies, including the Financial Accounting Standards Board and the SEC. Market conditions have prompted these organizations to issue new guidance that further interprets or seeks to revise accounting pronouncements related to various transactions as well as to issue new guidance expanding disclosures. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in this annual report on Form 10-K and our quarterly reports on Form 10-Q. An assessment of proposed standards is not provided, as such proposals are subject to change through the exposure process and, therefore, their effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting guidance we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have an adverse effect on our results of operations, as reported in our consolidated financial statements.

Increased information technology security threats and more sophisticated computer crime pose a risk to our systems, networks, products and services.

We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties. Additionally, we collect and store data that is sensitive to Caterpillar. The secure operation of these information technology systems and networks, and the processing and maintenance of this data is critical to our business operations and strategy. Information technology security threats -- from user error to attacks designed to gain unauthorized access to our systems, networks and data -- are increasing in frequency and sophistication. Attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. We have identified attempts to gain unauthorized access to our information technology systems and networks. To our knowledge, no such attack was ultimately successful in exporting sensitive data or controlling sensitive systems or networks. Should such an attack succeed it could expose us and our customers, dealers and suppliers to misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. The occurrence of any of these events could adversely affect our reputation, competitive position, business and results of operations. In addition, such breaches in security could result in litigation, regulatory action and potential liability and the costs and operational consequences of implementing further data protection measures.

Unexpected events, including natural disasters, may increase our cost of doing business or disrupt our operations.

The occurrence of one or more unexpected events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods and other forms of severe weather in the United States or in other countries in which we operate or in which our suppliers are located could adversely affect our operations and financial performance. Natural disasters, pandemic illness, equipment failures, power outages or other unexpected events could result in physical damage to and complete or partial closure of one or more of our manufacturing facilities or distribution centers, temporary or long-term disruption in the supply of component products from some local and international suppliers, disruption in the transport of our products to dealers and end-users and delay in the delivery of our products to our distribution centers. Existing insurance arrangements may not provide protection for all of the costs that may arise from such events.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Executive Officers of the Registrant.

Name	Present Caterpillar Inc. position and date of initial election	Principal positions held during the past five years if other than Caterpillar Inc. position currently held
Douglas R. Oberhelman (59)	Chairman and Chief Executive Officer (2010)	Group President (2001-2010)
Bradley M. Halverson (52)	Group President and Chief Financial Officer (2013)	Corporate Controller (2004-2010) Vice President (2010-2012)
Stuart L. Levenick (60)	Group President (2004)	
Edward J. Rapp (55)	Group President (2007)	Group President and Chief Financial Officer (2010 - 2012)
D. James Umpleby III (54)	Group President (2013)	Solar Turbines Vice President (2007-2010) Vice President (2010-2012)
Gerard R. Vittecoq (64)[1]	Group President (2004)	
Steven H. Wunning (61)	Group President (2004)	
James B. Buda (65)	Executive Vice President, Law and Public Policy (2012)	Vice President, General Counsel and Secretary (2001- 2010) Vice President and Chief Legal Officer (2010 - 2011) Senior Vice President and Chief Legal Officer (2011 - 2012)
Jananne A. Copeland (50)	Chief Accounting Officer (2007)	Chief Accounting Officer and Corporate Controller (2010 - 2012)

(1) will retire effective 6/1/2013

Item 2. Properties.

General Information

Caterpillar's operations are highly integrated. Although the majority of our plants are involved primarily in production relating to our Construction Industries, Resource Industries or Power Systems segments, several plants are involved in manufacturing relating to more than one business segment. In addition, several plants reported in our financial statements under the All Other segment are involved in the manufacturing of components that are used in the assembly of products for more than one business segment. Caterpillar's parts distribution centers are involved in the storage and distribution of parts for Construction Industries, Resource Industries and Power Systems, and are included in the All Other segment. The research and development activities carried on at our Technical Center in Mossville, Illinois involve products for Construction Industries, Resource Industries and Power Systems.

We believe the properties we own to be generally well maintained and adequate for present use. Through planned capital expenditures, we expect these properties to remain adequate for future needs. Properties we lease are covered by leases expiring over terms of generally one to ten years. We do not anticipate any difficulty in retaining occupancy of any leased facilities, either by renewing leases prior to expiration or by replacing them with equivalent leased facilities.

Headquarters and Other Key Offices

Our corporate headquarters are in Peoria, Illinois. Additional marketing and operating headquarters are located both inside and outside the United States including Miami, Florida; Oak Creek, Wisconsin; San Diego, California; Geneva, Switzerland; Beijing, China; Singapore, Republic of Singapore; Piracicaba, Brazil and Tokyo, Japan. Our Financial Products business is headquartered in leased offices located in Nashville, Tennessee.

Technical Center, Training Centers, Demonstration Areas and Proving Grounds
We operate a Technical Center located in Mossville, Illinois, and various other technical and training centers, demonstration areas and proving grounds located both inside and outside the United States.

Parts Distribution Centers
Distribution of our parts is conducted from parts distribution centers inside and outside the United States and included in the All Other segment in our financial statements. We operate parts distribution centers in the following locations: Morton, Illinois; Arvine, California; Denver, Colorado; Miami, Florida; Atlanta, Georgia; St. Paul, Minnesota; Clayton, Ohio; York, Pennsylvania; Waco, Texas; Spokane, Washington; Melbourne, Australia; Grimbergen, Belgium; Piracicaba, Brazil; Shanghai, China; Monterrey, Mexico; Singapore, Republic of Singapore; Moscow, Russia; Johannesburg, South Africa and Dubai, United Arab Emirates. We also own or lease other facilities that support our distribution activities.

Remanufacturing and Components
Component manufacturing and the remanufacturing of our products that is reported in the All Other segment is conducted primarily at facilities in the following locations: Toccoa, Georgia; Aurora, Illinois; East Peoria, Illinois; Peoria, Illinois; Franklin, Indiana; Danville, Kentucky; Menominee, Michigan; Corinth, Mississippi; Oxford, Mississippi; Prentiss County, Mississippi; Boonville, Missouri; West Plains, Missouri; Franklin, North Carolina; Morganton, North Carolina; West Fargo, North Dakota; Summerville, South Carolina; Sumter, South Carolina; Tianjin, China; Xuzhou, China; Bazzano, Italy; Castelvetro, Italy; Frosinone, Italy; San Eusebio, Italy; Nuevo Laredo, Mexico; Ramos Arizpe, Mexico; Pyongtaek, South Korea; Shrewsbury, United Kingdom and Skinningrove, United Kingdom. We also lease or own other facilities that support our remanufacturing and component manufacturing activities.

Manufacturing
Manufacturing of products for our Construction Industries, Resource Industries and Power Systems segments is conducted primarily at the locations listed below. These facilities are believed to be suitable for their intended purposes, with adequate capacities for current and projected needs for existing products. We have also announced investments to expand the capacity of a number of existing facilities and to build new facilities to support the company’s growth.

Our principal manufacturing facilities include those used by the following segments in the following locations:

Segment	U.S. Facilities	Facilities Outside the U.S.
Construction Industries	**Arkansas:** North Little Rock **Illinois:** Aurora, Decatur, East Peoria **North Carolina:** Clayton, Sanford **Texas:** Victoria	**Belgium:** Gosselies **Brazil:** Campo Largo, Piracicaba **China:** Suzhou, Wujiang, Xuzhou **France:** Grenoble **India:** Thiruvallar **Indonesia:** Jakarta **Japan:** Akashi, Sagamihara **Russia:** Tosno **United Kingdom:** Desford
Resource Industries	**Georgia:** LaGrange **Illinois:** Aurora, Decatur, East Peoria, Joliet **Kansas:** Wamego **Minnesota:** Minneapolis **North Carolina**: Winston-Salem **Pennsylvania:** Houston **Tennessee:** Dyersburg **Texas:** Dennison, Kilgore, Waco **Virginia:** Hillsville, Pulaski, Tazewell **West Virginia:** Beckley **Wisconsin:** South Milwaukee, Prentice	**Australia:** Burnie **Brazil:** Piracicaba **Canada:** Toronto **China:** Tongzhou, Wuxi, Xuzhou, Zhengzhou **Czech Republic:** Ostrava **France:** Arras, Rantigny **Germany:** Dortmund, Lunen **India:** Hosur, Thiruvallur **Indonesia:** Jakarta **Italy:** Jesi, Minerbio **Japan:** Akashi **Mexico:** Acuna, Monterrey, Reynosa, Torreon **Russia:** Tosno **Thailand:** Rayong **The Netherlands**: s'Hertogenbosch **United Kingdom:** Peterlee, Wolverhampton
Power Systems	**Alabama:** Albertville, Montgomery **California:** San Diego **Georgia:** Griffin **Illinois:** Chicago, LaGrange, Mapleton, Mossville, Pontiac **Indiana:** Lafayette, Muncie **Kentucky:** Decoursey, Louisville, Mayfield **South Carolina:** Greenville, Newberry **Texas:** Channelview, De Soto, Mabank, San Antonio, Schertz, Seguin	**Belgium:** Gosselies **Brazil:** Curitiba, Hortolandia, Piracicaba, Sete Lagoas **China**: Tianjin, Wuxi **Czech Republic:** Zatec **Germany:** Kiel, Mannheim, Rostock **India:** Hosur, Pondicherry **Mexico:** San Luis Potosi, Tijuana **Switzerland:** Riazzino **United Kingdom:** Larne, Monkstown, Peterborough, Sandiacre, Shoreham, South Queensferry, Springvale, Stafford, Wimborne

Item 3. Legal Proceedings.

We are involved in unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability (including claimed asbestos and welding fumes exposure), contracts, employment issues, environmental matters or intellectual property rights. The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. However, there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, we believe that these actions will not individually or in the aggregate have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Item 4. Mine Safety Disclosures

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this annual report.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Information required by Item 5 regarding our stock is incorporated by reference from the Supplemental Stockholder Information section of Exhibit 13 under "Common Stock (NYSE:CAT) — Listing Information," "— Price Ranges," " — Number of Stockholders" and "Performance Graph: Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2012" and from the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of Exhibit 13 under "Dividends paid per common share."

Sale of Unregistered Securities

Non-U.S. Employee Stock Purchase Plans

We have 27 employee stock purchase plans administered outside the United States for our non-U.S. employees. As of December 31, 2012, those plans had approximately 12,000 active participants in the aggregate. During the fourth quarter of 2012, approximately 281,000 shares of Caterpillar common stock or foreign denominated equivalents were distributed under the plans. Participants in some foreign plans have the option of receiving non-U.S. share certificates (foreign-denominated equivalents) in lieu of U.S. shares of Caterpillar common stock upon withdrawal from the plan. These equivalent certificates are tradable only on the local stock market and are included in our determination of shares outstanding. Distributions of Caterpillar stock under the plans are exempt from registration under the Securities Act of 1933 pursuant to 17 CFR 230.903.

Issuer Purchases of Equity Securities

No shares were repurchased during the fourth quarter 2012.

Other Purchases of Equity Securities

Period	Total number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased Under the Program	Approximate Dollar Value of Shares that may yet be Purchased under the Program
October 1-31, 2012	4,682	$ 86.20	N/A	N/A
November 1-30, 2012	12,019	86.34	N/A	N/A
December 1-31, 2012	2,118	85.18	N/A	N/A
Total	**18,819**	**$ 86.17**		

[1] Represents shares delivered back to issuer for the payment of taxes resulting from the exercise of stock options by employees and Directors.

Item 6. Selected Financial Data.

Information required by Item 6 is incorporated by reference from the “Five-year Financial Summary” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Exhibit 13.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Information required by Item 7 is incorporated by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Exhibit 13.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our discussion of cautionary statements and significant risks to the company’s business under Item 1A. Risk Factors of this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by Item 7A appears in Note 1 — “Operations and summary of significant accounting policies,” Note 3 — “Derivative financial instruments and risk management,” Note 17 — “Fair values disclosures” and Note 18 — “Concentration of credit risk” of Exhibit 13. Other information required by Item 7A is incorporated by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Exhibit 13.

Item 8. Financial Statements and Supplementary Data.

Information required by Item 8 is incorporated by reference from the “Report of Independent Registered Public Accounting Firm” and from the “Financial Statements and Notes to Consolidated Financial Statements” of Exhibit 13. Other information required by Item 8 is included in “Computation of Ratios of Earnings to Fixed Charges” filed as Exhibit 12 to this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

Disclosure 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, as that term is defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this annual 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 as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

The management of Caterpillar Inc. (company) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on our assessment we concluded that, as of December 31, 2012, the company's internal control over financial reporting was effective based on those criteria.

Management has excluded ERA Mining Machinery Limited, including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd., commonly known as Siwei, from our assessment of internal control over financial reporting as of December 31, 2012 because we acquired Siwei in May 2012. Siwei is a wholly owned subsidiary of Caterpillar Inc. whose total assets and total sales and revenues represent approximately 1 percent and less than 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

The effectiveness of the company's internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report appears on page A-4 of Exhibit 13.

Changes in Internal Control over Financial Reporting

During the last fiscal quarter, there has been no significant change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting, except as noted below.

During 2012, we acquired 100 percent of the equity in Siwei. As part of the post-closing integration, we are engaged in refining and harmonizing the internal controls and processes of the acquired business with those of the company. Management has excluded the internal controls of Siwei from its annual assessment of the effectiveness of the company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for 2012. This exclusion is in accordance with the general guidance issued by the Securities and Exchange Commission that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the year of acquisition.

Item 9B. Other Information.

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Identification of Directors and Business Experience

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Identification of Executive Officers and Business Experience

Information required by this Item appears in Item 1C of this Form 10-K.

Family Relationships

There are no family relationships between the officers and directors of the company.

Legal Proceedings Involving Officers and Directors

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Audit Committee Financial Expert

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Identification of Audit Committee

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Stockholder Recommendation of Board Nominees

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Compliance with Section 16(a) of the Exchange Act

Information required by this Item relating to compliance with Section 16(a) of the Exchange Act is incorporated by reference from the 2013 Proxy Statement.

Code of Ethics

Our Worldwide Code of Conduct (Code), first published in 1974 and most recently updated in 2010, sets a high standard for honesty and ethical behavior by every employee, including the principal executive officer, principal financial officer, controller and principal accounting officer. The Code is posted on our website at www.Caterpillar.com/code and is incorporated by reference as Exhibit 14 to this Form 10-K. To obtain a copy of the Code at no charge, submit a written request to the Corporate Secretary at 100 NE Adams Street, Peoria, Illinois 61629-6490. We will post on our website any required amendments to or waivers granted under our Code pursuant to SEC or New York Stock Exchange disclosure rules.

Item 11. Executive Compensation.

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this Item relating to security ownership of certain beneficial owners and management is incorporated by reference from the 2013 Proxy Statement.

Information required by this Item relating to securities authorized for issuance under equity compensation plans is included in the following table:

Equity Compensation Plan Information
(as of December 31, 2012)

Plan category	(a) Number of securities to be issued up on exercise of outstanding options, warrants and rights [1]	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	50,083,097	$ 59.4457	19,631,511
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	**50,083,097**	**$ 59.4457**	**19,631,511**

(1) Excludes any cash payments in-lieu-of stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information required by this Item is incorporated by reference from the 2013 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are incorporated by reference from Exhibit 13:

1. Financial Statements:

- Report of Independent Registered Public Accounting Firm
- Statement 1 - Consolidated Results of Operations
- Statement 2 - Consolidated Comprehensive Income
- Statement 3 - Consolidated Financial Position
- Statement 4 - Changes in Consolidated Stockholders' Equity
- Statement 5 - Consolidated Statement of Cash Flow
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules:
   - All schedules are omitted because the required information is shown in the financial statements or the notes thereto incorporated by reference from Exhibit 13 or considered to be immaterial.

(b) Exhibits:

3.1	Restated Certificate of Incorporation, effective June 13, 2012 (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2012).
3.2	Bylaws amended and restated as of June 13, 2012 (incorporated by reference from Exhibit 3.2 to the Form 10-Q filed for the quarter ended June 30, 2012).
4.1	Indenture dated as of May 1, 1987, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.1 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.2	First Supplemental Indenture, dated as of June 1, 1989, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.2 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.3	Appointment of Citibank, N.A. as Successor Trustee, dated October 1, 1991, under the Indenture, as supplemented, dated as of May 1, 1987 (incorporated by reference from Exhibit 4.3 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.4	Second Supplemental Indenture, dated as of May 15, 1992, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.4 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.5	Third Supplemental Indenture, dated as of December 16, 1996, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.5 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.6	Tri-Party Agreement, dated as of November 2, 2006, between Caterpillar Inc., Citibank, N.A. and U.S. Bank National Association appointing U.S. Bank as Successor Trustee under the Indenture dated as of May 1, 1987, as amended and supplemented (incorporated by reference from Exhibit 4.6 to the 2006 Form 10-K).
4.7	Form of 0.950% Senior Note due 2015 (incorporated by reference from Exhibit 4.1 to Form 8-K filed June 21, 2012).
4.8	Form of 1.500% Senior Note due 2017 (incorporated by reference from Exhibit 4.2 to Form 8-K filed June 21, 2012).
4.9	Form of 2.600% Senior Note due 2022 (incorporated by reference from Exhibit 4.3 to Form 8-K filed June 21, 2012).
4.10	Form of 3.803% Rule 144A Global Debenture due 2042 (incorporated by reference from Exhibit 4.1 to Form 8-K filed August 28, 2012).
4.11	Form of 3.803% Regulation S Global Debenture due 2042 (incorporated by reference from Exhibit 4.2 to Form 8-K filed August 28, 2012).
4.12	Form of 3.803% Global Debenture due 2042 (incorporated by reference from Exhibit 4.9 to Form S-4 filed on September 7, 2012).

10.1	Caterpillar Inc. 1996 Stock Option and Long-Term Incentive Plan amended and restated through fourth amendment dated December 19, 2008 (incorporated by reference from Exhibit 10.1 to the 2008 Form 10-K).*
10.2	Caterpillar Inc. 2006 Long-Term Incentive Plan as amended and restated through first amendment dated December 6, 2010 (incorporated by reference from Exhibit 10.2 to the 2010 Form 10-K).*
10.3	Terms Applicable to Awards of Restricted Stock Units under Chairman's Award Program pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.4	Terms Applicable to Awards of Stock Appreciation Rights pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.5	Terms Applicable to Awards of Nonqualified Stock Options pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.6	Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan), as amended and restated through third amendment dated December 13, 2012.*
10.7	Caterpillar Inc. Supplemental Employees' Investment Plan, as amended and restated through third amendment dated December 13, 2012.*
10.8	Caterpillar Inc. Executive Short-Term Incentive Plan, as amended and restated effective as of January 1, 2011 by a document dated December 13, 2010 (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Form DEF 14A filed on April 15, 2011).*
10.9	Caterpillar Inc. Directors' Deferred Compensation Plan, as amended and restated effective as of January 1, 2005 by a document dated February 25, 2008 (incorporated by reference from Exhibit 10.6 to the 2006 Form 10-K).*
10.10	Caterpillar Inc. Directors' Charitable Award Program, as amended and restated effective as of April 1, 2008 by a document dated March 31, 2008 (incorporated by reference from Exhibit 10.7 to the 2008 Form 10-K).*
10.11	Caterpillar Inc. Deferred Employees' Investment Plan, as amended and restated through third amendment dated December 13, 2012.*
10.12	Caterpillar Inc. Supplemental Deferred Compensation Plan as amended and restated through second amendment dated December 13, 2012.*
10.13	Solar Turbines Incorporated Managerial Retirement Objective Plan, as amended and restated through third amendment dated December 13, 2012.*
10.14	Solar Turbines Incorporated Pension Plan for European Foreign Service Employees, as amended and restated through second amendment dated December 13, 2012.*
10.15	Time Share Agreement dated May 6, 2011 (incorporated by reference from Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2011).*
10.16	Equity Compensation and Supplemental Pension Agreement, dated November 2, 2012, between Caterpillar Inc. and Richard P. Lavin (incorporated by reference from Exhibit 10.1 to Form 8-K filed November 6, 2012).*
10.17	Credit Agreement (Five-Year Facility) dated as of September 15, 2011 among Caterpillar Inc., Caterpillar Financial Services Corporation, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to Form 8-K filed September 16, 2011).
10.18	Local Currency Addendum to the Five-Year Facility dated as of September 15, 2011 (incorporated by reference from Exhibit 99.5 to Form 8-K filed September 16, 2011).
10.19	Japan Local Currency Addendum to the Five-Year Facility dated as of September 15, 2011 (incorporated by reference from Exhibit 99.6 to Form 8-K filed September 16, 2011).
10.20	Amendment No. 1 to the Five-Year Facility, dated as of September 13, 2012 (incorporated by reference from Exhibit 99.5 to the Company's Current Report on Form 8-K filed September 17, 2012).
10.21	Credit Agreement (Four-Year Facility), dated as of September 16, 2010, by and among the Company, Cat Financial, Caterpillar International Finance Limited and Caterpillar Finance Corporation, the Banks named therein, Local Currency Banks and Japan Local Currency Banks party thereto, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to Form 8-K filed September 21, 2010).
10.22	Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.5 to Form 8-K filed September 21, 2010).

10.23	Japan Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.6 to Form 8-K filed September 21, 2010).
10.24	Amendment No. 1 to the Four-Year Facility, dated as of September 15, 2011 (incorporated by reference from Exhibit 99.7 to Form 8-K filed September 16, 2011)
10.25	Amendment No. 2 to the Four-Year Facility, dated as of September 13, 2012 (incorporated by reference from Exhibit 99.4 to Form 8-K filed September 17, 2012).
10.26	Credit Agreement (2012 364-Day Credit Agreement), dated as of September 13, 2012, among the Company, Cat Financial, Caterpillar International Finance Limited and Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.1 to Form 8-K filed September 17, 2012).
10.27	Local Currency Addendum, dated as of September 13, 2012, to the 2012 364-Day Credit Agreement (incorporated by reference from Exhibit 99.2 to Form 8-K filed September 17, 2012).
10.28	Japan Local Currency Addendum, dated as of September 13, 2012, to the 2012 364-Day Credit Agreement (incorporated by reference from Exhibit 99.3 to Form 8-K filed September 17, 2012).
11	Computations of Earnings per Share.
12	Computation of Ratios of Earnings to Fixed Charges.
13	General and Financial Information for 2012 containing the information required by SEC Rule 14a-3 for an annual report to security holders.
14	Caterpillar Worldwide Code of Conduct (incorporated by reference from Exhibit 14 to the Form 10-Q filed for the quarter ended June 30, 2010).
21	Subsidiaries and Affiliates of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Douglas R. Oberhelman, Chairman and Chief Executive Officer of Caterpillar Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Bradley M. Halverson, Group President and Chief Financial Officer of Caterpillar Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Douglas R. Oberhelman, Chairman and Chief Executive Officer of Caterpillar Inc. and Bradley M. Halverson, Group President and Chief Financial Officer of Caterpillar Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Disclosures.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

February 19, 2013	By: */s/James B. Buda*
	James B. Buda, Executive Vice President, Law and Public Policy

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

February 19, 2013	*/s/Douglas R. Oberhelman* (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer
February 19, 2013	*/s/Bradley M. Halverson* (Bradley M. Halverson)	Group President and Chief Financial Officer
February 19, 2013	*/s/Jananne A. Copeland* (Jananne A. Copeland)	Chief Accounting Officer
February 19, 2013	*/s/David L. Calhoun* (David L. Calhoun)	Director

February 19, 2013	*/s/Daniel M. Dickinson* (Daniel M. Dickinson)	Director
February 19, 2013	*/s/Juan Gallardo* (Juan Gallardo)	Director
February 19, 2013	*/s/David R. Goode* (David R. Goode)	Director
February 19, 2013	*/s/Jesse J. Greene, Jr.* (Jesse J. Greene, Jr.)	Director
February 19, 2013	*/s/Jon M. Huntsman, Jr.* (Jon M. Huntsman, Jr.)	Director
February 19, 2013	*/s/Peter A. Magowan* (Peter A. Magowan)	Director
February 19, 2013	*/s/Dennis A. Muilenburg* (Dennis A. Muilenburg)	Director
February 19, 2013	*/s/William A. Osborn* (William A. Osborn)	Director
February 19, 2013	*/s/Charles D. Powell* (Charles D. Powell)	Director
February 19, 2013	*/s/Edward B. Rust, Jr.* (Edward B. Rust, Jr.)	Director
February 19, 2013	*/s/Susan C. Schwab* (Susan C. Schwab)	Director
February 19, 2013	*/s/Joshua I. Smith* (Joshua I. Smith)	Director
February 19, 2013	*/s/Miles D. White* (Miles D. White)	Director

Form 10-K

EXHIBIT INDEX

3.1	Restated Certificate of Incorporation, effective June 13, 2012 (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2012).
3.2	Bylaws amended and restated as of June 13, 2012 (incorporated by reference from Exhibit 3.2 to the Form 10-Q filed for the quarter ended June 30, 2012).
4.1	Indenture dated as of May 1, 1987, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.1 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.2	First Supplemental Indenture, dated as of June 1, 1989, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.2 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.3	Appointment of Citibank, N.A. as Successor Trustee, dated October 1, 1991, under the Indenture, as supplemented, dated as of May 1, 1987 (incorporated by reference from Exhibit 4.3 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.4	Second Supplemental Indenture, dated as of May 15, 1992, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.4 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.5	Third Supplemental Indenture, dated as of December 16, 1996, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.5 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.6	Tri-Party Agreement, dated as of November 2, 2006, between Caterpillar Inc., Citibank, N.A. and U.S. Bank National Association appointing U.S. Bank as Successor Trustee under the Indenture dated as of May 1, 1987, as amended and supplemented (incorporated by reference from Exhibit 4.6 to the 2006 Form 10-K).
4.7	Form of 0.950% Senior Note due 2015 (incorporated by reference from Exhibit 4.1 to Form 8-K filed June 21, 2012).
4.8	Form of 1.500% Senior Note due 2017 (incorporated by reference from Exhibit 4.2 to Form 8-K filed June 21, 2012).
4.9	Form of 2.600% Senior Note due 2022 (incorporated by reference from Exhibit 4.3 to Form 8-K filed June 21, 2012).
4.10	Form of 3.803% Rule 144A Global Debenture due 2042 (incorporated by reference from Exhibit 4.1 to Form 8-K filed August 28, 2012).
4.11	Form of 3.803% Regulation S Global Debenture due 2042 (incorporated by reference from Exhibit 4.2 to Form 8-K filed August 28, 2012).
4.12	Form of 3.803% Global Debenture due 2042 (incorporated by reference from Exhibit 4.9 to Form S-4 filed on September 7, 2012).
10.1	Caterpillar Inc. 1996 Stock Option and Long-Term Incentive Plan amended and restated through fourth amendment dated December 19, 2008 (incorporated by reference from Exhibit 10.1 to the 2008 Form 10-K).*
10.2	Caterpillar Inc. 2006 Long-Term Incentive Plan as amended and restated through first amendment dated December 6, 2010 (incorporated by reference from Exhibit 10.2 to the 2010 Form 10-K).*
10.3	Terms Applicable to Awards of Restricted Stock Units under Chairman's Award Program pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.4	Terms Applicable to Awards of Stock Appreciation Rights pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.5	Terms Applicable to Awards of Nonqualified Stock Options pursuant to the 2006 Long-Term Incentive Plan, as of March 5, 2012.*
10.6	Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan), as amended and restated through third amendment dated December 13, 2012.*
10.7	Caterpillar Inc. Supplemental Employees' Investment Plan, as amended and restated through third amendment dated December 13, 2012.*
10.8	Caterpillar Inc. Executive Short-Term Incentive Plan, as amended and restated effective as of January 1, 2011 by a document dated December 13, 2010 (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Form DEF 14A filed on April 15, 2011).*

10.9	Caterpillar Inc. Directors' Deferred Compensation Plan, as amended and restated effective as of January 1, 2005 by a document dated February 25, 2008 (incorporated by reference from Exhibit 10.6 to the 2006 Form 10-K).*
10.10	Caterpillar Inc. Directors' Charitable Award Program, as amended and restated effective as of April 1, 2008 by a document dated March 31, 2008 (incorporated by reference from Exhibit 10.7 to the 2008 Form 10-K).*
10.11	Caterpillar Inc. Deferred Employees' Investment Plan, as amended and restated through third amendment dated December 13, 2012.*
10.12	Caterpillar Inc. Supplemental Deferred Compensation Plan as amended and restated through second amendment dated December 13, 2012.*
10.13	Solar Turbines Incorporated Managerial Retirement Objective Plan, as amended and restated through third amendment dated December 13, 2012.*
10.14	Solar Turbines Incorporated Pension Plan for European Foreign Service Employees, as amended and restated through second amendment dated December 13, 2012.*
10.15	Time Share Agreement dated May 6, 2011 (incorporated by reference from Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2011).*
10.16	Equity Compensation and Supplemental Pension Agreement, dated November 2, 2012, between Caterpillar Inc. and Richard P. Lavin (incorporated by reference from Exhibit 10.1 to Form 8-K filed November 6, 2012).*
10.17	Credit Agreement (Five-Year Facility) dated as of September 15, 2011 among Caterpillar Inc., Caterpillar Financial Services Corporation, Caterpillar International Finance Limited, Caterpillar Finance Corporation, certain financial institutions named therein, Citibank, N.A., as Agent, Citibank International plc, as Local Currency Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Japan Local Currency Agent (incorporated by reference from Exhibit 99.4 to Form 8-K filed September 16, 2011).
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* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

EXHIBIT 10.3

Caterpillar Inc.
2006 Long-Term Incentive Plan
Restricted Stock Units

March 5, 2012

If you were awarded restricted stock units ("RSUs") on March 5, 2012 (the "Grant Date") pursuant to the Caterpillar Inc. 2006 Long-Term Incentive Plan (the "Plan"), this document specifies the material terms and provisions applicable to such restricted stock unit award (the "RSU Award").*

Vesting
The RSU Award is subject to a three-year cliff-vesting period. The RSU Award will become fully vested on the third anniversary of the Grant Date (the "Vesting Date"). If you terminate employment prior to the Vesting Date for any reason other than long-service separation, disability, death or in connection with a change of control (as described more fully below), the RSU Award will be forfeited.

Upon vesting of the RSU Award, you will receive unrestricted shares of common stock of Caterpillar Inc. (the "Company") equal to the number of RSUs. For example, if you were granted 250 RSUs, you will receive 250 shares of Company common stock as of the Vesting Date, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements.

Voting Rights
During the period between the Grant Date and the Vesting Date (the "Restriction Period), you are not entitled to any voting rights with respect to the RSUs. From and after the date shares are actually issued, you then will have full voting rights with respect to those shares.

Dividends and Other Distributions
During the Restriction Period, you will not receive dividends or any other distributions (*e.g.,* dividend equivalents) with respect to the RSU Award. From and after the date shares are actually issued, you then will have dividend rights with respect to those shares.

Termination of Employment
Your termination of employment with the Company and its subsidiaries prior to the Vesting Date will impact the RSU Award as follows:

- **Long-Service Separation**
  If your employment with the Company and/or any subsidiary or affiliate terminates by reason of long-service separation, to the extent that you were continuously employed by the Company and/or any subsidiary or affiliate for six months immediately following the Grant Date, your RSU Award will become fully vested and shares of Company common stock will be issued to you as soon as administratively practicable following: (1) the Vesting Date; or (2) the date which is six months following the date of your termination of employment (the "Six-Month Date"), if the Six-Month Date is earlier than the Vesting Date. In no event, however, will the shares be issued later than March 15th of the calendar year immediately following the calendar year during which the Vesting Date or the Six-Month Date occurs, as applicable. For purposes of this RSU Award, "long-service separation" means termination of employment after attainment of age 55 with 5 or more years of company service.

- **Disability**
  If your employment with the Company and/or any subsidiary or affiliate terminates by reason of disability (as defined in the Plan), your RSU Award will become fully vested and shares of Company common stock will be issued to you as soon as administratively practicable following: (1) the Vesting Date; or (2) the date which is six months following the date of your termination of employment (the "Six-Month Date"), if the Six-Month Date is earlier than the Vesting Date. In no event, however, will the shares be issued later than March 15^{th} of the calendar year immediately following the calendar year during which the Vesting Date or the Six-Month Date occurs, as applicable.

- **Death**
  If your employment with the Company and/or any subsidiary or affiliate terminates by reason of death, your RSU Award will become fully vested and shares of Company common stock will be issued to your beneficiary or your estate (as applicable), as soon as administratively practicable following the date of your death but in no event later than March 15^{th} of the calendar year immediately following the calendar year during which your death occurs.

- **Change of Control**
  In the event that a change of control of the Company occurs during the Restriction Period and your employment is terminated either without cause or for good reason within 12 months of such change of control, then to the extent that you were continuously employed by the Company and/or any subsidiary or affiliate for six months immediately following the Grant Date, your RSU Award will become fully vested and shares of Company common stock will be issued to you as soon as administratively practicable following: (1) the Vesting Date; or (2) the date which is six months following the date of your termination of employment (the "Six-Month Date"), if the Six-Month Date is earlier than the Vesting Date. In no event, however, will the shares be issued later than March 15^{th} of the calendar year immediately following the calendar year during which the Vesting Date or the Six-Month Date occurs, as applicable.

- **Other**
  If your employment with the Company and/or any subsidiary or affiliate terminates prior to the Vesting Date for any reason other than long-service separation, disability, death or in connection with a change of control, all RSUs with respect to this RSU Award will lapse and shall be immediately forfeited.

Transferability of Award
Subject to certain exceptions set forth in the Plan, the RSU Award may not be assigned, transferred, pledged or hypothecated in any way. The RSU Award is not subject to execution, attachment or similar process. Any attempt at such, contrary to the provisions of the Plan, will be null and void and without effect. Note that once a RSU Award vests and shares of Company common stock are actually issued, you will have the ability to transfer those shares.

Designation of Beneficiary
If you have not done so already, you are encouraged to designate a beneficiary (or beneficiaries) to whom your vested benefits under the Plan will be paid upon your death. If you do not designate a beneficiary, vested benefits payable pursuant to the Plan upon your death will be paid to your estate.

Administration of the Plan
The RSU Award shall at all times be subject to the terms and provisions of the Plan and the Plan shall be administered in accordance with the terms of, and as provided in, the Plan. In the event of conflict between the terms and provisions of this document and the terms and provisions of the Plan, the provisions of the Plan shall control.

Code Section 409A
It is intended that this RSU Award document and the administration of the RSU award comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated and other official guidance issued thereunder ("Code Section 409A"), to the extent applicable. The Plan and this RSU Award document shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, no shares may be issued unless in compliance with Code Section 409A to the extent that Code Section 409A applies. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this RSU Award document (and thus the terms of the RSU Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this RSU Award constitutes acknowledgement and consent to such rights of the Committee.

Tax Impact
Please refer to the Plan Prospectus for a general description of the U.S. federal tax consequences of an RSU Award. You may also wish to consult with your personal tax advisor regarding how the RSU Award impacts your individual tax situation. Nothing contained in this RSU Award document or in the Plan Prospectus shall be construed as a guarantee of any particular tax effect for any benefits or amounts deferred or paid pursuant to this RSU Award document.

Withholding
The vesting of the RSU Award is a taxable event in many taxing jurisdictions. In some countries, including the U.S., the company is required to withhold taxes upon the taxable event. To satisfy this withholding obligation, the company will withhold that number of shares that would satisfy the withholding obligation from the shares otherwise to be delivered to you. The following conditions apply to such withholding: (a) the value of the shares withheld must equal the withholding obligation; and (b) the value of the shares withheld shall be the Fair Market Value (as defined in the Plan) determined as of the vesting date.

Compliance with Securities Laws
The Company will take steps required to achieve compliance with all applicable U.S. federal and state securities laws (and other laws, including registration requirements) and with the rules and practices of the stock exchanges upon which the stock of the Company is listed and the RSU Award is subject to the requirements of such laws and rules.

Adjustment of Shares
Provisions are made within the Plan covering the effect of stock dividends, stock splits, changes in par value, changes in kind of stock, sale, merger, recapitalization, reorganization, etc.

Effect on Other Benefits
The RSU Award is not intended to and shall not impact the coverage of or the amount of any other employee benefit plans in which you participate that are sponsored by the Company and any of its subsidiaries or affiliates.

Acceptance of Award
Your acceptance of this RSU Award constitutes acknowledgement and consent to the terms of the RSU Award as described in this RSU Award document.

Further Information
For more detailed information about the Plan, please refer to the Plan Prospectus or the Plan itself. Copies of the Prospectus and the Plan can be obtained from the Executive Compensation intranet Website at Cat @work under the Compensation + Benefits tab. If you have any questions regarding your equity compensation under the Plan, please contact Paul Gaeto, Director of Compensation + Benefits at (309) 675-5624.

EXHIBIT 10.4

Caterpillar Inc.
2006 Long-Term Incentive Plan
Stock Appreciation Rights

March 5, 2012

If you were awarded stock appreciation rights (“SARs”) on March 5, 2012 (the “Grant Date”) pursuant to the Caterpillar Inc. 2006 Long-Term Incentive Plan (the “Plan”) at a price of $[   ] (the “Grant Price”), this document specifies the material terms and provisions applicable to such award (the “SAR Award”).*

Term of the Award
The SAR Award will expire unless exercised by the tenth anniversary of the Grant Date (the “Expiration Date”).

Vesting
The SAR Award is subject to a three-year cliff-vesting period. The SAR Award will become fully vested (and, thus, exercisable) on the third anniversary of the Grant Date (the “Vesting Date”). If you terminate employment for any reason other than long-service separation, disability or death (as described more fully below) prior to the Vesting Date, the SAR Award will be forfeited.

Exercise of Award
The SAR Award only may be exercised through the Plan’s designated broker, currently the Gallagher Group at Smith Barney, or through such other means as Caterpillar Inc. (the “Company”) may designate. You may exercise the SARs associated with the SAR Award by providing notice of exercise, in a form acceptable to the Company, setting forth the number of SARs to be exercised. Upon the exercise of the SAR, the exercise will be settled in shares of Company common stock. The exercise will not be settled in cash.

Upon exercise, you will be entitled to receive shares of Company common stock equal to the excess of the fair market value of a share of Company common stock on the date the SAR is exercised over the Grant Price, multiplied by the number of SARs exercised. For example, if you were granted 1,000 SARs at a price of $75 and on the date you exercise, the fair market value (as determined under the Plan) of Company common stock is $100 per share, you would receive 250 shares of Company common stock, less any shares withheld to satisfy mandatory income and social tax withholding requirements.

Termination of Employment
Your termination of employment with the Company and its subsidiaries will impact the SAR Award as follows:

- **Long-Service Separation**
  If your employment with the Company and/or its subsidiaries or affiliates terminates by reason of long-service separation, the SAR Award will become fully vested to the extent not vested and to the extent that you were continuously employed by the Company and/or its subsidiaries or affiliates for six months immediately following the Grant Date. Such SAR Award will remain exercisable until the earlier of: (1) the Expiration Date or (2) 60 months from the date of such termination of employment. For purposes of this SAR Award, “long-service separation” means termination of employment after attainment of age 55 with 5 or more years of company service.

- **Disability**
  If your employment with the Company and/or its subsidiaries terminates by reason of disability (as defined in the Plan), the SAR Award will become fully vested. Such SAR Award will remain exercisable until the earlier of: (1) the Expiration Date or (2) 60 months from the date of such termination of employment.

- **Death**
  If your employment with the Company and/or its subsidiaries terminates by reason of death, to the extent not vested, the SAR Award will become fully vested and your beneficiary (or your estate if you have not named a beneficiary at the time of your death) will have until the earlier of: (1) the Expiration Date or 60 months following your termination of employment due to death to exercise the SAR Award. If you die after your termination of employment when the SAR Award is otherwise exercisable, the SAR Award will remain exercisable by your beneficiary (or your estate if you have not named a beneficiary at the time of your death) until the earlier of: (1) the Expiration Date; (2) 66 months following the date of your long-service separation or termination due to disability if applicable; or (3) 38 months following your termination of employment for any other reason.

- **Cause**
  If your employment with the Company is terminated for cause (as defined in the Plan), all of your unexercised SARs associated with the SAR Award (whether vested or non-vested) shall expire immediately and all rights thereunder cease upon such termination.

- **Other**
  If your employment with the Company and/or its subsidiaries or affiliates terminates for any reason other than long-service separation, disability, cause or death (*e.g.*, quit or discharge), all non-vested SARs associated with the SAR Award shall be immediately forfeited to the company. With respect to vested SARS, you will have until the earlier of (1) the Expiration Date or (2) 60 days from the date of such termination of employment to exercise.

Transferability of Award
Subject to certain exceptions set forth in the Plan, the SAR Award is only exercisable by you (or your beneficiary, estate or representative, as applicable) and may not be assigned, transferred, pledged or hypothecated in any way. The SAR Award is not subject to execution, attachment or similar process. Any attempt at such, contrary to the provisions of the Plan, will be null and void and without effect.

Designation of Beneficiary
If you have not done so already, you are encouraged to designate a beneficiary (or beneficiaries) to whom your vested SARs will be transferred upon your death. If you do not designate a beneficiary, your vested SARs will be transferred to your estate.

Administration of the Plan
The SAR Award shall at all times be subject to the terms and provisions of the Plan and the Plan shall be administered in accordance with the terms of, and as provided in, the Plan. In the event of conflict between the terms and provisions of this document and the terms and provisions of the Plan, the provisions of the Plan shall control.

Tax Impact
Please refer to the Plan Prospectus for a general description of the U.S. federal tax consequences of a SAR Award. You may also wish to consult with your personal tax advisor regarding how the SAR Award will impact your individual tax situation.

Code Section 409A
It is intended that this SAR Award satisfies the terms of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated and other official guidance issued thereunder ("Code Section 409A") so that the SAR Award does not constitute deferred compensation for purposes of Code Section 409A. The Plan and this SAR Award document shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, the Compensation Committee of the Board (the "Committee") reserves the right (including the right to delegate such right) to unilaterally amend this SAR Award document (and thus the terms of the SAR Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this SAR Award constitutes acknowledgement and consent to such rights of the Committee.

Compliance with Securities Laws
The Company will take steps required to achieve compliance with all applicable U.S. federal and state securities laws (and other laws, including registration requirements) and with the rules and practices of the stock exchanges upon which the stock of the Company is listed and this SAR Award is subject to the requirements of such laws and rules.

Adjustment of Shares
Provisions are made within the Plan covering the effect of stock dividends, stock splits, changes in par value, changes in kind of stock, sale, merger, recapitalization, reorganization, etc.

Effect on Other Benefits
The SAR Award (and its exercise) is not intended to and shall not impact the coverage of or the amount of any other employee benefit plans in which you participate that are sponsored by the Company and any of its subsidiaries or affiliates.

Acceptance of Award
Your acceptance of this SAR Award constitutes acknowledgement and consent to the terms of the SAR Award as described in this SAR Award document.

Further Information
For more detailed information about the Plan, please refer to the Plan Prospectus or the Plan itself. Copies of the Prospectus and the Plan can be obtained from the Executive Compensation intranet Website at Cat @work under the Compensation + Benefits tab. If you have any questions regarding your equity compensation under the Plan, please contact Paul Gaeto, Director of Compensation + Benefits at (309) 675-5624.

EXHIBIT 10.5

Caterpillar Inc.
2006 Long-Term Incentive Plan
Nonqualified Stock Options

March 5, 2012

If you were awarded non-qualified stock options ("NQSOs") on March 5, 2012 (the "Grant Date") pursuant to the Caterpillar Inc. 2006 Long-Term Incentive Plan (the "Plan") at a price of $110.09 (the "Grant Price"), this document specifies the material terms and provisions applicable to such award (the "Option Award").*

Term of the Award
The Option Award will expire unless exercised by the tenth anniversary of the Grant Date (the "Expiration Date").

Vesting
The Option Award is subject to a three-year cliff-vesting period. The Option Award will become fully vested (and, thus, exercisable) on the third anniversary of the Grant Date (the "Vesting Date"). If you terminate employment for any reason other than long-service separation, disability or death (as described more fully below) prior to the Vesting Date, the Option Award will be forfeited.

Exercise of Award
The Option Award may only be exercised through the Plan's designated broker, currently the Gallagher Group at Morgan Stanley Smith Barney, or through such other means as Caterpillar Inc. (the "Company") may designate. You may exercise the Option Award by providing notice of exercise, in a form acceptable to the Company, setting forth the number of shares to be exercised, accompanied by full payment for the shares. The exercise price shall be payable at your election by: (1) tendering cash; (2) tendering previously acquired shares of Company common stock; (3) cashless exercise from the proceeds of a sale of shares, or (4) directing the Company to withhold a number of shares otherwise issuable upon election having a Fair Market Value (as defined in the Plan) equal to the exercise price.

Termination of Employment
Your termination of employment with the Company and its subsidiaries or affiliates will impact the Option award as follows:

- **Long-Service Separation**
  If your employment with the Company and/or its subsidiaries or affiliates terminates by reason of long-service separation, the Option Award will become fully vested to the extent not vested and to the extent that you were continuously employed by the Company and/or its subsidiaries or affiliates for six months immediately following the Grant Date. Such Option Award will remain exercisable until the earlier of: (1) the Expiration Date or (2) 60 months from the date of such termination of employment. For purposes of this Option Award, "long-service separation" means termination of employment after attainment of age 55 with 5 or more years of company service.

- **Disability**
  If your employment with the Company and/or its subsidiaries terminates by reason of disability (as defined in the Plan), the Option Award will become fully vested. Such Option Award will remain exercisable until the earlier of: (1) the Expiration Date or (2) 60 months from the date of such termination of employment.

- **Death**
  If your employment with the Company and/or its subsidiaries terminates by reason of death, to the extent not vested, the Option Award will become fully vested and your beneficiary (or your estate if you have not named a beneficiary at the time of your death) will have until the earlier of: (1) the Expiration Date or 60 months following your termination of employment due to death to exercise the Option Award. If you die after your termination of employment when the Option Award is otherwise exercisable, the Option Award will remain exercisable by your beneficiary (or your estate if you have not named a beneficiary at the time of your death) until the earlier of: (1) the Expiration Date; (2) 66 months following the date of your long-service separation or termination due to disability if applicable; or (3) 38 months following your termination of employment for any other reason.

- **Cause**
  If your employment with the Company is terminated for cause (as defined in the Plan), all of your unexercised NQSOs associated with the Option Award (whether vested or non-vested) shall expire immediately and all rights thereunder cease upon such termination.

- **Other**
  If your employment with the Company and/or its subsidiaries or affiliates terminates for any reason other than long-service separation, disability, cause or death (*e.g.*, quit or discharge), all non-vested NQSOs associated with the Option Award shall be immediately forfeited to the company. With respect to vested NQSOs, you will have until the earlier of (1) the Expiration Date or (2) 60 days from the date of such termination of employment to exercise.

Transferability of Award
Subject to certain exceptions set forth in the Plan, the Option Award is only exercisable by you (or your beneficiary, estate or representative, as applicable) and may not be assigned, transferred, pledged or hypothecated in any way. The Option Award is not subject to execution, attachment or similar process. Any attempt at such, contrary to the provisions of the Plan, will be null and void and without effect.

Designation of Beneficiary
If you have not done so already, you are encouraged to designate a beneficiary (or beneficiaries) to whom your vested NQSOs will be transferred upon your death. If you do not designate a beneficiary, your vested NQSOs will be transferred to your estate.

Administration of the Plan
The Option Award shall at all times be subject to the terms and provisions of the Plan and the Plan shall be administered in accordance with the terms of, and as provided in, the Plan. In the event of conflict between the terms and provisions of this document and the terms and provisions of the Plan, the provisions of the Plan shall control.

Tax Impact
Please refer to the Plan Prospectus for a general description of the U.S. federal tax consequences of an Option Award. You may also wish to consult with your personal tax advisor regarding how the Option Award will impact your individual tax situation.

Code Section 409A
It is intended that this Option Award satisfies the terms of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated and other official guidance issued thereunder ("Code Section 409A") so that the NQSO does not constitute deferred compensation for purposes of Code Section 409A. The Plan and this Option Award document shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, the Compensation Committee of the Board (the "Committee") reserves the right (including the right to delegate such right) to unilaterally amend this Option Award document (and thus the terms of the Option Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this Option Award constitutes acknowledgement and consent to such rights of the Committee.

Withholding
The exercise of a NQSO is a taxable event in many taxing jurisdictions. In some countries, including the U.S., the company is required to withhold taxes upon the taxable event. The company may withhold shares to satisfy the withholding requirement subject to the following conditions: (a) the value of the shares surrendered must equal the withholding requirement and (b) the value of the shares surrendered shall be the Fair Market Value (as defined in the Plan) determined as of the exercise date.

Compliance with Securities Laws
The Company will take steps required to achieve compliance with all applicable U.S. federal and state securities laws (and other laws, including registration requirements) and with the rules and practices of the stock exchanges upon which the stock of the Company is listed and the Option Award is subject to the requirements of such laws and rules.

Adjustment of Shares
Provisions are made within the Plan covering the effect of stock dividends, stock splits, changes in par value, changes in kind of stock, sale, merger, recapitalization, reorganization, etc.

Effect on Other Benefits
The Option Award (and its exercise) is not intended to and shall not impact the coverage of or the amount of any other employee benefit plans in which you participate that are sponsored by the Company and any of its subsidiaries or affiliates.

Acceptance of Award
Your acceptance of this Option Award constitutes acknowledgement and consent to the terms of the Option Award as described in this Option Award document.

Further Information
For more detailed information about the Plan, please refer to the Plan Prospectus or the Plan itself. Copies of the Prospectus and the Plan can be obtained from the Executive Compensation intranet Website at Cat @work under the Compensation + Benefits tab. If you have any questions regarding your equity compensation under the Plan, please contact Paul Gaeto, Director of Compensation + Benefits at (309) 675-5624.

EXHIBIT 10.6

CATERPILLAR INC.
SUPPLEMENTAL RETIREMENT PLAN

(formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan)

(Amended and Restated as of December 13, 2012)

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CATERPILLAR INC.
SUPPLEMENTAL RETIREMENT PLAN

PREAMBLE

The Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan and hereinafter referred to as the "Plan") was established as of January 1, 1976 by Caterpillar Inc. (the "Company") to provide additional pension benefits to individuals who participate in the Caterpillar Inc. Retirement Income Plan, as amended, or any successor(s) to such plan ("RIP"), but whose benefits are limited due to the application of Section 401(a)(17) and/or Section 415 of the Internal Revenue Code of 1986, as amended. The Plan also provides the benefits that would otherwise be payable pursuant to RIP but for (i) an individual's deferral of compensation under the Caterpillar Inc. Deferred Employees' Investment Plan, the Caterpillar Inc. Supplemental Employees' Investment Plan, or the Caterpillar Inc. Supplemental Deferred Compensation Plan or (ii) the exclusions from "Total Earnings" under RIP for an individual's lump sum discretionary awards and variable base pay. This amended and restated Plan is effective as of the dates specified herein.

ARTICLE I.
DEFINITIONS

1.1 **General.** When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall generally be a term defined in this Article I. The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article I, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) **"Adopting Affiliate"** means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan in accordance with Section 2.5. All Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates of the Plan.

(b) **"Affiliate"** means a parent business that controls, or a subsidiary business that is controlled by, the Company.

(c) **"Beneficiary"** means, with respect to a Participant, the person or persons entitled to receive distributions of the Participant's death benefits under RIP.

(d) "**Benefit Determination Date**" means the following:

(i) **On or After Effective Date But Prior to January 1, 2009**. On or after the Effective Date but prior to January 1, 2009, a Participant's Benefit Determination Date shall be the date as of which the Participant has elected to commence benefits under RIP.

(ii) **On or After January 1, 2009**. On or after January 1, 2009, a Participant's Benefit Determination Date shall be the date determined under (1) or (2) below:

(i) With respect to (x) a Participant's PEP Benefit (as defined in Section 3.2(b)), (y) a Choice Participant's benefits under this Plan, or (z) a Participant's Traditional Benefit (as defined in Section 3.2(a)) where the Participant satisfies the requirements under Section 5.2(d)(1)(i), (ii), (iii), (iv), or (v) as of the Participant's Separation from Service, the Participant's Benefit Determination Date shall be the first day of the month following the Participant's Separation from Service.

(ii) With respect to a Participant's Traditional Benefit (as defined in Section 3.2(a)) for a Participant other than a Choice Participant where the Participant does not satisfy the requirements under Section 5.2(d)(1)(i), (ii), (iii), (iv), or (v) as of the Participant's Separation from Service, the Participant's Benefit Determination Date shall be the first day of the month following the date that the Participant first satisfies the requirements under Section 5.2(d)(1)(i), (ii), (iii), (iv), or (v).

(e) **"<u>Benefit Payment Date</u>"** means the date as of which the Participant's benefit amounts under the Plan shall be payable, as determined in accordance with Section 5.2(d).

(f) **"<u>Board</u>"** means the Board of Directors of the Company, or any authorized committee of the Board.

(g) "**<u>Choice Participant</u>**" means a Participant who (i) has a "frozen traditional benefit" under RIP as a result of the election made by such Participant to cease accruing a benefit under the traditional benefit formula of RIP and to begin accruing a benefit under the pension equity formula of RIP and (ii) had accrued a Traditional Benefit (as defined in Section 3.2(a)) under this Plan as of June 30, 2003.

(h) **"<u>Code</u>"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(i) **"<u>Company</u>"** means Caterpillar Inc., and, to the extent provided in Section 8.8 below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(j) **"<u>DEIP</u>"** means the Caterpillar Inc. Deferred Employees' Investment Plan, as amended.

(k) **"<u>Director</u>"** means the Company's Director of Compensation + Benefits.

(l) "**<u>Disability</u>**" or "**<u>Disabled</u>**" means that a Participant is determined to be totally disabled by the United States Social Security Administration.

(m) **"<u>Effective Date</u>"** means January 1, 2005.

(n) **"<u>ERISA</u>"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

(o) "**<u>Lump Sum Discretionary Award</u>**" means any lump sum discretionary award paid to a Participant as determined in accordance with the established pay practices of the Company and Adopting Affiliates.

(p) **"<u>Participant</u>"** means an employee of the Company or any Adopting Affiliate who satisfies the eligibility requirements for participation in the Plan.

(q) **"<u>Plan</u>"** means the Caterpillar Inc. Supplemental Retirement Plan, as set forth herein and as it may be amended from time to time.

(r) **"<u>Plan Administrator</u>"** means the Director.

(s) **"<u>Plan Year</u>"** means the calendar year.

(t) **"<u>RIP</u>"** means the Caterpillar Inc. Retirement Income Plan, as amended or any successor(s) to such plan.

(u) **"<u>SDCP</u>"** means the Caterpillar Inc. Supplemental Deferred Compensation Plan, as amended or any successor(s) to such plan.

(v) **"<u>SEIP</u>"** means the Caterpillar Inc. Supplemental Employees' Investment Plan, as amended.

(w) **"<u>Separation from Service</u>"** means separation from service as determined in accordance with any regulations, rulings or other guidance issued by the Department of the Treasury pursuant to Section 409A(a)(2)(A)(i) of the Code, as it may be amended or replaced from time to time.

(x) **"<u>Specified Employee</u>"** means a "key employee" as defined in Section 416(i) of the Code without regard to Section 416(i)(5) and determined in accordance with Section 409A(a)(2)(B)(i) of the Code.

(y) **"Unforeseeable Emergency"** means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For purposes of the Plan, an "Unforeseeable Emergency" shall not include a Participant's need to send his or her child to college or a Participant's desire to purchase a home. Any determination as to whether a Participant has incurred an Unforeseeable Emergency shall be made in the sole discretion of the Plan Administrator in accordance with rules prescribed pursuant to Section 409A of the Code.

(z) "**Variable Base Pay**" means the variable base pay paid to a Participant as determined in accordance with the established pay practices of the Company and Adopting Affiliates.

(aa) **"Sunset Participant"** means a Participant who is classified as a "Sunset Participant" under the terms of RIP.

(bb) **"GSCS"** means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).

(cc) **"GSCS Participant"** means a Participant who is employed by GSCS upon the closing of the sale of GSCS to an entity that is not an Affiliate.

(dd) **"GSCS Closing Date"** means the date on which the sale of GSCS to an entity that is not an Affiliate is completed.

1.2 **Construction**. The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of Illinois without regard to conflict of law principles and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other Federal law.

ARTICLE II.
ELIGIBILITY; ADOPTION BY AFFILIATES

2.1 **Eligible Employees**. The purpose of the Plan is to provide supplemental retirement benefits to a select group of management or highly compensated employees. This group of employees is sometimes referred to as a "top hat group." The Plan constitutes an unfunded supplemental retirement plan and is fully exempt from Parts 2, 3, and 4 of Title I of ERISA. The Plan shall be governed and construed in accordance with Title I of ERISA.

2.2 **Existing Participants**. Each individual who was a Participant in the Plan as of the date of execution of this plan document shall continue as such, subject to the provisions hereof.

2.3 **New Participants**. An employee shall participate in the Plan if the employee is receiving, is eligible to receive, or is accruing retirement benefits pursuant to RIP; and

(a) the employee's RIP benefits are limited by application of Section 401(a)(17) of the Code;

(b) the employee's RIP benefits are limited by application of Section 415(b) of the Code;

(c) the employee's RIP benefits are decreased due to the employee's deferral of salary or incentive compensation under SEIP, DEIP or SDCP; or

(d) the employee's RIP benefits are limited due to the exclusions from "Total Earnings" (as defined under RIP) for the employee's Lump Sum Discretionary Awards and Variable Base Pay.

2.4 **Discontinuance of Participation**. As a general rule, once an individual is a Participant, he will continue as such for all future Plan Years until his retirement or other termination of employment. In addition, prior to retirement or other termination of employment, the Plan Administrator shall discontinue an individual's participation in the Plan if the Plan Administrator concludes, in the exercise of his discretion, that the individual is no longer properly included in the top hat group. If an individual's participation is discontinued, the individual will no longer be eligible to accrue a benefit under the Plan. The individual will not be entitled to receive a distribution, however, until the occurrence of another event (e.g., death or Separation from Service) that entitles the individual to receive a distribution.

2.5 **Adoption by Affiliates**. An employee of an Affiliate may not become a Participant in the Plan unless the Affiliate has previously adopted the Plan. An Affiliate of the Company may adopt the Plan only with the approval of the Company. By adopting the Plan, the Affiliate shall be deemed to have agreed to assume the obligations and liabilities imposed upon it by the Plan, agreed to comply with all of the other terms and provisions of the Plan, delegated to the Plan Administrator the power and responsibility to administer the Plan with respect to the Affiliate's employees, and delegated to the Company the full power to amend or terminate the Plan with respect to the Affiliate's employees. Notwithstanding the foregoing, an Affiliate that has previously adopted the Plan may terminate its participation in the Plan in accordance with such rules and procedures that are promulgated by the Company.

ARTICLE III.
DETERMINATION OF BENEFIT

3.1 **General**. Benefit amounts payable under the Plan shall be determined pursuant to Section 3.2 and, if applicable, adjusted pursuant to Section 3.4. Such determinations shall be made by reference to (a) the benefit amounts that would be payable to the Participant under RIP if SEIP, DEIP and SDCP deferrals and any Lump Sum Discretionary Awards or Variable Base Pay were taken into account in determining the Participant's benefits thereunder and (b) without regard to the applicable limitations under Sections 401(a)(17) and 415 of the Code. For avoidance of doubt, effective January 1, 2011, any Participant who is not a Sunset Participant shall not receive any additional benefit accruals under this Article III, and any Sunset Participant shall not receive any additional benefit accruals under this Article III effective as of the earlier of: (1) the date he is no longer a Sunset Participant or (2) January 1, 2020.

3.2 **Amount of Benefit Payable to Participant**. The monthly benefit payable to the Participant by the Plan shall be equal to the sum of the Participant's "Traditional Benefit" and "PEP Benefit" amounts (both as defined below), if any, determined under subsections (a) and (b) below as of the Participant's Benefit Determination Date:

(a) **"Traditional Benefit"**. Any benefit payable to the Participant by the Plan under the "traditional benefit" provisions of RIP, as it may be amended from time to time, shall be determined as follows:

(1) **Step One**. The Plan Administrator shall determine the benefit that would be payable to the Participant pursuant to RIP if SEIP, DEIP and SDCP deferrals and any Lump Sum Discretionary Awards or Variable Base Pay were taken into account and without regard to the applicable limitations under Sections 401(a)(17) and 415 of the Code. For purposes of this Section 3.2(a)(1), the parenthetical phrase of Section 5.2 of RIP reading "(2% for Participants in salary grades 30 or 31, 2.25% for Participants in salary grade 32, 2.4% for Participants in salary grades 33 or higher)" shall be disregarded.

(2) **Step Two**. The Plan Administrator shall determine the Participant's benefit that would be payable pursuant to RIP (as calculated as of the Participant's Benefit Determination Date).

(3) **Step Three**. The amount determined pursuant to paragraph (2) above shall be subtracted from the amount determined pursuant to paragraph (1) above to determine the benefit payable to the Participant pursuant to this Section 3.2 (a) of the Plan (herein referred to as a Participant's "Traditional Benefit").

(b) **"PEP Benefit"**. Any benefit payable by the Plan to the Participant under the "pension equity formula" provisions of RIP, as it may be amended from time to time, shall be determined as follows:

(1) **Step One**. The Plan Administrator shall determine the single sum amount that would be payable to the Participant pursuant to RIP if SEIP, DEIP and SDCP deferrals and any Lump Sum Discretionary Awards or Variable Base Pay were taken into account and without regard to the applicable limitations under Sections 401(a)(17) and 415 of the Code.

(2) **Step Two**. The Plan Administrator shall determine the Participant's single sum amount that would be payable pursuant to RIP (as calculated as of the Participant's Benefit Determination Date).

(3) **Step Three**. The amount determined pursuant to paragraph (2) above shall be subtracted from the amount determined pursuant to paragraph (1) above to determine the single sum amount payable to the Participant pursuant to this Section 3.2(b) of the Plan (herein referred to as a Participant's "PEP Benefit").

3.3 **Survivor Benefits.** In the event a Participant dies after becoming vested under the Plan pursuant to Section 4.1 but prior to commencing his benefits under the Plan pursuant to Article V, a survivor benefit shall be payable as follows:

(a) **Traditional Benefit**. With respect to a Participant's Traditional Benefit, if any, determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4), the Participant's surviving spouse, if any, shall be entitled to a monthly survivor benefit payable during the spouse's lifetime and terminating with the payment for the month in which such spouse's death occurs. The monthly benefit payable to the surviving spouse shall be the portion of the amount determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) as of the Participant's Benefit Determination Date that the surviving spouse would have been entitled to receive under this Plan if the Participant had separated from service on the date of his death, commenced benefits in accordance with Article V in the form of a 50% joint and survivor annuity, and then died immediately thereafter. A surviving spouse who was not married to the deceased Participant for at least one year at the date of death shall not be eligible for the monthly survivor benefit pursuant to this Section 3.3.

(b) **PEP Benefit**. With respect to a Participant's PEP Benefit, if any, determined under Section 3.2(b), such benefit shall be paid to the Participant's Beneficiary in a single sum amount as soon as administratively feasible after the Benefit Determination Date.

(c) **Certain Choice Participant Benefits**. Notwithstanding the provisions of (a) and (b) above, with respect to a Choice Participant who does not make a contrary election pursuant to Section 5.2(c)(3), such Participant's Beneficiary shall receive a single sum amount equal to the actuarial equivalent present value (using the actuarial assumptions under RIP applicable to the Participant as of his or her Benefit Determination Date) of the Participant's Traditional Benefit and PEP Benefit calculated as of the date specified in Section 5.2(d)(1)(i), and as further adjusted by using the actuarial assumptions under RIP applicable to the Beneficiary as of the Participant's Benefit Determination Date. Notwithstanding the foregoing, if a Choice Participant makes an election pursuant to Section 5.2(c)(3) to receive his or her benefits under the Plan in the form of monthly annuity payments, his or her Beneficiary, in lieu of the single sum amount described in the preceding sentence, shall receive a monthly benefit paid for the remainder of the Beneficiary's life; provided that, the Beneficiary's monthly benefit shall be equal to the actuarially equivalent monthly benefit of such single sum amount (using the actuarial assumptions under RIP applicable to the Beneficiary as of the Participant's Benefit Determination Date); provided further that, in no event shall the Beneficiary's monthly benefit be less than the monthly survivor benefit determined under Section 3.3(a) that, but for this Section 3.3(c), would have been payable to the Participant's surviving spouse (or, if there is no surviving spouse, would have been payable under Section 3.3(a) had the Participant died with a surviving spouse). Any single sum amount or monthly benefit determined under this Section 3.3(c) shall be payable to the Participant's Beneficiary as soon as administratively feasible after the date of the Participant's death.

3.4 **Early Retirement Reductions**. Any benefits determined pursuant to this Article III shall be subject to the same reductions for early retirement as applicable under RIP.

3.5 **Future Adjustments**. Any benefit amounts payable under this Plan may be adjusted to take into account future amendments to RIP and increases in retirement income that are granted under RIP due to cost-of-living increases. Any benefit amounts payable under this Plan shall be adjusted to take into account future factors and adjustments made by the Secretary of the Treasury (in regulations or otherwise) to the limitations under Sections 401(a)(17) and 415 of the Code.

ARTICLE IV.
VESTING

4.1 **Vesting**. Subject to Section 8.1, each Participant shall be vested in his or her benefit, if any, that becomes payable under Article V of the Plan to the same extent that the Participant is vested in his or her benefit accrued under RIP. Notwithstanding the foregoing provisions of this Section 4.1, each GSCS Participant shall be fully vested at all times from and after the GSCS Closing Date in his or her benefit payable under the Plan.

ARTICLE V.
PAYMENT OF BENEFIT

5.1 **Payments on or After Effective Date But Prior to January 1, 2009**. In accordance with the transitional guidance issued by the Internal Revenue Service and the Department of Treasury in Section 3 of IRS Notice 2007-86, any payment of benefits to a Participant or his Beneficiary commencing on or after the Effective Date but prior to January 1, 2009 shall be made pursuant to the Participant's applicable payment election or the applicable pre-retirement survivor provisions under RIP.

5.2 Payments on or After January 1, 2009. Any payment of benefits to a Participant commencing on or after January 1, 2009 shall be determined in accordance with this Section 5.2.

(a) Limitation on Right to Receive Distribution. A Participant shall not be entitled to receive a distribution prior to the first to occur of the following events:

(1) The Participant's Separation from Service, or in the case of a Participant who is a Specified Employee, the date which is six months after the Participant's Separation from Service;

(2) The date the Participant becomes Disabled;

(3) The Participant's death;

(4) A specified time (or pursuant to a fixed schedule) specified at the date of deferral of compensation;

(5) An Unforeseeable Emergency; or

(6) To the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or an Adopting Affiliate or in the ownership of a substantial portion of the assets of the Company or an Adopting Affiliate.

This Section 5.2(a) restates the restrictions on distributions set forth in Section 409A of the Code and is intended to impose restrictions on distributions pursuant to the Plan accordingly. This Section 5.2(a) does not describe the instances in which distributions will be made. Rather, distributions will be made only if and when permitted both by this Section 5.2(a) and another provision of the Plan.

(b) General Right to Receive Distribution. Following a Participant's termination of employment or death, the Participant's benefit amounts will be paid to the Participant in the manner and at the time provided in Sections 5.2(c) and 5.2(d), as applicable. A transfer of a Participant from the Company or any Affiliate to any other Affiliate or the Company shall not be deemed to be a termination of employment for purposes of this Section 5.2(b).

(c) Form of Payment.

(1) **Traditional Benefit**. Any monthly benefit payable to a Participant under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) shall be paid in the form of annuity payments as follows:

(i) **Unmarried Participants**. The benefits of an unmarried Participant shall be paid in the form of a single life annuity for the Participant's life. No payments shall be made after the Participant dies. Notwithstanding the foregoing, in accordance with uniform rules and procedures as may be adopted by the Plan Administrator from time to time, an unmarried Participant may elect, in lieu of a single life annuity, to have his or her benefits paid in any actuarially equivalent form of annuity permitted under RIP.

(ii) **Married Participants**. Subject to Section 3.3, the benefits of a married Participant shall be paid in the form of a joint and survivor annuity in a reduced monthly benefit for the Participant's life (as determined in accordance with the applicable actuarial assumptions in effect under RIP) and then, if the Participant's spouse is still alive, a benefit equal to 50% of the Participant's monthly benefit is paid to the spouse for the remainder of his or her life. If the Participant's spouse is not alive when the Participant dies, no further payments shall be made. Notwithstanding the foregoing, in accordance with uniform rules and procedures as may be adopted by the Plan Administrator from time to time, a married Participant may, with the written consent of the Participant's spouse, elect to waive the joint and survivor annuity of this subparagraph (ii) and instead elect a single life annuity or any actuarially equivalent form of annuity permitted under RIP.

In addition, if the Participant's Benefit Payment Date, as described in clauses (i)-(v) of Section 5.2(d)(1), is delayed pursuant to the last sentence of Section 5.2(d)(1), then any monthly benefit amounts that would have been paid if not for such last sentence will be credited with interest at five percent (5%) per annum through the Participant's Benefit Payment Date. Such delayed monthly benefit amounts and interest shall be paid in a single sum amount as soon as administratively feasible after such Benefit Payment Date.

(2) **PEP Benefit**. Any benefit payable to a Participant determined under Section 3.2(b) shall be paid in a single sum amount. In addition, if the Participant's Benefit Payment Date, as described in Section 5.2(d)(2), is delayed pursuant to the first sentence of Section 5.2(d)(2), then any single sum amount that would have been paid if not for such first sentence will be credited with interest at five percent (5%) per annum through the Participant's Benefit Payment Date. Such interest shall be paid in a single sum amount as soon as administratively feasible after such Benefit Payment Date.

(3) **Special One-Time Election for Choice Participants**. Pursuant to the transitional guidance issued by the Internal Revenue Service and the Department of Treasury, the Plan Administrator shall provide a special one-time election to Choice Participants whose benefits have not commenced as of December 31, 2008, to elect to have their benefits paid other than in the forms otherwise described in (1) and (2) above, subject to such procedures as are established by the Plan Administrator; provided that, if a Choice Participant does not make such an election, any benefit amounts under the Plan that become payable to such Choice Participant shall be paid in the forms described in (1) and (2) above, as applicable. In addition, if the Participant's Benefit Payment Date, as described in Section 5.2(d)(3), is delayed pursuant to Section 5.2(d)(3), then any monthly benefit amounts or single sum amounts that would have been paid if not for such delay will be credited with interest at five percent (5%) per annum through the Participant's Benefit Payment Date in accordance with the applicable provisions of (1) and (2) above. Such delayed monthly benefit amounts or single sum amounts and interest shall be paid in a single sum amount as soon as administratively feasible after such Benefit Payment Date.

(d) **Timing of Payment**.

(1) **Traditional Benefit.** Except as provided below, any benefit determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) that becomes payable to the Participant following Separation from Service shall commence on the first day of the month following the earliest of the following:

(i) the Participant's attainment of age 65 or, if later, the Participant's fifth anniversary of the date he or she commenced participation under RIP;

(ii) the Participant's attainment of age 55 with the number of the Participant's years of vesting service plus his or her age equaling at least 85;

(iii) the Participant's attainment of age 60 after completing at least 10 years of vesting service;

(iv) the Participant's attainment of age 55 after completing at least 15 years of vesting service; or

(v) the Participant's completing at least 30 years of vesting service.

For purposes of (ii), (iii), (iv) or (v) above, the Plan Administrator shall determine the Participant's "years of vesting service" by reference to the applicable terms under RIP in existence as of the date the Participant first commenced participation under this Plan.

Notwithstanding the foregoing provisions of this Section 5.2(d)(1), in no event shall any benefit payable to a Participant under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) commence earlier than the first day of the month coincident with or next following a date that is at least six months after the Participant's Separation from Service, except in the event of the Participant's death, in which case any benefit payable to the Participant's Beneficiary shall commence as of the applicable date specified in Section 3.3(a).

(2) **PEP Benefit.** Any benefit determined under Section 3.2(b) that becomes payable to the Participant following Separation from Service shall be paid on the first day of the month that is at least six months after the Participant's Separation from Service. Notwithstanding the foregoing, in the event of the Participant's death, any benefit payable to the Participant's Beneficiary will be paid as soon as administratively feasible after the date of the Participant's death.

(3) **Certain Choice Participant Benefits**. Any benefits that become payable to a Choice Participant following Separation from Service shall be paid on the first day of the month that is at least six months after the Participant's Separation from Service. Notwithstanding the foregoing, in the event of the Participant's death, any benefit payable to the Participant's Beneficiary will be paid as soon as administratively feasible after the date of the Participant's death.

5.3 **Automatic Lump Sum Distributions**. Notwithstanding any provision of the Plan to the contrary:

(a) **Certain Distributions on or After Effective Date But Prior to January 1, 2009**. Effective as of the Effective Date but prior to January 1, 2009, if the actuarial equivalent present value of an individual's benefit amounts payable under this Plan (as determined in accordance with the applicable actuarial assumptions in effect under RIP as of the individual's Benefit Determination Date) is less than or equal to $10,000, the individual's benefit amounts under the Plan shall be distributed in a single sum amount as soon as administratively feasible on or after such Benefit Determination Date.

(b) **Certain Distributions on or After January 1, 2009**. Effective January 1, 2009, if the sum of (i) the actuarial equivalent present value of an individual's benefit amounts payable under this Plan (as determined in accordance with the applicable actuarial assumptions in effect under RIP as of the individual's Benefit Determination Date) and (ii) the interest, if any, credited on such amounts through the individual's Benefit Payment Date (as determined in accordance with the applicable provisions of Section 5.2(c)) is less than or equal to the dollar limitation under Section 402(g)(1)(B) of the Code in effect for the calendar year in which the individual's Benefit Payment Date occurs, the individual's benefit amounts under the Plan shall be distributed in a single sum amount equal to the sum of (i) and (ii) above as soon as administratively feasible on or after such Benefit Payment Date.

5.4 **Withholding**. All distributions will be subject to all applicable tax and withholding requirements.

5.5 **Ban on Acceleration of Benefits**. Neither the time nor the schedule of any payment under the Plan may be accelerated except as permitted in regulations or other guidance issued by the Internal Revenue Service or the Department of the Treasury and as incorporated herein.

ARTICLE VI.
ADMINISTRATION OF THE PLAN

6.1 **General Powers and Duties.** The following list of powers and duties is not intended to be exhaustive, and the Plan Administrator shall, in addition, exercise such other powers and perform such other duties as he may deem advisable in the administration of the Plan, unless such powers or duties are expressly assigned to another pursuant to the provisions of the Plan.

(a) **General**. The Plan Administrator shall perform the duties and exercise the powers and discretion given to him in the Plan document and by applicable law and his decisions and actions shall be final and conclusive as to all persons affected thereby. The Company and the Adopting Affiliates shall furnish the Plan Administrator with all data and information that the Plan Administrator may reasonably require in order to perform his functions. The Plan Administrator may rely without question upon any such data or information.

(b) **Disputes**. Any and all disputes that may arise involving Participants or beneficiaries shall be referred to the Plan Administrator and his decision shall be final. Furthermore, if any question arises as to the meaning, interpretation or application of any provisions of the Plan, the decision of the Plan Administrator shall be final.

(c) **Agents**. The Plan Administrator may engage agents, including recordkeepers, to assist him and he may engage legal counsel who may be counsel for the Company. The Plan Administrator shall not be responsible for any action taken or omitted to be taken on the advice of such counsel, including written opinions or certificates of any agent, counsel, actuary or physician.

(d) **Insurance**. At the Director's request, the Company shall purchase liability insurance to cover the Director in his activities as the Plan Administrator.

(e) **Allocations**. The Plan Administrator is given specific authority to allocate responsibilities to others and to revoke such allocations. When the Plan Administrator has allocated authority pursuant to this paragraph, the Plan Administrator is not to be liable for the acts or omissions of the party to whom such responsibility has been allocated.

(f) **Records**. The Plan Administrator shall supervise the establishment and maintenance of records by his agents, the Company and each Adopting Affiliate containing all relevant data pertaining to any person affected hereby and his or her rights under the Plan.

(g) **Interpretations**. The Plan Administrator, in his sole discretion, shall interpret and construe the provisions of the Plan (and any underlying documents or policies).

(h) **Electronic Administration**. The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

(i) **Delegation**. The Plan Administrator may delegate his authority hereunder, in whole or in part, in his sole and absolute discretion.

6.2 **Claims Procedures.** Benefit claims under the Plan shall be resolved in accordance with Code Section 409A and uniform and nondiscriminatory procedures adopted by the Plan Administrator in accordance with Section 503 of ERISA.

ARTICLE VII.
AMENDMENT

7.1 **Amendment**. The Company reserves the right at any time to amend, modify or suspend any or all of the provisions of this Plan, in whole or in part, at any time as designated by a written instrument duly adopted on behalf of the Company.

7.2 **Effect of Amendment**. Any amendment of the Plan shall not directly or indirectly reduce the benefits previously accrued by the Participant.

7.3 **Termination**. The Company expressly reserves the right to terminate the Plan.

(a) **General.** In the event of termination, the Company shall specify whether termination will change the time at which distributions are made; provided that any acceleration of a distribution is consistent with Section 409A of the Code. In the absence of such specification, the timing of distributions shall be unaffected by termination.

(b) **GSCS Termination**. Pursuant to the Company's authority to terminate the Plan, the Plan is irrevocably terminated with respect to all GSCS Participants upon the GSCS Closing Date and no GSCS Participant shall accrue any benefits under the Plan for any purpose after the GSCS Closing Date. Pursuant to termination of the Plan with respect to the GSCS Participants pursuant to this Section 7.3(b), the present value of each GSCS Participant's benefit amounts payable under the Plan shall be distributed to the GSCS Participant in a single sum amount as soon as practicable after the GSCS Closing Date, but in no event later than December 31 next following the GSCS Closing Date. Termination of the Plan with respect to GSCS Participants will change the time at which distributions are made to GSCS Participants. Payments to GSCS Participants pursuant to this Section 7.3(b) are intended to comply with section 409A of the Code and applicable guidance issued thereunder.

ARTICLE VIII.
GENERAL PROVISIONS

8.1 **Participant's Rights Unsecured**. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her Beneficiary to receive benefits hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his Beneficiary shall have any rights in or against any specific assets of the Company. All amounts accrued by Participants hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a "Rabbi Trust," but the assets in the Rabbi Trust must be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

8.2 **No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

8.3 **No Enlargement of Employee Rights**. No Participant shall have any right to receive a distribution from the Plan except in accordance with the terms of the Plan. Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of the Company or an Adopting Affiliate.

8.4 **Section 409A Compliance**. The Company intends that the Plan meet the requirements of Section 409A of the Code and the guidance issued thereunder. The Plan shall be administered, construed and interpreted in a manner consistent with that intention.

8.5 **Spendthrift Provision**. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor shall any such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings. This Section shall not preclude arrangements for the withholding of taxes from deferrals, credits, or benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

8.6 **Domestic Relations Orders**. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, the amounts payable pursuant to the Plan may be assigned or alienated pursuant to a “Domestic Relations Order” (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time.

8.7 **Incapacity of Recipient**. If the Plan Administrator is served with a court order holding that a person entitled to a distribution under the Plan is incapable of personally receiving and giving a valid receipt for such distribution, the Plan Administrator shall postpone payment until such time as a claim therefore shall have been made by a duly appointed guardian or other legal representative of such person. The Plan Administrator is under no obligation to inquire or investigate as to the competency of any person entitled to a distribution. Any payment to an appointed guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefor.

8.8 **Successors**. The Plan shall be binding upon the successors and assigns of the Company and upon the heirs, beneficiaries and personal representatives of the individuals who become Participants hereunder.

8.9 **Limitations on Liability**. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Director, or the Company, nor any individual acting as the Plan Administrator’s, the Director’s, or the Company’s employee, agent, or representative shall be liable to any Participant, former Participant, Beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.10 **Overpayments**. If it is determined that the benefits under the Plan should not have been paid or should have been paid in a lesser amount, written notice thereof shall be given to the recipient of such benefits (or his legal representative) and he shall repay the amount of overpayment to the Company. If he fails to repay such amount of overpayment promptly, the Company shall arrange to recover for the Plan the amount of the overpayment by making an appropriate deduction or deductions from any future benefit payment or payments payable to that person (or his survivor or beneficiary) under the Plan or from any other benefit plan of the Company.

8.11 **Plan Frozen**. As a result of the freeze of RIP, participation and benefit accruals are frozen under the Plan. This Section 8.11 provides clarification regarding the freeze of the Plan.

(a) **Participation Frozen**. The Plan is frozen to (1) all employees hired after November 30, 2010 and (2) all employees rehired after December 31, 2010. Any employee hired or rehired after the applicable date in the preceding sentence shall not be eligible for the Plan and, in the case of a rehire, shall accrue no additional benefits under the Plan for any period of employment after such date. Similarly, the Plan is frozen to all individuals hired or rehired by the Company or any Affiliate thereof prior to the applicable date in the first sentence who, as of such date, were not Participants in the Plan and therefore such individuals will never become eligible to participate in the Plan.

(b) **Benefits Frozen — Non-Sunset Participants**. Effective January 1, 2011, the Plan is frozen with respect to any Participant who is not classified as a Sunset Participant on December 31, 2010. Any Participant who was not a Sunset Participant on December 31, 2010 shall no longer accrue any additional benefits under the Plan for periods of employment on or after January 1, 2011.

(c) Benefits Frozen — Sunset Participants.

(1) The Plan is frozen with respect to any Participant who is a Sunset Participant on December 31, 2010, but who later loses his status as a Sunset Participant, on the date such Participant loses status as a Sunset Participant.

(2) Effective January 1, 2020, the Plan is frozen for all employees including by way of example but not limitation, Sunset Participants.

(d) Plan Completely Frozen — January 1, 2020. For avoidance of doubt, no individual shall: (1) become a new Participant in the Plan after November 30, 2010 regardless of hire date or transfer date; and (2) accrue any benefits under the Plan for any period of employment on or after January 1, 2020.

(e) Vesting Service Continues. For avoidance of doubt, a Participant shall continue to receive vesting service for any period of employment on or after the applicable freeze date referenced in this Section 8.11 for purposes of determining his or her vesting under Section 4.1 and his or her eligibility to commence benefits under Section 5.2(d).

8.12 Special Rules for Participants with Same-Sex Domestic Partners.

(a) Generally. Effective January 1, 2013, except as specified under this Section 8.12 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "Beneficiary", "survivor", or "surviving spouse" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) Definition of "Same-Sex Domestic Partner". For purposes of this Section 8.12, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) Exceptions.

(1) **Determination of Status as a "married Participant"**. For purposes of Section 5.2(c)(1), a Participant shall be considered a "married Participant" only if the Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996. For avoidance of doubt, a Participant with a same-sex domestic partner is considered to be an "unmarried Participant" and is not required to obtain the same-sex domestic partner's consent for the election of any form of payment provided under the Plan, and the normal form of benefit for purposes of Section 5.2(c)(1) for any such Participant shall be a single life annuity for the Participant's life.

(2) **Determination of Unforeseeable Emergency**. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 shall be considered a "spouse" for purposes of applying the definition of "Unforeseeable Emergency" in Section 1.1(y).

(3) **Domestic Relations Orders**. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another “alternate payee” (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant’s interests hereunder pursuant to Section 8.6.

EXHIBIT 10.7

CATERPILLAR INC.
SUPPLEMENTAL EMPLOYEES'
INVESTMENT PLAN

(Amended and Restated as of December 13, 2012)

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CATERPILLAR INC.
SUPPLEMENTAL EMPLOYEES' INVESTMENT PLAN

PREAMBLE

Effective October 14, 1987, Caterpillar Inc. (the "Company") established the Caterpillar Inc. Supplemental Employees' Investment Plan (the "Plan"). The Plan has been amended and restated on a number of occasions. This amendment and restated Plan is effective as of the dates specified herein.

In response to enactment of Section 409A of the Code and pursuant to Internal Revenue Service Notice 2005-1 and other applicable guidance, the Company now desires to: (1) freeze the Plan to new participants; (2) cease Deferral Credits and Matching Credits under the Plan; (3) spin-off the amounts deferred by Participants on and after January 1, 2005 (including the related Matching credits and the related earnings/losses) to the Caterpillar Inc. Supplemental Deferred Compensation Plan, a plan designed to comply with the requirements of Section 409A of the Code; and (4) clarify certain provisions of the Plan as in effect on October 3, 2004.

ARTICLE I
DEFINITIONS

1.1 **General**. When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall be a term defined in this Article I, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) **"401(k) Plan"** means the Caterpillar 401(k) Plan, as amended or any successor to such plan.

(b) **"Adopting Affiliate"** means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan. All Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates but no Affiliate that was not an Adopting Affiliate as of the Effective Date shall be permitted to adopt the Plan.

(c) **"Affiliate"** means a parent business that controls, or a subsidiary business that is controlled by, the Company.

(d) **"Base Pay"** means the base salary paid to a Participant as determined in accordance with the established pay practices of the Company and Adopting Affiliates. Base Pay shall include any lump-sum base salary adjustment and any variable base pay.

(e) **"BFC"** means the Benefit Funds Committee of the Company, which is the committee formed by resolution of the Board of Directors of the Company, and which has the responsibility and authority to ensure the proper operation and management of the financial aspects of the 401(k) Plan.

(f) **"Board"** means the Board of Directors of the Company, or any authorized committee of the Board.

(g) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(h) **"Company"** means Caterpillar Inc., and, to the extent provided in Section 10.8 (Successors) below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(i) **"Company Stock"** means common stock issued by the Company.

(j) **"Company Stock Fund"** means the Investment Fund described in Section 5.3 (Special Company Stock Fund Provisions).

(k) "**Deferral Credits"** means the deferral credits allocated to a Participant in accordance with Section 3.2 (Deferral Credits).

(l) **"Director"** means the Company's Director of Compensation + Benefits.

(m) **"Disability" or "Disabled"** means that a Participant is "totally and permanently disabled" and eligible to receive long-term disability benefits pursuant to the terms and provisions of the long-term disability plan sponsored by the Company or an Affiliate in which the Participant participates.

(n) **"Effective Date"** means March 25, 2007.

(o) **"Eligible Pay"** means Base Pay minus any deferral credits made pursuant to the Caterpillar Inc. Deferred Employees' Investment Plan.

(p) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

(q) **"Investment Fund"** means the notional investment funds established by the terms of the Plan pursuant to Article V (Investment of Accounts).

(r) **"Matching Credits"** means the matching credits allocated to a Participant in accordance with Section 3.3 (Matching Credits).

(s) **"Participant"** means an employee of the Company or any Adopting Affiliate who had satisfied the eligibility requirements for participation in the Plan as of the Effective Date and who, as of such date, has amounts credited to his accounts under this Plan.

(t) **"Plan"** means the Caterpillar Inc. Supplemental Employees' Investment Plan, as set forth herein and as it may be amended from time to time.

(u) "**Plan Administrator**" means the Director.

(v) **"Plan Year"** means the calendar year.

(w) **"Post-1996 Deferrals"** means the Deferral Credits made by a Participant on and after January 1, 1997 and before January 1, 2005 (including the earnings/losses thereon).

(x) **"Post-2004 Deferrals"** means the Deferral Credits and Matching Credits made by a Participant on and after January 1, 2005 determined pursuant to Section 7.2 (Amounts Spun-Off).

(y) **"SDCP"** means the Caterpillar Inc. Supplemental Deferred Compensation Plan, as amended.

(z) **"Valuation Date"** means each day of the Plan Year on which the New York Stock Exchange is open for trading.

(aa) **"GSCS"** means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).

(bb) **"GSCS Participant"** means a Participant who is employed by GSCS upon the closing of the sale of GSCS to an entity that is not an Affiliate.

(cc) **"GSCS Closing Date"** means the date on which the sale of GSCS to an entity that is not an Affiliate is completed.

1.2 **Construction**. The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of Illinois without regard to conflict of law principles and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other Federal law.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.1 **Existing Participants**. Each individual who was a Participant in the Plan as of the Effective Date shall continue as such, subject to the provisions hereof.

2.2 **New Participants**. No individual shall become eligible to participate in the Plan after the Effective Date.

ARTICLE III
DEFERRAL CREDITS AND MATCHING CREDITS

3.1 **Credits Ceased**. Effective as of March 26, 2007, all credits (other than credits associated with the adjustment of accounts pursuant to Section 5.1 (Adjustment of Accounts) to the Plan shall cease. Participants shall not be permitted to make Deferral Credits and the Plan Administrator shall no longer allocate Matching Credits to Participants' accounts.

3.2 **Deferral Credits**. Immediately prior to March 26, 2007, Participants were permitted to defer the receipt of 6% of the Eligible Pay otherwise payable to the Participant by the Company or an Adopting Affiliate in any Plan Year. A Participant's election to make Deferral Credits only applied to the Eligible Pay that was in excess of the dollar limit imposed by Section 401(a)(17) of the Code during that Plan Year. The deferrals made prior to March 26, 2007 were subject to the provisions of the Plan as in effect at the time the deferral election was made and such uniform and non-discriminatory rules as were adopted by the Plan Administrator in that regard.

3.3 **Matching Credits**. For periods ending on or before the Effective Date, the Plan Administrator allocated matching credits to the Participant's accounts in an amount equal to 100% of the Participant's Deferral Credits.

ARTICLE IV
VESTING

4.1 **Vesting**. Subject to Section 10.1 (Participant's Rights Unsecured), each Participant shall at all times be fully vested in all amounts credited to or allocable to his accounts hereunder and his rights and interest therein shall not be forfeitable.

ARTICLE V
INVESTMENT OF ACCOUNTS

5.1 **Adjustment of Accounts**. Except as otherwise provided elsewhere in the Plan, as of each Valuation Date, each Participant's accounts will be adjusted to reflect the positive or negative rate of return on the Investment Funds selected by the Participant pursuant to Section 5.2(b) (Investment Direction - Participant Directions). The rate of return will be determined by the Plan Administrator pursuant to Section 5.2(f) (Investment Direction – Investment Performance) and will be credited or charged in accordance with policies applied uniformly to all Participants.

5.2 Investment Direction.

(a) Investment Funds. Each Participant may direct the notional investment of amounts credited to his Plan accounts in one or more of the Investment Funds. The Investment Funds shall, at all times, be notional funds that track the returns of the investment funds selected by the BFC for purposes of the 401(k) Plan and made available to 401(k) Plan participants. In addition, the Investment Funds shall, at all times, include a Company Stock Fund as described in Section 5.3 (Special Company Stock Fund Provisions). Neither the Company, each Adopting Affiliate, the Plan Administrator, the BFC, nor any other party shall have any responsibility, duty of care (whether express or implied) or liability to any Participant in regards to designation of the Investment Funds as set forth in this Section 5.2(a).

(b) Participant Directions. Each Participant may direct that all of the amounts attributable to his accounts be invested in a single Investment Fund or may direct that whole percentage increments of his accounts be invested in such fund or funds as he shall desire in accordance with such procedures as may be established by the Plan Administrator. Unless the Plan Administrator prescribes otherwise, such procedures generally shall mirror the procedures established under the 401(k) Plan for participant investment direction.

(c) Changes and Intra-Fund Transfers. Participant investment directions may be changed, and amounts may be transferred from one Investment Fund to another, in accordance with the procedures established by the Plan Administrator. The designation will remain in effect until changed by the timely submission of a new designation by the Participant.

(d) Default Selection. In the absence of a designation by the Participant, such Participant will be deemed to have directed the notional investment of his accounts in the Investment Fund that tracks the return of the 401(k) Plan investment fund that is designated by the BFC as the "default" investment fund for purposes of the 401(k) Plan.

(e) Impact of Election. The Participant's selection of Investment Funds shall serve only as a measurement of the value of the Participant's Accounts pursuant to Section 5.1 (Adjustment of Accounts) and this Section 5.2. None of the Company, the BFC, or the Plan Administrator are required to actually invest a Participant's accounts in accordance with the Participant's selections.

(f) Investment Performance. Accounts shall be adjusted on each Valuation Date to reflect investment gains and losses as if the accounts were invested in the Investment Funds selected by the Participants in accordance with this Section 5.2 and charged with any and all reasonable expenses as provided in paragraph (g) below. The earnings and losses determined by the Plan Administrator in good faith and in his discretion pursuant to this Section 5.2 shall be binding and conclusive on the Participant, the Participant's beneficiary and all parties claiming through them.

(g) **Charges**. The Plan Administrator may (but is not required to) charge Participants' accounts for the reasonable expenses of administration including, but not limited to, carrying out and/or accounting for investment instructions directly related to such accounts.

5.3 **Special Company Stock Fund Provisions**.

(a) **General**. A Participant's interest in the Company Stock Fund shall be expressed in whole and fractional notional units of the Company Stock Fund. The Company Stock Fund shall track an investment in Company Stock in the same manner as the 401(k) Plan's company stock fund. Accordingly, the value of a unit in the Plan's Company Stock Fund shall be the same as the value of a unit in the 401(k) Plan's company stock fund. Notwithstanding the foregoing, if and to the extent that a company stock fund is no longer maintained under the 401(k) Plan, the Plan Administrator shall establish such rules and procedures as are necessary to maintain the Company Stock Fund hereunder.

(b) **Investment Directions**. A Participant's ability to direct investments into or out of the Company Stock Fund shall be subject to such procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended, and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make (or modify previously made) deferral and distribution elections pursuant to Articles III (Deferral Credits and Matching Credits) and VI (Distributions), respectively. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan for purposes of Section 16(b), the Participant shall not dispose of that interest within six months, unless specifically exempted by Section 16(b) or any rules or regulations promulgated thereunder.

(c) **Compliance with Securities Laws**. Any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all applicable securities law requirements, including but not limited to the last sentence of paragraph (b) above and Rule 16b-3 promulgated by the Securities Exchange Commission. To the extent that any election violates any securities law requirement or the Company's stock trading policies and procedures, the election shall be void.

(d) **Compliance with Company Trading Policies and Procedures**. Any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all Company Stock trading policies promulgated by the Company. To the extent that any election violates any such trading policy or procedures, the election shall be void.

5.4 **Application to Beneficiaries**. Following the death of a Participant, the term "Participant" in this Article V shall refer to the Participant's beneficiary described in Section 6.5 (Payment Upon Death).

ARTICLE VI
DISTRIBUTIONS

6.1 General Right to Receive Distribution. Following termination of employment with the Company, death or Disability, the Participant's accounts will be distributed in the manner and at the time provided in Sections 6.3 (Form of Distribution) and 6.4 (Timing of Distribution) or Section 6.5 (Payment Upon Death), as applicable. A transfer of a Participant from the Company or any Affiliate to any other Affiliate or the Company shall not be deemed to be a termination of employment with the Company for purposes of this Article VI.

6.2 Amount of Distribution. The amount distributed to a Participant shall be based on the vested amounts credited to the Participant's accounts as of the Valuation Date immediately preceding the date of the distribution. Amounts shall be valued at the fair market value on the relevant Valuation Date determined pursuant to uniform and non-discriminatory procedures established by the Plan Administrator.

6.3 Form of Distribution.

(a) Default Form of Distribution. Accounts shall be distributed in cash in a single lump-sum payment.

(b) Optional Form of Distribution. A Participant may elect to receive his distribution in the form of quarterly, semi-annual or annual cash installments for a period of up to fifteen years by filing an election with the Plan Administrator before the last Company business day of November of the second year that precedes the year the distribution is scheduled to commence pursuant to Section 6.4 (Timing of Distribution). If an election pursuant to this paragraph (b) of this Section 6.3 cannot be honored because it was not timely filed, distributions shall be made in accordance with the most recent valid election made by the Participant that precedes the invalid election. If no such election exists, distributions shall be made in a single Lump-Sum in accordance with paragraph (a) of this Section 6.3.

(c) Change of Election. A Participant may change an installment distribution election by filing a new installment distribution election with the Plan Administrator before the last Company business day of November of the second year that precedes the year the distribution is scheduled to commence pursuant to Section 6.4 (Timing of Distribution). There shall be no limitation on the number of times that a Participant may change his election in accordance with this paragraph (c).

6.4 Timing of Distribution.

(a) Default Timing of Distribution. Accounts shall be distributed within an administratively reasonable period of time following the Participant's termination of employment, death or Disability.

(b) Deferral of Distribution. A Participant may elect to defer the distribution of his accounts beyond his termination of employment, death or Disability by filing an election with the Plan Administrator: (1) while the Participant is employed by the Company or an Affiliate and (2) before the last Company business day of November in the year prior to the year during which the Participant's termination of employment, death or Disability occurs. If an election pursuant to this paragraph (b) cannot be honored because it was not timely filed, distributions shall be made in accordance with the most recent valid election made by the Participant that precedes the invalid election. If no such election exists, distributions shall be made within an administratively reasonable period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4.

(c) Change of Election. An election made pursuant to paragraph (b) of this Section 6.4 or election made effective as a result of paragraph (e)(1) of this Section 6.4 may be changed by the Participant by filing a new election with the Plan Administrator: (1) while the Participant is employed by the Company or an Adopting Affiliate and (2) before the last Company business day of November in the year prior to the year during which the Participant's termination of employment, death or Disability occurs. There shall be no limitation on the number of times that a Participant may change his election in accordance with this paragraph (c).

(d) Date Elected By Participant. The date elected by a Participant pursuant to paragraphs (b) or (c) of this Section 6.4 must be the first day of any calendar quarter. Notwithstanding the foregoing, if as of the Effective Date, a Participant had made an election whereby the date of distribution elected is not the first day of a calendar quarter, such election shall be honored unless and until the Participant initiates a change to the timing of distribution pursuant to this Section 6.4 or the form of distribution pursuant to Section 6.3 (Form of Distribution).

(e) Revocation of Election.

(1) Automatic Revocation. If, as of the distribution date elected by the Participant pursuant to paragraphs (b) or (c) of this Section 6.4 the Participant, is: (i) employed by the Company or an Affiliate and (ii) not Disabled, such election shall be automatically revoked and distributions shall be made within an administratively reasonable period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4. Notwithstanding the foregoing, if the distribution date is automatically revoked pursuant to this paragraph (e)(1) and the distribution was to be made in the form of cash installments pursuant to Section 6.3 (Form of Distribution), the date of distribution shall be the first day of the next calendar quarter that is within an administratively feasible period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4. Nothing contained in this paragraph (e)(1) shall prevent a Participant from changing his election pursuant to paragraph (c) of this Section 6.4.

(2) Election Irrevocable Following Termination of Employment. At all times following the Participant's termination of employment with the Company or an Affiliate, the Participant's elections made pursuant to this Section 6.4 shall be irrevocable.

6.5 Payment Upon Death.

(a) Beneficiary Designation. If a Participant should die before receiving a full distribution of his Plan accounts, distribution shall be made to the beneficiary designated by the Participant, in accordance with such uniform rules and procedures as may be adopted by the Plan Administrator from time to time. If a Participant has not designated a beneficiary, or if no designated beneficiary is living on the date of distribution, then the Participant's beneficiary shall be that person or persons entitled to receive distributions of the Participant's accounts under the 401(k) Plan.

(b) Timing and Form of Payment to Beneficiary.

(1) Payments Commenced at Time of Death. If, at the time of the Participant's death, installment payments of the Participant's accounts have commenced pursuant to this Article VI, such payments shall continue to the Participant's beneficiary in the same time and the same form as if the Participant has remained alive until the last installment payment was scheduled to be made.

(2) Payments Not Commenced at Time of Death.

(i) Default. If, at the time of the Participant's death, payments of the Participant's accounts have not commenced pursuant to this Article VI, the distributions made pursuant to this Section 6.5 shall be made to the Participant's beneficiary in accordance with the then current and valid distribution elections (as to timing and form) made by the Participant (or, in the absence of such distribution elections, in accordance with the "default" provisions of this Article VI).

(ii) Separate Election. Notwithstanding the foregoing or anything herein to the contrary, a Participant may make separate elections regarding the timing and form of payments to his beneficiary upon his death. Such separate beneficiary elections shall be valid only if they meet the requirements of Section 6.3 (Form of Distribution) and Section 6.4 (Timing of Distribution). In addition, such separate beneficiary elections may be changed or revoked in accordance with Section 6.3 (Form of Distribution) and Section 6.4 (Timing of Distribution).

(3) No Changes Permitted by Beneficiary. In no event shall a beneficiary be permitted to change the time and/or form of payment relating to a Participant's accounts following such Participant's death either prior to or following such Participant's death.

6.6 Scheduled Distributions. The Plan as in effect prior to the Effective Date permitted a Participant to elect, at the time the Participant elected to make Deferral Credits, to schedule a distribution date for all or a portion of such Deferral Credits provided: (a) the distribution date scheduled by the Participant was the first day of any calendar quarter and (b) the distribution date scheduled by the Participant was at least four years later than the last day of the Plan Year that includes the Deferral Credits to which the election relates. As of the Effective Date, no Participant had such a scheduled distribution election on file with the Plan Administrator. Because Deferral Credits have ceased pursuant to Section 3.1 (Credits Ceased) and because there are no scheduled distribution elections on file, the scheduled distribution provisions of the Plan as in effect prior to the Effective Date are now without effect.

6.7 Unscheduled Distributions. Notwithstanding anything herein to the contrary, a Participant may elect to receive a lump-sum cash distribution of his Plan accounts at any time while employed by the Company or an Affiliate in accordance with this Section 6.7 and the uniform and non-discriminatory procedures adopted by the Plan Administrator.

(a) Amount of Distribution. A Participant may elect to receive five percent to one hundred percent (designated in whole percentages by the Participant) of his Post-1996 Deferrals. Notwithstanding the foregoing, in no event shall the amount of the distribution made pursuant to this Section 6.7 be less than $10,000.00 (determined prior to the application of the forfeiture described in paragraph (b) below).

(b) Forfeiture. Any distribution made pursuant to this Section 6.7 shall be subject to a forfeiture equal to 10% of the amount elected.

(c) Election Applies to DEIP. An election for an unscheduled distribution pursuant to this Section 6.7 shall also apply as an election for an unscheduled distribution pursuant to the terms and provisions of the Caterpillar Inc. Deferred Employees' Investment Plan.

6.8 Withholding. All distributions will be subject to all applicable tax and withholding requirements.

ARTICLE VII
SPIN-OFF TO SDCP

7.1 General. In response to the enactment of Section 409A of the Code and pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury, Deferrals Credits and Matching Credits have been frozen and all amounts deferred and vested on and before December 31, 2004 are "grandfathered" and thus are not subject to the requirements of Section 409A. The Deferral Credits and Matching Credits made pursuant to the Plan from January 1, 2005 through the Effective Date (including the earnings/losses thereon) will be spun-off to SDCP as provided in this Article VII.

7.2 Amounts Spun-Off. All amounts credited to participant accounts pursuant to this Plan on or after January 1, 2005 and through the Effective Date and not fully distributed on or before April 1, 2007 shall be spun-off and allocated to Plan accounts as provided in Section 7.3 (Allocation of Amounts). The amounts deferred prior to January 1, 2005 shall be determined in accordance with Q&A-17 of I.R.S. Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury.

7.3 **Allocation of Amounts**. A Participant's Post-2004 Deferrals shall be allocated to the Participant's accounts in SDCP as provided therein.

7.4 **Deferral Elections**. Deferral elections made by participants pursuant to the Plan for amounts to be deferred in 2007 following the Effective Date shall apply to SDCP as provided therein.

7.5 **Effective Date of Spin-Off**. The spin-off described in this Article VII shall be effective as of 11:59:59 P.M. on the Effective Date.

ARTICLE VIII
ADMINISTRATION OF THE PLAN

8.1 **General Powers and Duties**. The following list of powers and duties is not intended to be exhaustive, and the Plan Administrator shall, in addition, exercise such other powers and perform such other duties as he may deem advisable in the administration of the Plan, unless such powers or duties are expressly assigned to another pursuant to the provisions of the Plan.

(a) **General**. The Plan Administrator shall perform the duties and exercise the powers and discretion given to him in the Plan document and by applicable law and his decisions and actions shall be final and conclusive as to all persons affected thereby. The Company and the Adopting Affiliates shall furnish the Plan Administrator with all data and information that the Plan Administrator may reasonably require in order to perform his functions. The Plan Administrator may rely without question upon any such data or information.

(b) **Disputes**. Any and all disputes that may arise involving Participants or beneficiaries shall be referred to the Plan Administrator and his decision shall be final. Furthermore, if any question arises as to the meaning, interpretation or application of any provisions of the Plan, the decision of the Plan Administrator shall be final.

(c) **Agents**. The Plan Administrator may engage agents, including recordkeepers, to assist him and he may engage legal counsel who may be counsel for the Company. The Plan Administrator shall not be responsible for any action taken or omitted to be taken on the advice of such counsel, including written opinions or certificates of any agent, counsel, actuary or physician.

(d) **Insurance**. At the Director's request, the Company shall purchase liability insurance to cover the Director in his activities as the Plan Administrator.

(e) **Allocations**. The Plan Administrator is given specific authority to allocate responsibilities to others and to revoke such allocations. When the Plan Administrator has allocated authority pursuant to this paragraph, the Plan Administrator is not to be liable for the acts or omissions of the party to whom such responsibility has been allocated.

(f) **Records**. The Plan Administrator shall supervise the establishment and maintenance of records by its agents, the Company and each Adopting Affiliate containing all relevant data pertaining to any person affected hereby and his or her rights under the Plan.

(g) **Interpretations**. The Plan Administrator, in his sole discretion, shall interpret and construe the provisions of the Plan (and any underlying documents or policies).

(h) **Electronic Administration**. The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

(i) **Accounts**. The Plan Administrator shall combine the various accounts of a Participant if he deems such action appropriate. Furthermore, the Plan Administrator shall divide a Participant's accounts into sub-accounts if he deems such action appropriate.

(j) **Delegation**. The Plan Administrator may delegate his authority hereunder, in whole or in part, in his sole and absolute discretion.

8.2 **Certain Exercise of Discretion Prohibited**. Notwithstanding anything herein to the contrary, the Plan Administrator (or any other individual or entity to whom the power to exercise discretion hereunder is granted) shall not exercise the discretion granted in a manner that would create a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) to the Plan as it was in effect on October 3, 2004.

8.3 **Claims Procedures**. Benefit claims under the Plan shall be resolved in accordance with uniform and nondiscriminatory procedures adopted by the Plan Administrator in accordance with Section 503 of ERISA.

ARTICLE IX
AMENDMENT

9.1 **Amendment**. The Company reserves the right at any time to amend, modify or suspend any or all of the provisions of this Plan, in whole or in part, at any time as designated by a written instrument duly adopted on behalf of the Company.

9.2 **Effect of Amendment**. Any amendment of the Plan shall not directly or indirectly reduce the balance of any Plan account as of the effective date of such amendment. Notwithstanding the foregoing or anything in this Plan to the contrary, any amendment to the Plan effective on or after October 3, 2004 that creates a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) shall only be effective if such amendment expressly states an intent by the Company to materially modify the Plan (and thus subject it to Section 409A of the Code).

9.3 **Termination**. To the extent permitted by applicable law, the Company expressly reserves the right to terminate the Plan at any time. Pursuant to the foregoing and the provisions of Sections 9.1 and 9.2, the Plan is irrevocably terminated with respect to all GSCS Participants upon the GSCS Closing Date and no GSCS Participant shall accrue any benefits under the Plan for any purpose after the GSCS Closing Date. Pursuant to termination of the Plan with respect to GSCS Participants pursuant to this Section 9.3, the balance in each GSCS Participant's account under the Plan shall be distributed to the GSCS Participant in a single lump-sum payment as soon as practicable after the GSCS Closing Date, but in no event later than December 31 next following the GSCS Closing Date. For purposes of the preceding sentence, the balance in each GSCS Participant's account shall be determined as of the Valuation Date occurring coincident with or next preceding the date of distribution.

ARTICLE X
GENERAL PROVISIONS

10.1 **Participant's Rights Unsecured**. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her designated beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company. All amounts credited to a Participant's accounts hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a "Rabbi Trust," but the assets in the Rabbi Trust must be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

10.2 **No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

10.3 **No Enlargement of Employee Rights**. No Participant shall have any right to receive a distribution from the Plan except in accordance with the terms of the Plan. Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of the Company or an Adopting Affiliate.

10.4 Section 409A.

(a) Material Modification. Notwithstanding anything contained herein to the contrary, this amendment and restatement of the Plan does not, and is not intended to, create a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) to the Plan as it was in effect on October 3, 2004 which would subject the Plan to the requirements of Section 409A of the Code. This document shall be construed and interpreted in a manner consistent with that intention.

(b) Good Faith Compliance. The Deferral Credits and Matching Credits made from January 1, 2005 through the Effective Date (including the earnings/losses thereon) have been administered pursuant to the Plan in "good faith" compliance with Section 409A of the Code pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury.

10.5 Spendthrift Provision. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor shall any such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings. This Section shall not preclude arrangements for the withholding of taxes from deferrals, credits, or benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

10.6 Domestic Relations Orders. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, the Participant's accounts may be assigned or alienated pursuant to a "Domestic Relations Order" (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time.

10.7 Incapacity of Recipient. If the Plan Administrator is served with a court order holding that a person entitled to a distribution under the Plan is incapable of personally receiving and giving a valid receipt for such distribution, the Plan Administrator shall postpone payment until such time as a claim therefore shall have been made by a duly appointed guardian or other legal representative of such person. The Plan Administrator is under no obligation to inquire or investigate as to the competency of any person entitled to a distribution. Any payment to an appointed guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefore.

10.8 Successors. The Plan shall be binding upon the successors and assigns of the Company and upon the heirs, beneficiaries and personal representatives of the individuals who become Participants hereunder.

10.9 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Company, nor any individual acting as the Plan Administrator's, or the Company's employee, agent, or representative shall be liable to any Participant, former Participant, beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

10.10 Conflicts. If any person holds a position under the Plan through which he or she is charged with making a decision about the administration of his or her own (or any immediate family member's) Plan participation, including, without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, then such person shall be recused and the decision shall be made by the Plan Administrator. If a decision is required regarding the administration of the Plan Administrator's Plan participation, including without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, such decision shall be made by the Company's Vice President, Human Services Division**.** Nothing in this Section 10.10 shall be construed to limit a Participant's or the Plan Administrator's ability to make decisions or elections with regard to his or her participation in the Plan in the same manner as other Participants.

10.11 Special Rules for Participants With Same-Sex Domestic Partners.

(a) **Generally**. Effective January 1, 2013, except as specified under this Section 10.11 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "beneficiary", "survivor", or "family member" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) **Definition of "Same-Sex Domestic Partner"**. For purposes of this Section 10.11, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) **Domestic Relations Orders**. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another "alternate payee" (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant's interests hereunder pursuant to Section 10.6.

EXHIBIT 10.11

CATERPILLAR INC.
DEFERRED EMPLOYEES' INVESTMENT PLAN

(Amended and Restated as of December 13, 2012)

<u>**Table of Contents**</u>

CATERPILLAR INC.
DEFERRED EMPLOYEES' INVESTMENT PLAN

PREAMBLE

Effective June 30, 1995, Caterpillar Inc. (the "Company") established the Caterpillar Inc. Deferred Employees' Investment Plan (the "Plan"). The Plan has been amended and restated on a number of occasions. This amended and restated Plan is effective as of the dates specified herein.

In response to enactment of Section 409A of the Code and pursuant to Internal Revenue Service Notice 2005-1 and other applicable guidance, the Company now desires to: (1) freeze the Plan to new participants; (2) cease Deferral Credits and Matching Credits under the Plan; (3) spin-off the amounts deferred by Participants on and after January 1, 2005 (including the related Matching credits and the related earnings/losses) to the Caterpillar Inc. Supplemental Deferred Compensation Plan, a plan designed to comply with the requirements of Section 409A of the Code; and (4) clarify certain provisions of the Plan as in effect on October 3, 2004.

ARTICLE I DEFINITIONS

1.1 **General**. When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall be a term defined in this Article I, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) **"401(k) Plan"** means the Caterpillar 401(k) Plan, as amended or any successor to such plan.

(b) **"Adopting Affiliate"** means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan. All Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates but no Affiliate that was not an Adopting Affiliate as of the Effective Date shall be permitted to adopt the Plan.

(c) **"Affiliate"** means a parent business that controls, or a subsidiary business that is controlled by, the Company.

(d) **"Base Pay"** means the base salary paid to a Participant as determined in accordance with the established pay practices of the Company and Adopting Affiliates. Base Pay shall include any lump-sum base salary adjustment and any variable base pay.

(e) **"BFC"** means the Benefit Funds Committee of the Company, which is the committee formed by resolution of the Board of Directors of the Company, and which has the responsibility and authority to ensure the proper operation and management of the financial aspects of the 401(k) Plan.

(f) **"Board"** means the Board of Directors of the Company, or any authorized committee of the Board.

(g) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(h) **"Company"** means Caterpillar Inc., and, to the extent provided in Section 10.8 (Successors) below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(i) **"Company Stock"** means common stock issued by the Company.

(j) **"Company Stock Fund"** means the Investment Fund described in Section 5.3 (Special Company Stock Fund Provisions).

(k) "**Deferral Credits"** means the deferral credits allocated to a Participant in accordance with Section 3.2 (Deferral Credits).

(l) **"Director"** means the Company's Director of Compensation + Benefits.

(m) **"Disability" or "Disabled"** means that a Participant is "totally and permanently disabled" and eligible to receive long-term disability benefits pursuant to the terms and provisions of the long-term disability plan sponsored by the Company or an Affiliate in which the Participant participates.

(n) **"Effective Date"** means March 25, 2007.

(o) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

(p) **"ESTIP"** means the Caterpillar Inc. Executive Short-Term Incentive Plan, as amended or any predecessor or successor to such plan.

(q) **"Incentive Compensation"** means STIP Pay, LTCPP Pay and Lump-Sum Awards.

(r) **"Investment Fund"** means the notional investment funds established by the terms of the Plan pursuant to Article V (Investment of Accounts).

(s) **"LTCPP Pay"** means the amounts designated by the Company as the cash-based performance award under the "Long-Term Cash Performance Plan" and paid pursuant to the terms of the Caterpillar Inc. 2006 Long-Term Incentive Plan (or any predecessor to such plan).

(t) **"Lump-Sum Award"** means the discretionary lump-sum cash awards paid to employees pursuant to the uniform and nondiscriminatory pay practices of the Company or an Affiliate, but not including any lump-sum base salary adjustment.

(u) **"Matching Credits"** means the matching credits allocated to a Participant in accordance with Section 3.3 (Matching Credits).

(v) **"Participant"** means an employee of the Company or any Adopting Affiliate who had satisfied the eligibility requirements for participation in the Plan as of March 31, 2007 and who, as of such date, has amounts credited to his accounts under this Plan.

(w) **"Plan"** means the Caterpillar Inc. Deferred Employees' Investment Plan, as set forth herein and as it may be amended from time to time.

(x) **"Plan Administrator"** means the Director.

(y) **"Plan Year"** means the calendar year.

(z) **"Post-1996 Deferrals"** means the Deferral Credits made by a Participant on and after January 1, 1997 and before January 1, 2005 (including the earnings/losses thereon).

(aa) **"Post-2004 Deferrals"** means the Deferral Credits and Matching Credits made by a Participant on and after January 1, 2005 determined pursuant to Section 7.2 (Amounts Spun-Off).

(bb) **"SDCP"** means the Caterpillar Inc. Supplemental Deferred Compensation Plan, as amended.

(cc) **"STIP"** means the Caterpillar Inc. Short-Term Incentive Plan, as amended or any successor to such plan.

(dd) **"STIP Pay"** means amounts paid to employees of the Company or an Adopting Affiliate pursuant to the terms of STIP and/or ESTIP.

(ee) **"Valuation Date"** means each day of the Plan Year on which the New York Stock Exchange is open for trading.

(ff) **"GSCS"** means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).

(gg) **"GSCS Participant"** means a Participant who is employed by GSCS upon the closing of the sale of GSCS to an entity that is not an Affiliate.

(hh) **"GSCS Closing Date"** means the date on which the sale of GSCS to an entity that is not an Affiliate is completed.

1.2 Construction. The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of Illinois without regard to conflict of law principles and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other Federal law.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.1 Existing Participants. Each individual who was a Participant in the Plan as of the Effective Date shall continue as such, subject to the provisions hereof.

2.2 New Participants. No individual shall become eligible to participate in the Plan after the Effective Date.

ARTICLE III
DEFERRAL CREDITS AND MATCHING CREDITS

3.1 **Credits Ceased**. Effective as of March 26, 2007, all credits (other than credits associated with adjustment of accounts pursuant to Section 5.1 (Adjustment of Accounts) to the Plan shall cease. Participants shall not be permitted to make Deferral Credits and the Plan Administrator shall no longer allocate Matching Credits to Participants' accounts.

3.2 **Deferral Credits**. Immediately prior to March 26, 2007, Participants were permitted to elect to supplement the deferrals made pursuant to the 401(k) Plan by deferring the receipt of up to 70% (designated in whole percentages) of the Base Pay and Incentive Compensation otherwise payable to the Participant by the Company or an Adopting Affiliate in any Plan Year. The deferrals made prior to March 26, 2007 were subject to the provisions of the Plan as in effect at the time the deferral election was made and such uniform and non-discriminatory rules as were adopted by the Plan Administrator in that regard.

3.3 **Matching Credits**. For periods ending on or before the Effective Date, the Plan Administrator allocated matching credits to the Participant's accounts in an amount equal to: (a) 6% of the Base Pay deferred by the Participant as Deferral Credits and (b) 100% of the STIP Pay and Lump-Sum Awards deferred by the Participant as Deferral Credits (up to a maximum of 6% of the Participant's STIP Pay and Lump-Sum Awards for the relevant Plan Year). LTCPP Pay deferred by the Participant as Deferral Credits was not considered when determining Matching Credits.

ARTICLE IV
VESTING

4.1 **Vesting**. Subject to Section 10.1 (Participant's Rights Unsecured), each Participant shall at all times be fully vested in all amounts credited to or allocable to his accounts hereunder and his rights and interest therein shall not be forfeitable.

ARTICLE V
INVESTMENT OF ACCOUNTS

5.1 **Adjustment of Accounts**. Except as otherwise provided elsewhere in the Plan, as of each Valuation Date, each Participant's accounts will be adjusted to reflect the positive or negative rate of return on the Investment Funds selected by the Participant pursuant to Section 5.2(b) (Investment Direction - Participant Directions). The rate of return will be determined by the Plan Administrator pursuant to Section 5.2(f) (Investment Direction – Investment Performance) and will be credited or charged in accordance with policies applied uniformly to all Participants.

5.2 **Investment Direction**.

(a) **Investment Funds**. Each Participant may direct the notional investment of amounts credited to his Plan accounts in one or more of the Investment Funds. The Investment Funds shall, at all times, be notional funds that track the returns of the investment funds selected by the BFC for purposes of the 401(k) Plan and made available to 401(k) Plan participants. In addition, the Investment Funds shall, at all times, include a Company Stock Fund as described in Section 5.3 (Special Company Stock Fund

Provisions). Neither the Company, each Adopting Affiliate, the Plan Administrator, the BFC, nor any other party shall have any responsibility, duty of care (whether express or implied) or liability to any Participant in regards to designation of the Investment Funds as set forth in this Section 5.2(a).

(b) **Participant Directions**. Each Participant may direct that all of the amounts attributable to his accounts be invested in a single Investment Fund or may direct that whole percentage increments of his accounts be invested in such fund or funds as he shall desire in accordance with such procedures as may be established by the Plan Administrator. Unless the Plan Administrator prescribes otherwise, such procedures generally shall mirror the procedures established under the 401(k) Plan for participant investment direction.

(c) **Changes and Intra-Fund Transfers**. Participant investment directions may be changed, and amounts may be transferred from one Investment Fund to another, in accordance with the procedures established by the Plan Administrator. The designation will remain in effect until changed by the timely submission of a new designation by the Participant.

(d) **Default Selection**. In the absence of a designation by the Participant, such Participant will be deemed to have directed the notional investment of his accounts in the Investment Fund that tracks the return of the 401(k) Plan investment fund that is designated by the BFC as the "default" investment fund for purposes of the 401(k) Plan.

(e) **Impact of Election**. The Participant's selection of Investment Funds shall serve only as a measurement of the value of the Participant's Accounts pursuant to Section 5.1 (Adjustment of Accounts) and this Section 5.2. None of the Company, the BFC, or the Plan Administrator are required to actually invest a Participant's accounts in accordance with the Participant's selections.

(f) **Investment Performance**. Accounts shall be adjusted on each Valuation Date to reflect investment gains and losses as if the accounts were invested in the Investment Funds selected by the Participants in accordance with this Section 5.2 and charged with any and all reasonable expenses as provided in paragraph (g) below. The earnings and losses determined by the Plan Administrator in good faith and in his discretion pursuant to this Section 5.2 shall be binding and conclusive on the Participant, the Participant's beneficiary and all parties claiming through them.

(g) **Charges**. The Plan Administrator may (but is not required to) charge Participants' accounts for the reasonable expenses of administration including, but not limited to, carrying out and/or accounting for investment instructions directly related to such accounts.

5.3 **Special Company Stock Fund Provisions**.

(a) **General**. A Participant's interest in the Company Stock Fund shall be expressed in whole and fractional notional units of the Company Stock Fund. The Company Stock Fund shall track an investment in Company Stock in the same manner as the 401(k) Plan's company stock fund. Accordingly, the value of a unit in the Plan's Company Stock Fund shall be the same as the value of a unit in the 401(k) Plan's company stock fund. Notwithstanding the foregoing, if and to the extent that a company stock fund is no longer maintained under the 401(k) Plan, the Plan Administrator shall establish such rules and procedures as are necessary to maintain the Company Stock Fund hereunder.

(b) **Investment Directions**. A Participant's ability to direct investments into or out of the Company Stock Fund shall be subject to such procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended, and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make (or modify previously made) deferral and distribution elections pursuant to Articles III (Deferral Credits and Matching Credits) and VI (Distributions), respectively. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan for purposes of Section 16(b), the Participant shall not dispose of that interest within six months, unless specifically exempted by Section 16(b) or any rules or regulations promulgated thereunder.

(c) Compliance with Securities Laws. Any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all applicable securities law requirements, including but not limited to the last sentence of paragraph (b) above and Rule 16b-3 promulgated by the Securities Exchange Commission. To the extent that any election violates any securities law requirement or the Company's stock trading policies and procedures, the election shall be void.

(d) Compliance with Company Trading Policies and Procedures. Any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all Company Stock trading policies promulgated by the Company. To the extent that any election violates any such trading policy or procedures, the election shall be void.

5.4 Application to Beneficiaries. Following the death of a Participant, the term "Participant" in this Article V shall refer to the Participant's beneficiary described in Section 6.5 (Payment Upon Death).

ARTICLE VI
DISTRIBUTIONS

6.1 General Right to Receive Distribution Following termination of employment with the Company, death or Disability, the Participant's accounts will be distributed in the manner and at the time provided in Sections 6.3 (Form of Distribution) and 6.4 (Timing of Distribution) or Section 6.5 (Payment Upon Death), as applicable. A transfer of a Participant from the Company or any Affiliate to any other Affiliate or the Company shall not be deemed to be a termination of employment with the Company for purposes of this Article VI.

6.2 Amount of Distribution. The amount distributed to a Participant shall be based on the vested amounts credited to the Participant's accounts as of the Valuation Date immediately preceding the date of the distribution. Amounts shall be valued at the fair market value on the relevant Valuation Date determined pursuant to uniform and non-discriminatory procedures established by the Plan Administrator.

6.3 Form of Distribution.

(a) Default Form of Distribution. Accounts shall be distributed in cash in a single lump-sum payment.

(b) Optional Form of Distribution. A Participant may elect to receive his distribution in the form of quarterly, semi-annual or annual cash installments for a period of up to fifteen years by filing an election with the Plan Administrator before the last Company business day of November of the second year that precedes the year the distribution is scheduled to commence pursuant to Section 6.4 (Timing of Distribution). If an election pursuant to this paragraph (b) of this Section 6.3 cannot be honored because it was not timely filed, distributions shall be made in accordance with the most recent valid election made by the Participant that precedes the invalid election. If no such election exists, distributions shall be made in a single Lump-Sum in accordance with paragraph (a) of this Section 6.3.

(c) **Change of Election**. A Participant may change an installment distribution election by filing a new installment distribution election with the Plan Administrator before the last Company business day of November of the second year that precedes the year the distribution is scheduled to commence pursuant to Section 6.4 (Timing of Distribution). There shall be no limitation on the number of times that a Participant may change his election in accordance with this paragraph (c).

6.4 **Timing of Distribution**.

(a) **Default Timing of Distribution**. Accounts shall be distributed within an administratively reasonable period of time following the Participant's termination of employment, death or Disability.

(b) **Deferral of Distribution**. A Participant may elect to defer the distribution of his accounts beyond his termination of employment, death or Disability by filing an election with the Plan Administrator: (1) while the Participant is employed by the Company or an Affiliate and (2) before the last Company business day of November in the year prior to the year during which the Participant's termination of employment, death or Disability occurs. If an election pursuant to this paragraph (b) cannot be honored because it was not timely filed, distributions shall be made in accordance with the most recent valid election made by the Participant that precedes the invalid election. If no such election exists, distributions shall be made within an administratively reasonable period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4.

(c) **Change of Election**. An election made pursuant to paragraph (b) of this Section 6.4 or election made effective as a result of paragraph (e)(1) of this Section 6.4 may be changed by the Participant by filing a new election with the Plan Administrator: (1) while the Participant is employed by the Company or an Adopting Affiliate and (2) before the last Company business day of November in the year prior to the year during which the Participant's termination of employment, death or Disability occurs. There shall be no limitation on the number of times that a Participant may change his election in accordance with this paragraph (c).

(d) **Date Elected By Participant**. The date elected by a Participant pursuant to paragraphs (b) or (c) of this Section 6.4 must be the first day of any calendar quarter. Notwithstanding the foregoing, if as of the Effective Date, a Participant had made an election whereby the date of distribution elected is not the first day of a calendar quarter, such election shall be honored unless and until the Participant initiates a change to the timing of distribution pursuant to this Section 6.4 or the form of distribution pursuant to Section 6.3 (Form of Distribution).

(e) **Revocation of Election**.

(1) **Automatic Revocation**. If, as of the distribution date elected by the Participant pursuant to paragraphs (b) or (c) of this Section 6.4 the Participant, is: (i) employed by the Company or an Affiliate and (ii) not Disabled, such election shall be automatically revoked and distributions shall be made within an administratively reasonable period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4. Notwithstanding the foregoing, if the distribution date is automatically revoked pursuant to this paragraph (e)(1) and the distribution was to be made in the form of cash installments pursuant to Section 6.3 (Form of Distribution), the date of distribution shall be the first day of the next calendar quarter that is within an administratively feasible period of time following the Participant's termination of employment, death or Disability in accordance with paragraph (a) of this Section 6.4. Nothing contained in this paragraph (e)(1) shall prevent a Participant from changing his election pursuant to paragraph (c) of this Section 6.4.

(2) **Election Irrevocable Following Termination of Employment**. At all times following the Participant's termination of employment with the Company or an Affiliate, the Participant's elections made pursuant to this Section 6.4 shall be irrevocable.

6.5 **Payment Upon Death**.

(a) **Beneficiary Designation**. If a Participant should die before receiving a full distribution of his Plan accounts, distribution shall be made to the beneficiary designated by the Participant, in accordance with such uniform rules and procedures as may be adopted by the Plan Administrator from time to time. If a Participant has not designated a beneficiary, or if no designated beneficiary is living on the date of distribution, then the Participant's beneficiary shall be that person or persons entitled to receive distributions of the Participant's accounts under the 401(k) Plan.

(b) **Timing and Form of Payment to Beneficiary**.

(1) **Payments Commenced at Time of Death**. If, at the time of the Participant's death, installment payments of the Participant's accounts have commenced pursuant to this Article VI, such payments shall continue to the Participant's beneficiary in the same time and the same form as if the Participant has remained alive until the last installment payment was scheduled to be made.

(2) **Payments Not Commenced at Time of Death**.

(i) **Default**. If, at the time of the Participant's death, payments of the Participant's accounts have not commenced pursuant to this Article VI, the distributions made pursuant to this Section 6.5 shall be made to the Participant's beneficiary in accordance with the then current and valid distribution elections (as to timing and form) made by the Participant (or, in the absence of such distribution elections, in accordance with the "default" provisions of this Article VI).

(ii) **Separate Election**. Notwithstanding the foregoing or anything herein to the contrary, a Participant may make separate elections regarding the timing and form of payments to his beneficiary upon his death. Such separate beneficiary elections shall be valid only if they meet the requirements of Section 6.3 (Form of Distribution) and Section 6.4 (Timing of Distribution). In addition, such separate beneficiary elections may be changed or revoked in accordance with Section 6.3 (Form of Distribution) and Section 6.4 (Timing of Distribution).

(3) **No Changes Permitted by Beneficiary**. In no event shall a beneficiary be permitted to change the time and/or form of payment relating to a Participant's accounts following such Participant's death either prior to or following such Participant's death.

6.6 **Scheduled Distributions.** The Plan as in effect prior to the Effective Date permitted a Participant to elect, at the time the Participant elected to make Deferral Credits, to schedule a distribution date for all or a portion of such Deferral Credits provided: (a) the distribution date scheduled by the Participant was the first day of any calendar quarter and (b) the distribution date scheduled by the Participant was at least four years later than the last day of the Plan Year that includes the Deferral Credits to which the election relates. As of the Effective Date, no Participant had such a scheduled distribution election on file with the Plan Administrator. Because Deferral Credits have ceased pursuant to Section 3.1 (Credits Ceased) and because there are no scheduled distribution elections on file, the scheduled distribution provisions of the Plan as in effect prior to the Effective Date are now without effect.

6.7 **Unscheduled Distributions.** Notwithstanding anything herein to the contrary, a Participant may elect to receive a lump-sum cash distribution of his Plan accounts at any time while employed by the Company or an Affiliate in accordance with this Section 6.7 and the uniform and non-discriminatory procedures adopted by the Plan Administrator.

(a) **Amount of Distribution**. A Participant may elect to receive five percent to one hundred percent (designated in whole percentages by the Participant) of his Post-1996 Deferrals. Notwithstanding the foregoing, in no event shall the amount of the distribution made pursuant to this Section 6.7 be less than $10,000.00 (determined prior to the application of the forfeiture described in paragraph (b) below).

(b) **Forfeiture**. Any distribution made pursuant to this Section 6.7 shall be subject to a forfeiture equal to 10% of the amount elected.

(c) **Election Applies to SEIP**. An election for an unscheduled distribution pursuant to this Section 6.7 shall also apply as an election for an unscheduled distribution pursuant to the terms and provisions of the Caterpillar Inc. Supplemental Employees' Investment Plan.

6.8 **Withholding**. All distributions will be subject to all applicable tax and withholding requirements.

ARTICLE VII
SPIN-OFF TO SDCP

7.1 **General**. In response to the enactment of Section 409A of the Code and pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury, Deferrals Credits and Matching Credits have been frozen and all amounts deferred and vested on and before December 31, 2004 are "grandfathered" and thus are not subject to the requirements of Section 409A. The Deferral Credits and Matching Credits made pursuant to the Plan from January 1, 2005 through the Effective Date (including the earnings/losses thereon) will be spun-off to SDCP as provided in this Article VII.

7.2 **Amounts Spun-Off**. All amounts credited to participant accounts pursuant to this Plan on or after January 1, 2005 and through the Effective Date and not fully distributed on or before April 1, 2007 shall be spun-off and allocated to Plan accounts as provided in Section 7.3 (Allocation of Amounts). The amounts deferred prior to January 1, 2005 shall be determined in accordance with Q&A-17 of I.R.S. Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury.

7.3 **Allocation of Amounts**. A Participant's Post-2004 Deferrals shall be allocated to the Participant's accounts in SDCP as provided therein.

7.4 **Deferral Elections**. Deferral elections made by participants pursuant to the Plan for amounts to be deferred in 2007 following the Effective Date shall apply to SDCP as provided therein.

7.5 **Effective Date of Spin-Off**. The spin-off described in this Article VII shall be effective as of 11:59:59 P.M. on the Effective Date.

ARTICLE VIII
ADMINISTRTION OF THE PLAN

8.1 **General Powers and Duties**. The following list of powers and duties is not intended to be exhaustive, and the Plan Administrator shall, in addition, exercise such other powers and perform such other duties as he may deem advisable in the administration of the Plan, unless such powers or duties are expressly assigned to another pursuant to the provisions of the Plan.

(a) **General**. The Plan Administrator shall perform the duties and exercise the powers and discretion given to him in the Plan document and by applicable law and his decisions and actions shall be final and conclusive as to all persons affected thereby. The Company and the Adopting Affiliates shall furnish the Plan Administrator with all data and information that the Plan Administrator may reasonably require in order to perform his functions. The Plan Administrator may rely without question upon any such data or information.

(b) **Disputes**. Any and all disputes that may arise involving Participants or beneficiaries shall be referred to the Plan Administrator and his decision shall be final. Furthermore, if any question arises as to the meaning, interpretation or application of any provisions of the Plan, the decision of the Plan Administrator shall be final.

(c) **Agents**. The Plan Administrator may engage agents, including recordkeepers, to assist him and he may engage legal counsel who may be counsel for the Company. The Plan Administrator shall not be responsible for any action taken or omitted to be taken on the advice of such counsel, including written opinions or certificates of any agent, counsel, actuary or physician.

(d) **Insurance**. At the Director's request, the Company shall purchase liability insurance to cover the Director in his activities as the Plan Administrator.

(e) **Allocations**. The Plan Administrator is given specific authority to allocate responsibilities to others and to revoke such allocations. When the Plan Administrator has allocated authority pursuant to this paragraph, the Plan Administrator is not to be liable for the acts or omissions of the party to whom such responsibility has been allocated.

(f) **Records**. The Plan Administrator shall supervise the establishment and maintenance of records by its agents, the Company and each Adopting Affiliate containing all relevant data pertaining to any person affected hereby and his or her rights under the Plan.

(g) **Interpretations**. The Plan Administrator, in his sole discretion, shall interpret and construe the provisions of the Plan (and any underlying documents or policies).

(h) **Electronic Administration**. The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

(i) **Accounts**. The Plan Administrator shall combine the various accounts of a Participant if he deems such action appropriate. Furthermore, the Plan Administrator shall divide a Participant's accounts into sub-accounts if he deems such action appropriate.

(j) **Delegation**. The Plan Administrator may delegate his authority hereunder, in whole or in part, in his sole and absolute discretion.

8.2 **Certain Exercise of Discretion Prohibited**. Notwithstanding anything herein to the contrary, the Plan Administrator (or any other individual or entity to whom the power to exercise discretion hereunder is granted) shall not exercise the discretion granted in a manner that would create a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) to the Plan as it was in effect on October 3, 2004.

8.3 **Claims Procedures**. Benefit claims under the Plan shall be resolved in accordance with uniform and nondiscriminatory procedures adopted by the Plan Administrator in accordance with Section 503 of ERISA.

ARTICLE IV
AMENDMENT

9.1 **Amendment**. The Company reserves the right at any time to amend modify or suspend any or all of the provisions of this Plan, in whole or in part, at any time as designated by a written instrument duly adopted on behalf of the Company.

9.2 **Effect of Amendment**. Any amendment of the Plan shall not directly or indirectly reduce the balance of any Plan account as of the effective date of such amendment. Notwithstanding the foregoing or anything in this Plan to the contrary, any amendment to the Plan effective on or after October 3, 2004 that creates a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) shall only be effective if such amendment expressly states an intent by the Company to materially modify the Plan (and thus subject it to Section 409A of the Code).

9.3 **Termination**. To the extent permitted by applicable law, the Company expressly reserves the right to terminate the Plan at any time. Pursuant to the foregoing and the provisions of Sections 9.1 and 9.2, the Plan is irrevocably terminated with respect to all GSCS Participants upon the GSCS Closing Date and no GSCS Participant shall accrue any benefits under the Plan for any purpose after the GSCS Closing Date. Pursuant to termination of the Plan with respect to GSCS Participants pursuant to this Section 9.3, the balance in each GSCS Participant's account under the Plan shall be distributed to the GSCS Participant in a single lump-sum payment as soon as practicable after the GSCS Closing Date, but in no event later than

December 31 next following the GSCS Closing Date. For purposes of the preceding sentence, the balance in each GSCS Participant's account shall be determined as of the Valuation Date occurring coincident with or next preceding the date of distribution.

ARTICLE X
GENERAL PROVISIONS

10.1 Participant's Rights Unsecured. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her designated beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company. All amounts credited to a Participant's accounts hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a "Rabbi Trust," but the assets in the Rabbi Trust must be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

10.2 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

10.3 No Enlargement of Employee Rights. No Participant shall have any right to receive a distribution from the Plan except in accordance with the terms of the Plan. Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of the Company or an Adopting Affiliate.

10.4 Section 409A.

(a) Material Modification. Notwithstanding anything contained herein to the contrary, this amendment and restatement of the Plan does not, and is not intended to, create a "material modification" (as determined pursuant to Notice 2005-1 and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury) to the Plan as it was in effect on October 3, 2004 which would subject the Plan to the requirements of Section 409A of the Code. This document shall be construed and interpreted in a manner consistent with that intention.

(b) Good Faith Compliance. The Deferral Credits and Matching Credits made from January 1, 2005 through the Effective Date (including the earnings/losses thereon) have been administered pursuant to the Plan in "good faith" compliance with Section 409A of the Code pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury.

10.5 Spendthrift Provision. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor shall any such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings. This Section shall not preclude arrangements for the withholding of taxes from deferrals, credits, or benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

10.6 **Domestic Relations Orders**. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, the Participant's accounts may be assigned or alienated pursuant to a "Domestic Relations Order" (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time.

10.7 **Incapacity of Recipient**. If the Plan Administrator is served with a court order holding that a person entitled to a distribution under the Plan is incapable of personally receiving and giving a valid receipt for such distribution, the Plan Administrator shall postpone payment until such time as a claim therefore shall have been made by a duly appointed guardian or other legal representative of such person. The Plan Administrator is under no obligation to inquire or investigate as to the competency of any person entitled to a distribution. Any payment to an appointed guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefore.

10.8 **Successors**. The Plan shall be binding upon the successors and assigns of the Company and upon the heirs, beneficiaries and personal representatives of the individuals who become Participants hereunder.

10.9 **Limitations on Liability**. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Company, nor any individual acting as the Plan Administrator's, or the Company's employee, agent, or representative shall be liable to any Participant, former Participant, beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

10.10 **Conflicts**. If any person holds a position under the Plan through which he or she is charged with making a decision about the administration of his or her own (or any immediate family member's) Plan participation, including, without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, then such person shall be recused and the decision shall be made by the Plan Administrator. If a decision is required regarding the administration of the Plan Administrator's Plan participation, including without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, such decision shall be made by the Company's Vice President, Human Services Division. Nothing in this Section 10.10 shall be construed to limit a Participant's or the Plan Administrator's ability to make decisions or elections with regard to his or her participation in the Plan in the same manner as other Participants.

10.11 **Special Rules for Participants With Same-Sex Domestic Partners**.

(a) Generally. Effective January 1, 2013, except as specified under this Section 10.11 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "beneficiary", "survivor", or "family member" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) Definition of "Same-Sex Domestic Partner. For purposes of this Section 10.11, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) Domestic Relations Orders. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another "alternate payee" (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant's interests hereunder pursuant to Section 10.6.

Exhibit 10.12

CATERPILLAR INC.
SUPPLEMENTAL DEFERRED
COMPENSATION PLAN

(Amended and Restated as of December 13, 2012)

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CATERPILLAR INC.
SUPPLEMENTAL DEFERRED COMPENSATION PLAN

PREAMBLE

By a document executed March 21, 2007, Caterpillar Inc. (the "Company") established the Caterpillar Inc. Supplemental Deferred Compensation Plan (the "Plan"), effective January 1, 2005. The purpose of the Plan is to provide additional income deferral and investment opportunities to a select group of management or highly compensated employees who are eligible to participate in certain tax-qualified 401(k) plans sponsored by the Company. Subsequent to the establishment of the Plan, final regulations were promulgated under Section 409A of the Code, necessitating changes to the Plan retroactive to its adoption which were reflected in a document executed by the Company on December 17, 2007. The Company now desires to amend the Plan to reflect certain changes to the tax-qualified 401(k) plans sponsored by the Company. This amended and restated Plan is effective as of the dates stated herein.

ARTICLE I
DEFINITIONS

1.1 General. When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall generally be a term defined in this Article I. The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article I, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) "401(k) Plan" means either: the 401(k) Retirement Plan or the 401(k) Savings Plan depending upon which plan the Participant is eligible to make elective deferrals (without regard to the limitations of Sections 402(g) or 401(a)(17) of the Code) or to receive Company non-elective contributions as of the date the Participant's corresponding credits under this Plan are determined.

(b) "401(k) Plan Compensation" means the Base Pay and Incentive Compensation taken into account for purposes of the Company non-elective contributions under the 401(k) Plan.

(c) "401(k) Retirement Plan" means the Caterpillar 401(k) Retirement Plan, as such plan may be amended or any successor to such plan.

(d) "401(k) Savings Plan" means the Caterpillar 401(k) Savings Plan, as such plan may be amended or any successor to such plan.

(e) "Adopting Affiliate" means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan in accordance with Section 2.4. All

Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates of the Plan.

(f) **"Affiliate"** means a parent business that controls, or a subsidiary business that is controlled by, the Company.

(g) **"Base Pay"** means the base salary paid to a Participant as determined in accordance with the established pay practices of the Company and Adopting Affiliates. Base Pay shall include any lump-sum base salary adjustment and any variable base pay.

(h) **"BFC"** means the Benefit Funds Committee of the Company, which is the committee formed by resolution of the Board of Directors of the Company, and which has the responsibility and authority to ensure the proper operation and management of the financial aspects of the 401(k) Plan.

(i) **"Board"** means the Board of Directors of the Company, or any authorized committee of the Board.

(j) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(k) **"Company"** means Caterpillar Inc., and, to the extent provided in Section 10.8 below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(l) **"Company Stock"** means common stock issued by the Company.

(m) **"Company Stock Fund"** means the Investment Fund described in Section 5.3.

(n) **"Deferral Agreement"** means the deferral agreement(s) described in Section 3.1 that are entered into by a Participant pursuant to the Plan.

(o) **"DEIP"** means the Caterpillar Inc. Deferred Employees' Investment Plan, as amended.

(p) **"Director"** means the Company's Director of Compensation + Benefits.

(q) **"Disability" or "Disabled"** means that a Participant is determined to be totally disabled by the United States Social Security Administration.

(r) **"Distribution Election Form"** means the election form by which a Participant elects the time and manner in which his accounts shall be distributed pursuant to Sections 6.4 and 6.5. The Plan Administrator may, in his sole discretion, require two separate Distribution Election Forms for purposes of making distributions regarding the time and manner in which accounts will be distributed, respectively.

(s) **"<u>Effective Date</u>"** means January 1, 2011, except as otherwise provided herein.

(t) **"<u>Eligible Pay</u>"** means Base Pay minus any Supplemental Deferrals of Base Pay.

(u) **"<u>Excess Deferral Account</u>"** means the bookkeeping account maintained pursuant to the Plan to record amounts deferred under Section 3.3(b).

(v) **"<u>Excess Deferrals</u>"** means the deferrals allocated to a Participant's Excess Deferral Account in accordance with Section 3.3(b).

(w) **"<u>Excess Matching Credit Account</u>"** means the bookkeeping account maintained pursuant to the Plan to record the amounts credited to a Participant in accordance with Section 3.4(b).

(x) **"<u>Excess Matching Credits</u>"** means the matching credits allocated to a Participant's Excess Matching Credit Account in accordance with Section 3.4(b).

(y) **"<u>ERISA</u>"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

(z) **"<u>ESTIP</u>"** means the Caterpillar Inc. Executive Short-Term Incentive Plan, as amended or any predecessor or successor to such plan.

(aa) **"<u>Incentive Compensation</u>"** means STIP Pay, LTCPP Pay and Lump-Sum Awards.

(bb) **"<u>Investment Fund</u>"** means the notional investment funds established by the terms of the Plan pursuant to Article V.

(cc) **"<u>LTCPP Pay</u>"** means the amounts designated by the Company as a cash-based performance award under the "Long-Term Cash Performance Plan" and paid pursuant to the terms of the Caterpillar Inc. 2006 Long-Term Incentive Plan (or any successor to such plan). Performance awards under the "Long-Term Cash Performance Plan" that are paid pursuant to the terms of the Caterpillar Inc. 2006 Long-Term Incentive Plan (or any successor to such plan) in the form of Company Stock are not LTCPP Pay hereunder.

(dd) **"<u>Lump-Sum Award</u>"** means the discretionary lump-sum cash awards paid to employees pursuant to the uniform and nondiscriminatory pay practices of the Company or an Affiliate, but not including any lump-sum base salary adjustment.

(ee) **"<u>Maximum Matching Contribution Percentage</u>"** means 100% if the Participant participates in the 401(k) Retirement Plan and 50% if the Participant participates in the 401(k) Savings Plan. For purposes of this Section 1.1(ee), an individual participates in a plan if such individual is eligible to make elective deferrals under such plan (without regard to the limitations of Sections 402(g) or 401(a)(17) of the Code).

(ff) **"NEC Eligible Pay"** means the sum of Base Pay and Incentive Compensation minus the sum of LTCPP Pay and 401(k) Plan Compensation. The Plan Administrator shall determine NEC Eligible Pay for all Participants in a uniform and non-discriminatory manner.

(gg) **"Non-Elective Contribution Account"** means the bookkeeping account maintained pursuant to the Plan to record amounts credited under Section 3.5.

(hh) **"Non-Elective Contribution Credits"** means the non-elective contribution credits allocated to a Participant's Non-Elective Contribution Account in accordance with Section 3.5.

(ii) **"Participant"** means an employee of the Company or any Adopting Affiliate who satisfies the eligibility requirements for participation in the Plan and who affirmatively elects to participate in the Plan pursuant to Section 2.1, or who becomes a Participant pursuant to Section 3.2(c)(2) or Section 3.9(c).

(jj) **"Plan"** means the Caterpillar Inc. Supplemental Deferred Compensation Plan, as set forth herein and as it may be amended from time to time.

(kk) **"Plan Administrator"** means the Director.

(ll) **"Plan Year"** means the calendar year.

(mm) **"Points"** means "Points" as such term is defined under the 401(k) Plan.

(nn) **"Qualified Military Service"** means service by a Participant or employee in the armed forces of the United States of a character that entitles the Participant or employee to re-employment under the Uniformed Services Employment and Reemployment Rights Act of 1994, but only if the Participant or employee is re-employed during the period following such service in which his right of re-employment is protected by such Act.

(oo) **"SEIP"** means the Caterpillar Inc. Supplemental Employees' Investment Plan, as amended.

(pp) **"Separation from Service"** means separation from service as determined in accordance with any regulations, rulings or other guidance issued by the Department of the Treasury pursuant to Section 409A(a)(2)(A)(i) of the Code, as it may be amended or replaced from time to time.

(qq) **"Specified Employee"** means a "key employee" as defined in Section 416 (i) of the Code without regard to Section 416(i)(5) and determined in accordance with Section 409A (a)(2)(B)(i) of the Code.

(rr) **"Supplemental Deferral Account"** means the bookkeeping account maintained pursuant to the Plan to record amounts deferred under Section 3.3(a).

(ss) **"Supplemental Deferrals"** means the deferrals allocated to a Participant's Supplemental Deferral Account in accordance with Section 3.3(a).

(tt) **"Supplemental Matching Credit Account"** means the bookkeeping account maintained pursuant to the Plan to record the amounts credited to a Participant in accordance with Section 3.4(a).

(uu) **"Supplemental Matching Credits"** means the matching credits allocated to a Participant's Supplemental Matching Credit Account in accordance with Section 3.4(a).

(vv) **"STIP"** means the Caterpillar Inc. Short-Term Incentive Plan, as amended or any successor to such plan.

(ww) **"STIP Pay"** means amounts paid to employees of the Company or an Adopting Affiliate pursuant to the terms of STIP and/or ESTIP.

(xx) **"Unforeseeable Emergency"** means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For purposes of the Plan, an "Unforeseeable Emergency" shall not include a Participant's need to send his or her child to college or a Participant's desire to purchase a home. Any determination as to whether a Participant has incurred an Unforeseeable Emergency shall be made in the sole discretion of the Plan Administrator in accordance with rules prescribed pursuant to Section 409A of the Code.

(yy) **"Valuation Date"** means each day of the Plan Year on which the New York Stock Exchange is open for trading.

(zz) **"GSCS"** means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).

(aaa) **"GSCS Participant"** means a Participant who is employed by GSCS upon the closing of the sale of GSCS to an entity that is not an Affiliate.

(bbb) **"GSCS Closing Date"** means the date on which the sale of GSCS to an entity that is not an Affiliate is completed.

1.2 **Construction.** The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of Illinois without regard to conflict of law principles and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other Federal law.

ARTICLE II
ELIGIBILITY; ADOPTION BY AFFILIATES

2.1 Eligibility and Participation. An employee shall be eligible to participate in the Plan as of the first day of the month next following the date that he (a) is in salary grade 28 or higher pursuant to the Company's standard salary grades; and (b) is eligible to make elective deferrals to either the 401(k) Retirement Plan or the 401(k) Savings Plan, provided, that, (i) for an employee first promoted to salary grade 28 or higher, clause (a) shall be satisfied after the employee's supervisor has completed all administrative requirements to effect such promotion; and (ii) clause (b) shall not apply if he had already made elective deferrals equal to or in excess of the applicable dollar amount for purposes of Section 402(g) of the Code and (if applicable) catch-up contributions equal to or in excess of the applicable dollar amount for purposes of Sections 402(g) and 414(v)(2)(B) of the Code or he had already received compensation in excess of the applicable dollar limitation under Section 401(a)(17) of the Code, for such calendar year. Notwithstanding the foregoing, if an employee is employed in a division of the Company or by an Affiliate that does not use the Company's standard salary grades, such employee shall be eligible to participate in the Plan if he (1) is in a salary grade that is considered in all respects to be the equivalent of a salary grade 28 or higher pursuant to the Company's standard salary grades; and (2) is eligible to make elective deferrals to either the 401(k) Retirement Plan or the 401(k) Savings Plan, provided, that, clauses (1) and (2) shall be subject to the rules described in clauses (a) and (b) of this Section 2.1. The Plan Administrator shall determine in a uniform and nondiscriminatory manner whether a salary grade is equivalent for this purpose.

2.2 Discontinuance of Participation. The Plan Administrator shall discontinue an individual's active participation in the Plan if the individual is no longer in a salary grade of 28 or higher (or the equivalent, as described above), or no longer is eligible to make elective deferrals to either the 401(k) Retirement Plan or the 401(k) Savings Plan (other than by reason of the individual's elective deferrals during a calendar year reaching the applicable dollar limitation under Section 402 (g)(1) of the Code or the individual's receiving compensation for the calendar year in excess of the applicable dollar limitation under Section 401(a)(17) of the Code). If an individual's active participation is discontinued, the individual's Deferral Agreements shall be cancelled and the individual will not be entitled to make Deferrals or to receive Matching Credits or Non-Elective Contribution Credits under the Plan. The individual will not be entitled to receive a distribution, however, until the occurrence of another event *(e.g.,* death or Separation from Service) that entitles the Participant to receive a distribution. The Participant's accounts will continue to be adjusted to reflect investment earnings or losses in accordance with Section 5.1 until the accounts are distributed.

2.3 Resumption of Participation. With respect to an individual whose participation in the Plan was discontinued and who subsequently meets the eligibility requirements to resume active participation in the Plan, such employee shall (1) be permitted to complete a new Deferral Agreement during the annual election period described in Section 3.1(a) in accordance with procedures established by the Plan Administrator, subject to the applicable restrictions in Sections 3.1 and 3.2, and (2) be entitled to receive Non-Elective Contribution Credits subject to Section 3.5

with respect to NEC Eligible Pay for services to be performed beginning as of the first day of the month next following the date that the individual meets the eligibility requirements to resume active participation in the Plan.

2.4 Adoption by Affiliates. An employee of an Affiliate may not become a Participant in the Plan unless the Affiliate has previously adopted the Plan. An Affiliate of the Company may adopt the Plan only with the approval of the Company. By adopting the Plan, the Affiliate shall be deemed to have agreed to assume the obligations and liabilities imposed upon it by the Plan, agreed to comply with all of the other terms and provisions of the Plan, delegated to the Plan Administrator (and the BFC as applicable) the power and responsibility to administer the Plan with respect to the Affiliate's employees, and delegated to the Company the full power to amend or terminate the Plan with respect to the Affiliate's employees. Notwithstanding the foregoing, an Affiliate that has previously adopted the Plan may terminate its participation in the Plan in accordance with such rules and procedures that are promulgated by the Company.

ARTICLE III
DEFERRALS, MATCHING AND NON-ELECTIVE CONTRIBUTION CREDITS

3.1 Deferral Agreement.

(a) General. In order to make Supplemental Deferrals and/or Excess Deferrals, a Participant must complete a Deferral Agreement in the form and during the election period prescribed by the Plan Administrator. In the Deferral Agreement, the Participant shall agree to reduce his compensation in exchange for Supplemental Deferrals and/or Excess Deferrals. The Deferral Agreement shall be delivered to the Plan Administrator by the time specified in Section 3.2. At the end of the election period prescribed by the Plan Administrator, an election made by a Participant pursuant to a Deferral Agreement shall be irrevocable with respect to the Plan Year covered by the election.

(b) Initial Deferral Agreement.

(1) Deferrals Prior to March 26, 2007. Except as otherwise provided in paragraph (b)(2) below, a Participant shall not be permitted to make Supplemental Deferrals and/or Excess Deferrals pursuant to this Plan prior to March 26, 2007.

(2) SEIP and DEIP. The deferral elections made pursuant to SEIP and DEIP relating to amounts to be deferred in 2007 on and after March 26, 2007 shall apply to the Plan as provided in Section 7.4.

(c) Revocation. The Plan Administrator shall terminate a Participant's election to make Supplemental Deferrals and/or Excess Deferrals if the Participant has made a withdrawal due to Unforeseeable Emergency as provided in Section 6.10, but only to the extent that terminating the election would help the Participant to meet the related emergency need; provided that, any such Participant shall be permitted to complete a new Deferral Agreement during the annual election period described in Section 3.l(a), subject to the applicable restrictions in this Section 3.1 and Section 3.2. Similarly, a Participant shall terminate an election to make Supplemental Deferrals and/or

Excess Deferrals if such termination is required for the Participant to obtain a hardship distribution from the 401(k) Plan and permitted under Section 409A of the Code; provided that, (1) notwithstanding the foregoing, such termination shall apply only to the Participant's Supplemental Deferrals and/or Excess Deferrals that would have been made during the six-month period following receipt of the hardship distribution, and (2) following such termination, unless the Participant makes a different deferral election during the annual election period described in Section 3.l(a), the Plan Administrator shall automatically reinstate the Participant's deferral election to make Supplemental Deferrals and/or Excess Deferrals in effect immediately prior to receipt of the hardship distribution as soon as administratively practicable after the end of such six-month period.

3.2 Timing of Deferral Elections and Automatic Participation.

(a) Deferral of Base Pay. Except as provided in Section 3.2(c), Deferral Agreements that relate to the deferral of Base Pay (including Supplemental Deferrals pursuant to Section 3.3(a) and Excess Deferrals pursuant to Section 3.3(b)) shall be completed by the Participant and delivered to the Plan Administrator prior to the beginning of the Plan Year in which the Base Pay to be deferred is otherwise payable to the Participant. The Deferral Agreement will remain in effect from year-to-year until changed by the Participant in accordance with the preceding sentence. The Plan Administrator, in his discretion, may require an earlier time by which the election to defer Base Pay must be completed. Notwithstanding any provision of the Plan to the contrary, a Deferral Agreement shall also apply to Base Pay paid to a Participant after the Participant's Separation from Service but within a time period identified by the Plan Administrator in its sole discretion and in a uniform and non-discriminatory manner, which time period shall not exceed two and one-half months from the date of the Participant's Separation from Service.

(b) Deferral of Incentive Compensation. Deferral Agreements that relate to the deferral of Incentive Compensation shall be completed by the Participant and delivered to the Plan Administrator prior to the date that is six months before the end of the performance period to which the Incentive Compensation relates. The Deferral Agreement will remain in effect with respect to all future Incentive Compensation until changed by the Participant in accordance with the preceding sentence. The Plan Administrator, in his discretion, may require an earlier time by which the election to defer Incentive Compensation must be completed. In addition, the Plan Administrator, in his discretion, may require that Participants make separate elections for one or more different types of Incentive Compensation (*e.g.,* STIP Pay, LTCPP Pay and Lump-Sum Awards). Notwithstanding any provision of the Plan to the contrary, a Deferral Agreement shall also apply to Incentive Compensation paid to a Participant after the Participant's Separation from Service but within a time period identified by the Plan Administrator in its sole discretion and in a uniform and non-discriminatory manner, which time period shall not exceed two and one-half months from the date of the Participant's Separation from Service.

(c) Initial Deferral Election.

(1) General. For the Plan Year in which an eligible employee first becomes eligible to participate in the Plan (but only if the eligible employee has never been eligible to participate in another "account balance plan," other than a separation pay plan, of the Company or an Affiliate that is aggregated with the Plan under Section 409A of the Code), the Participant may elect to make Supplemental Deferrals and Excess Deferrals by completing and delivering a Deferral Agreement within 28 days commencing with the date the Participant first becomes eligible to participate in the Plan pursuant to Section 2.1. Any such Deferral Agreement shall take effect with respect to compensation for services to be performed beginning as of the first day of the month immediately following the date of any such election.

(2) Automatic Participation and Default Elections for Certain Eligible Employees. Any eligible employee described in paragraph (1) of this Section 3.2(c) who does not complete and deliver a Deferral Agreement within 28 days commencing with the date that the employee first becomes eligible to participate in the Plan pursuant to Section 2.1 will become a Participant as of the first day of the next month. Any such Participant will be eligible for Non-Elective Contribution Credits under Section 3.5 but will not make Deferrals under Section 3.3 or receive Matching Credits under Section 3.4 until such Participant makes an election in accordance with Section 3.2(a) or 3.2(b), as applicable. The investment elections and distribution elections of any such Participant shall be determined pursuant to the applicable provisions of Sections 5.2 and Article VI, respectively. The provisions of this Section shall also apply to an employee who becomes eligible to participate in the Plan from September 26, 2010 through December 31, 2010 who fails to complete and deliver a Deferral Agreement within 30 days commencing with the date the employee first becomes eligible under the terms of the Plan in effect immediately prior to January 1, 2011.

(3) Re-Employment. The provisions of this paragraph (c) permitting an eligible employee to elect to make Supplemental Deferrals and Excess Deferrals shall not apply to a Participant who: (i) incurs a Separation from Service; (ii) is subsequently re-employed by the Company or an Affiliate; and (iii) at any time during such period of re-employment meets the eligibility requirements for active participation in the Plan pursuant to Section 2.1. However, an eligible employee described in this paragraph (c) will be permitted to, within the applicable period described in this paragraph (c), make a distribution election in accordance with Article VI.

(d) Deferral Elections Upon Re-Employment. A Participant who: (1) incurs a Separation from Service; (2) is subsequently re-employed by the Company or an Affiliate; and (3) at any time during such period of re-employment meets the eligibility requirements for active participation in the Plan pursuant to Section 2.1 shall be only permitted to make a deferral election of Base Pay (including Supplemental Deferrals pursuant to Section 3.3(a) and Excess Deferrals pursuant to Section 3.3(b)) or a deferral election of Incentive Compensation during such period of re-employment by completing a Deferral Agreement in accordance with procedures established by the Plan Administrator, subject to the applicable restrictions in Section 3.1 and this Section 3.2.

3.3 Deferrals.

(a) Supplemental Deferrals. Any Participant may elect to supplement the deferrals made pursuant to the 401(k) Plan by deferring, pursuant to a Deferral Agreement, the receipt of up to 70% (designated in whole percentages) of the Base Pay and/or up to 70% (designated in whole percentages) of the Incentive Compensation, otherwise payable to the Participant by the Company or an Adopting Affiliate in any Plan Year. The amount deferred pursuant to this paragraph (a) shall be allocated to the Supplemental Deferral Account maintained for the Participant.

(b) Excess Deferrals. Any Participant may elect to defer, pursuant to a Deferral Agreement, the receipt of 6% of the Eligible Pay otherwise payable to him by the Company or an Adopting Affiliate in any Plan Year. A Participant's election to receive Excess Deferrals shall only apply to the Eligible Pay not recognized in 401(k) Plan Compensation during the Plan Year. The amount deferred pursuant to this paragraph (b) shall be allocated to the Excess Deferral Account maintained for the Participant.

3.4 Matching Credits. As soon as administratively practicable following the last day of each Plan Year (or more frequently in the sole discretion of the Plan Administrator), the Plan Administrator shall allocate matching credits to the Participant's accounts for that Plan Year as follows:

(a) Supplemental Matching Credit. The Supplemental Matching Credit shall be in an amount equal to: (1) 6% times the Maximum Matching Contribution Percentage of Base Pay deferred by the Participant as Supplemental Deferrals and (2) the Maximum Matching Contribution Percentage of the STIP Pay and Lump-Sum Awards deferred by the Participant as Supplemental Deferrals (up to the a maximum deferral of 6% of the Participant's STIP Pay and Lump-Sum Awards for the Plan Year). LTCPP Pay deferred by the Participant as Supplemental Deferrals shall not be considered when determining Supplemental Matching Credits. The amount credited pursuant to this paragraph (a) shall be allocated to the Supplemental Matching Credit Account maintained for the Participant.

(b) Excess Matching Credit. The Excess Matching Credit shall be in an amount equal to the Maximum Matching Contribution Percentage of the Participant's Excess Deferrals. The amount credited pursuant to this paragraph (b) shall be allocated to the Excess Matching Credit Account maintained for the Participant.

3.5 Non-Elective Contribution Credits.

(a) Amount and Eligibility Requirements for Non-Elective Contribution Credits. Effective January 1, 2011, if the Participant is eligible to receive the Company non-elective contributions under the 401(k) Plan (i.e., the 3%/4%/5% non-elective contributions under the 401 (k) Plan), then as soon as administratively practicable following the last day of each Plan Year (or more frequently in the sole discretion of the Plan Administrator), the Plan Administrator shall allocate non-elective contribution credits to the Participant's accounts for that Plan Year based on the Participant's Points in an amount equal to the product of the applicable percentage specified below multiplied by the Participant's NEC Eligible Pay:

Points	Applicable Percentage
44 or less	3%
45 to 64	4%
65 or more	5%

A Participant shall only receive a Non-Elective Contribution Credit for a Plan Year if: (a) such Participant is employed by the Company or an Affiliate on the last day of the plan year for which the Company non-elective contributions are made under the 401(k) Plan and (2) such Participant is credited with a "Year of Benefit Service" (as such term is defined under the 401(k) Plan) during the Plan Year.

(b) **Non-Elective Contribution Credits Upon Re-Employment**. A Participant who: (1) incurs a Separation from Service; (2) is subsequently re-employed by the Company or an Affiliate; and (3) at any time during such period of re-employment meets the eligibility requirements for active participation in the Plan pursuant to Section 2.1 shall be entitled to receive Non-Elective Contribution Credits with respect to NEC Eligible Pay for services to be performed beginning as of the first day of the month next following the date that the individual meets the eligibility requirements to resume active participation in the Plan. Notwithstanding any provision of the Plan, each GSCS Participant who is entitled to receive Company non-elective contributions under the 401(k) Plan for the Plan Year in which the GSCS Closing Date occurs shall receive a Non-Elective Contribution Credit based on (a) the NEC Eligible Pay earned by such GSCS Participant prior to the GSCS Closing Date during the Plan Year in which the GSCS Closing Date occurs, and (b) such GSCS Participant's Points determined as of the GSCS Closing Date.

3.6 **Certain Deferrals and Matching Credits.** Supplemental Deferrals, Excess Deferrals, Supplemental Matching Credits and Excess Matching Credits allocated to Participants for the 2005, 2006 and 2007 Plan Years prior to the Spin-Off described in Article VII shall have been made initially to SEIP and DEIP but shall be transferred to this Plan and become subject hereto by virtue of such Spin-Off. For periods beginning on and after such Spin-Off, Supplemental Deferrals, Excess Deferrals, Supplemental Matching Credits and Excess Matching Credits shall be made pursuant to the terms of this Article III.

3.7 **Allocation Among Affiliates.** Each Adopting Affiliate may be required to bear the costs and expenses of providing benefits accrued by Participants that are currently or were previously employees of such Adopting Affiliate. Such costs and expenses will be allocated among the Adopting Affiliates in accordance with (a) agreements entered into between the Company and any Adopting Affiliate, or (b) in the absence of such an agreement, reasonable procedures adopted by the Company.

3.8 **Deferrals Attributable to Qualified Military Service.** An employee who was, or was eligible to become, a Participant immediately before commencing Qualified Military Service and who is re-employed following such Qualified Military Service shall, upon his returning from Qualified Military Service, have the right to elect additional Supplemental Deferrals and/or Excess Deferrals ("Additional Deferrals") in accordance with Section 3.1, over a period of time equal to the lesser of (a) three times the length of his Qualified Military Service, or (b) five years. Such Participant shall also be entitled to receive Supplemental Matching Credits and/or Excess Matching Credits ("Additional Credits") attributable to such Additional Deferrals, in accordance with Section 3.4, in the amount he would have received had such Additional Deferrals been made during his period of Qualified Military Service. All such Additional Deferrals and Additional Credits shall be deemed to have been received during the period of Qualified Military Service for purposes of applying all limitations under this Plan, but shall otherwise be subject to the terms of the Plan, including but not limited to the provisions of Section 3.1, Section 3.2, Section 3.3, and Section 3.4. For purposes of this Section 3.8, a Participant shall be deemed to have received Base Pay and Incentive Compensation during his period of Qualified Military Service based on the rate of Base Pay and Incentive Compensation he would have received had he been an employee during such period or, if such rate cannot be determined with reasonable accuracy, based on his average Base Pay and Incentive Compensation received during the 12-month period (or his entire period of employment, if shorter) immediately prior to the period of military service. The provisions of this Section 3.8 shall be interpreted and applied in accordance with Section 414(u) of the Code.

3.9 Additional Deferral Election Period in 2010. In anticipation of the changes to the Plan effective January 1, 2011, an additional deferral election period, as permitted by Sections 3.1 and 3.2 and as described in this Section 3.9, shall be held.

(a) Election Period. The election period described in this Section 3.9 shall begin on October 26, 2010 and end on November 30, 2010, unless extended to a later date by the Plan Administrator in a uniform and non-discriminatory manner. In no event, however, shall such special election period extend beyond December 31, 2010.

(b) Application of Election Period. The deferral election period described in this Section 3.9 applies to: (1) all Participants and (2) those eligible employees as of September 25, 2010 who are not yet Participants and, who as a result, have never (i) made Supplemental Deferrals or Excess Deferrals under the Plan and, thus, have never submitted Distribution Election Forms hereunder or (ii) otherwise participated in another "account balance plan" other than a separation pay plan, of the Company or an Affiliate that is aggregated with the Plan under Section 409A of the Code.

(c) Default Provisions. If an individual identified in clause (2) of paragraph (b) above fails to make a deferral election during the special election period, the applicable provisions of Section 3.2(c)(2) shall apply.

ARTICLE IV
VESTING

4.1 **Vesting of Non-Elective Contribution Account.** Subject to Section 10.1, amounts credited to or allocable to a Participant's Non-Elective Contribution Account shall become fully vested and the rights and interests therein shall not be forfeitable to the same extent that the Participant is vested in his or her Company non-elective contributions, if any, under the 401(k) Plan. To the extent any amounts are forfeited pursuant to this Section 4.1, such amounts shall be subject to restoration to the Participant's Non-Elective Contribution Account in a similar manner to which Company non-elective contributions forfeited under the 401(k) Plan are subject to restoration. Notwithstanding the foregoing provisions of this Section 4.1, amounts credited to or allocable to a GSCS Participant's Non-Elective Contribution Account shall be fully vested at all times from and after the GSCS Closing Date and, from and after the GSCS Closing Date, the GSCS Participant's rights and interests therein shall not be forfeitable.

4.2 **Vesting of All Other Accounts**. Subject to Section 10.1, amounts credited to or allocable to a Participant's Supplemental Deferral Account, Excess Deferral Account, Supplemental Matching Credit Account, and Excess Matching Credit Account shall be fully vested at all times and the rights and interests therein shall not be forfeitable.

ARTICLE V
INVESTMENT OF ACCOUNTS

5.1 **Adjustment of Accounts.** Except as otherwise provided elsewhere in the Plan, as of each Valuation Date, each Participant's accounts will be adjusted to reflect credits under Article III and the positive or negative rate of return on the Investment Funds selected by the Participant pursuant to Section 5.2(b). The rate of return will be determined by the Plan Administrator pursuant to Section 5.2(f) and will be credited or charged in accordance with policies applied uniformly to all Participants.

5.2 **Investment Direction.**

(a) **Investment Funds.** Each Participant may direct the notional investment of amounts credited to his Plan accounts in one or more of the Investment Funds. The Investment Funds shall, at all times, be notional funds that track the returns of the investment funds selected by the BFC for purposes of the 401(k) Retirement Plan and made available to 401(k) Retirement Plan participants. In addition, the Investment Funds shall, at all times, include a Company Stock Fund as described in Section 5.3. Neither the Company, each Adopting Affiliate, the Plan Administrator, the BFC, nor any other party shall have any responsibility, duty of care (whether express or implied) or liability to any Participant in regards to designation of the Investment Funds as set forth in Section 5.2(a).

(b) Participant Directions.

(1) General. Each Participant may direct that all of the amounts attributable to his accounts be invested in a single Investment Fund or may direct that whole percentage increments of his accounts be invested in such fund or funds as he shall desire in accordance with such procedures as may be established by the Plan Administrator. Unless the Plan Administrator prescribes otherwise, such procedures generally shall mirror the procedures established under the 401(k) Retirement Plan for participant investment direction.

(2) Spin-Off from SEIP and DEIP. Each Participant who became a Participant in the Plan as a result of the Spin-Off described in Article VII or by reason of Section 3.1(b)(2) shall be conclusively deemed to have directed the Plan Administrator to invest all of the amounts attributable to his accounts in the same manner as the Participant's accounts were invested in SEIP and/or DEIP as of the effective date of the Spin-Off and, in the absence of an affirmative direction by the Spin-Off Participant regarding future deferrals pursuant to paragraph (b)(l) above, such Participant shall be conclusively deemed to have directed the Plan Administrator to invest such deferrals in the same manner as the Participant's deferrals were directed to be invested in SEIP and/or DEIP as of the effective date of the Spin-Off. If a Participant participated in both SEIP and DEIP as of the effective date of the Spin-Off and his investment elections for future deferrals were different among plans, the Participant shall be conclusively deemed to have directed the Plan Administrator to invest future deferrals in the same manner as the Participant's deferral elections pursuant to DEIP. The Participant may change his directions at any time in accordance with the provisions of the Plan.

(c) Changes and Intra-Fund Transfers. Participant investment directions may be changed, and amounts may be transferred from one Investment Fund to another, in accordance with the procedures established by the Plan Administrator. The designation will remain in effect until changed by the timely submission of a new designation by the Participant.

(d) Default Selection. In the absence of a designation by the Participant, such Participant will be deemed to have directed the notional investment of his accounts in the Investment Fund that tracks the return of the 401(k) Retirement Plan investment fund that is designated by the BFC as the "default" investment fund for purposes of the 401(k) Retirement Plan.

(e) Impact of Election. The Participant's selection of Investment Funds shall serve only as a measurement of the value of the Participant's Accounts pursuant to Section 5.1 and this Section 5.2. None of the Company, the BFC, or the Plan Administrator are required to actually invest a Participant's accounts in accordance with the Participant's selections.

(f) Investment Performance. Accounts shall be adjusted on each Valuation Date to reflect investment gains and losses as if the accounts were invested in the Investment Funds selected by the Participants in accordance with this Section 5.2 and charged with any and all reasonable expenses as provided in paragraph (g) below. The earnings and losses determined by the Plan Administrator in good faith and in his discretion pursuant to this Section shall be binding and conclusive on the Participant, the Participant's beneficiary and all parties claiming through them.

(g) **Charges.** The Plan Administrator may (but is not required to) charge Participants' accounts for the reasonable expenses of administration including, but not limited to, carrying out and/or accounting for investment instructions directly related to such accounts.

(h) **Investment of Matching Credits**. Supplemental Matching Credits and Excess Matching Credits allocated to a Participant's Supplemental Matching Credit Account and/or Excess Matching Credit Account during the period beginning on June 1, 2009 and ending on October 14, 2010 were notionally invested in the Company Stock Fund. A Participant may diversify the Supplemental Matching Credits and/or Excess Matching Credits that were notionally invested in the Company Stock Fund as described in this Section 5.2(h) by directing the notional investment of the value of such matching credits to any other Investment Fund as permitted by Section 5.2(b)(1). If a Participant fails to diversify the value of the Supplemental Matching Credits and/or Excess Matching Credits notionally invested in the Company Stock Fund as described in this Section 5.2(h), he shall be deemed to have directed the notional investment of such matching credits in the Company Stock Fund.

5.3 **Special Company Stock Fund Provisions.**

(a) **General.** A Participant's interest in the Company Stock Fund shall be expressed in whole and fractional notional units of the Company Stock Fund. The Company Stock Fund shall track an investment in Company Stock in the same manner as the 401(k) Retirement Plan's company stock fund. Accordingly, the value of the unit in the Plan's Company Stock Fund shall be the same as the value of a unit in the 401(k) plan's company stock fund. Notwithstanding the foregoing, if and to the extent that a company stock fund is no longer maintained under the 401(k) Retirement Plan, the Plan Administrator shall establish such rules and procedures as are necessary to maintain the Company Stock Fund hereunder.

(b) **Investment Directions.** A Participant's ability to direct investments into or out of the Company Stock Fund shall be subject to such procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended, and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make (or modify previously made) deferral and distribution elections pursuant to Articles III and VI, respectively. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan for purposes of Section 16(b), the Participant shall not dispose of that interest within six months, unless specifically exempted by Section 16(b) or any rules or regulations promulgated thereunder.

(c) **Compliance with Securities Laws.** Any election by a Participant to hypothetically invest any amount in the Company Stock Fund, and any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all applicable securities law requirements, including but not limited to the last sentence of paragraph (b) above and Rule 16b-3 promulgated by the Securities Exchange Commission. To the extent that any election violates any securities law requirement or the Company's stock trading policies and procedures, the election shall be void.

(d) **Compliance with Company Trading Policies and Procedures.** Any election by a Participant to hypothetically invest any amount in the Company Stock Fund, and any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all Company Stock trading policies promulgated by the Company. To the extent that any election violates any such trading policy or procedures, the election shall be void.

5.4 **Application to Beneficiaries.** Following the death of a Participant, the term "Participant" in this Article V shall refer to the Participant's beneficiary described in Section 6.9.

ARTICLE VI
DISTRIBUTIONS

6.1 **Limitation on Right to Receive Distribution.** A Participant shall not be entitled to receive a distribution prior to the first to occur of the following events:

(a) The Participant's Separation from Service, or in the case of a Participant who is a Specified Employee, the date which is six months after the Participant's Separation from Service;

(b) The date the Participant becomes Disabled;

(c) The Participant's death;

(d) A specified time (or pursuant to a fixed schedule) specified at the date of deferral of compensation;

(e) An Unforeseeable Emergency; or

(f) To the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or an Adopting Affiliate or in the ownership of a substantial portion of the assets of the Company or an Adopting Affiliate.

This Section 6.1 restates the restrictions on distributions set forth in Section 409A of the Code and is intended to impose restrictions on distributions pursuant to the Plan accordingly. This Section 6.1 does not describe the instances in which distributions actually will be made. Rather, distributions will be made only if and when permitted both by this Section 6.1 and another provision of the Plan.

6.2 **General Right to Receive Distribution.** Following a Participant's termination of employment or death, the Participant's Plan accounts will be distributed to the Participant in the manner and at the time provided in Sections 6.4 and 6.5 or Section 6.9, as applicable. A transfer of a Participant from the Company or any Affiliate to any other Affiliate or the Company shall not be deemed to be a termination of employment for purposes of this Section 6.2.

6.3 **Amount of Distribution.** The amount distributed to a Participant shall be based on the vested amounts credited to the Participant's accounts as of the Valuation Date immediately preceding the date of the distribution. Amounts shall be valued at the fair market value on the relevant Valuation Date determined pursuant to uniform and non-discriminatory rules established by the Plan Administrator.

6.4 <u>Form of Distribution</u>. Accounts shall be distributed in cash in a single lump-sum payment or in quarterly, semi-annual or annual installments. Distributions shall be subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time, consistent with Section 409A of the Code. The form of payment shall be selected by the Participant in the initial Distribution Election Form (which may be contained in and be a part of a Deferral Agreement) submitted by the Participant to the Plan Administrator on entry into the Plan. A Participant may change his election by filing a new Distribution Election Form with the Plan Administrator in accordance with Section 6.6. If a revised Distribution Election Form is not honored because it was not timely filed, distributions shall be made in the form specified in the most recent valid Distribution Election Form filed by the Participant. If no valid Distribution Election Form exists, the Participant's accounts will be distributed in a single lump-sum.

6.5 <u>Timing of Distribution</u>. Except as provided in the next sentence, funds will be distributed within an administratively reasonable period of time following the six-month anniversary of the Participant's Separation from Service. Notwithstanding the foregoing, a Participant may elect to further defer the distribution of his accounts by filing a Distribution Election with the Plan Administrator in accordance with Section 6.6. If a revised Distribution Election Form is not honored because it was not timely filed, distributions shall be made pursuant to the most recent valid Distribution Election Form filed by the Participant. If no valid Distribution Election Form exists, the Participant's accounts will be distributed in accordance with the first sentence of this Section 6.5. If a Participant's Separation from Service is caused by his death, or a Participant dies after Separation from Service, then funds will be distributed as described in Section 6.9.

6.6 <u>Changes in Time and Form of Distribution</u>. A new Distribution Election Form that delays the time of a payment elected by a Participant or the form of payment selected by a Participant may be filed with the Plan Administrator at any time, will be subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time, and only will be honored in accordance with the following:

(a) The new form will not take effect until at least 12 months after the date on which the new form is filed with the Plan Administrator; and

(b) The election may not be made less than 12 months prior to the date the payment is scheduled to be made, is commenced or otherwise would be made; and

(c) The first payment with respect to which the election is made must be deferred for a period of not less than five years from the date such payment would otherwise be made.

The provisions of this Section 6.6 are intended to comply with Section 409A(a)(4)(C) of the Code and shall be interpreted in a manner consistent with the requirements of such section and any regulations, rulings or other guidance issued pursuant thereto.

6.7 Special Election Period for 2007. Pursuant to the transitional guidance issued by the Internal Revenue Service and the Department of Treasury in Section 3.02 of IRS Notice 2006-79, Participants may make distribution elections in regards to their Plan accounts in accordance with this Section 6.7.

(a) Election Period. The election period described in this Section 6.7 shall begin on April 1, 2007 and end on May 7, 2007 unless extended to a later date by the Plan Administrator in a uniform and non-discriminatory manner, in his sole discretion. In no event, however, shall such special election period extend beyond December 31, 2007.

(b) Application of Election Period. The special election period described in this Section 6.7 shall apply to Participants as provided in this paragraph (b).

(1) Participants to Whom Election Period Applies. The special election period shall only apply to the following Participants:

(i) Active Participants. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII or by reason of Section 3.1(b)(2) and who, as of the first day of the special election period, have not incurred a Separation of Service, have not died and are not Disabled;

(ii) Separated Participants. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII and who, as of the first day of the special election period, have incurred a Separation from Service and distributions pursuant to the Plan have not yet commenced; and

(iii) Beneficiaries. Beneficiaries described in Section 6.9 of Participants who, as of the first day of the special election period had deceased if, as of such date, distributions pursuant to the Plan have not yet commenced with respect to the Participant.

(2) Participants to Whom Election Period Does Not Apply. The special election period shall not apply to the following Participants:

(i) Participants in Pay Status. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII and who, as of the first day of the special election period, are receiving distributions pursuant to the Plan;

(ii) Other Participants. Any other Participants not described in paragraphs (b)(l) and (b)(2)(i) of this Section 6.7; and

(iii) Beneficiaries. Any beneficiary not described in paragraph (b)(l)(iii) of this Section 6.7.

(c) Default Provisions. If a Participant to whom the special election period applies fails to make a distribution election during the special election period the following rules shall apply:

(1) Active Participants. If a Participant identified in paragraph (b)(l)(i) above fails to make an election during the special election period, the default provisions of Section 6.4 and Section 6.5 shall apply (subject to the Participant's ability to change his distribution elections pursuant to Section 6.6).

(2) Separated Participants and Beneficiaries. If a Participant identified in paragraph (b)(l)(ii) above or a beneficiary described in paragraph (b)(l)(iii) above fails to affirmatively make an election during the special election period, such individual shall be deemed to have made an election pursuant to the Plan that is identical to the distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A of the Code (subject to the individual's ability to change his distribution elections pursuant to Section 6.6).

(d) April 1, 2007 Commencements. Notwithstanding anything in this Section 6.7 to the contrary, the special election period shall not apply to a Participant or beneficiary described in Section 6.9 who had previously made an election (and, therefore, for whom a default election is not in effect) pursuant to SEIP and/or DEIP whereby a lump-sum distribution or installment payments are scheduled to commence as of April 1, 2007. In the case of these Participants and beneficiaries, such lump sum distribution or installment payments shall commence as of April 1, 2007 as previously elected (i.e., in accordance with the distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A of the Code).

6.8 Default Provisions for Certain Participants Relating to 2010 Election Period. If an individual identified in clause (2) of Section 3.9(b) fails to complete an initial Distribution Election Form during the election period described Section 3.9, the default provisions of Section 6.4 and Section 6.5 shall apply to such individual's Plan accounts (subject to the ability to change distribution elections pursuant to Section 6.6).

6.9 Payment Upon Death.

(a) Beneficiary Designation. If a Participant should die before receiving a full distribution of his Plan accounts, distribution shall be made to the beneficiary designated by the Participant, in accordance with such uniform rules and procedures as may be adopted by the Plan Administrator from time to time. If a Participant has not designated a beneficiary, or if no designated beneficiary is living on the date of distribution, then the Participant's beneficiary shall be that person or persons entitled to receive distributions of the Participant's accounts under the 401(k) Plan.

(b) Timing and Form of Payment to Beneficiary.

(1) Payments Commenced at Time of Death. If, at the time of the Participant's death, installment payments of the Participant's accounts have commenced pursuant to this Article VI, such payments shall continue to the Participant's beneficiary in the same time and the same form as if the Participant has remained alive until the last installment payment was scheduled to be made. Notwithstanding the foregoing, a beneficiary may take a withdrawal upon an Unforeseeable Emergency pursuant to Section 6.10, applying the provisions of such Section by substituting the term "beneficiary" for "Participant."

(2) **Payments Not Commenced at Time of Death.** If, at the time of the Participant's death, payments of the Participant's accounts has not commenced pursuant to this Article VI, the distributions made pursuant to this Section 6.9 shall be made to the Participant's beneficiary in accordance with the then current and valid distribution election made by the Participant (or, in the absence of such a distribution election, in accordance with the "default" provisions of Section 6.4). If the distribution election applicable to the Participant provided for payment to commence within an administratively reasonable period of time following the six-month anniversary of the Participant's Separation from Service, this six-month anniversary shall be disregarded in the even of the Participant's death, and payments shall commence within an administratively reasonable period of time following the Participant's death. Notwithstanding the foregoing, a beneficiary may take a withdrawal upon an Unforeseeable Emergency pursuant to Section 6.10 or change the timing and form of payment pursuant to Section 6.6 applying the provisions of such Sections by substituting the term "beneficiary" for "Participant" as the context requires, thereunder.

6.10 Payment Upon Unforeseeable Emergency.

(a) **General.** Notwithstanding any provision of the Plan to the contrary, if a Participant incurs an Unforeseeable Emergency, the Participant may elect to make a withdrawal from the Participant's account (even after distribution of the Participants accounts has commenced pursuant to Section 6.2. A withdrawal on account of Unforeseeable Emergency may be made if, as determined under regulations of the Secretary of the Treasury, the amounts withdrawn with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the withdrawal, after taking into account the extent to which such hardship is or may be relieved: (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or (3) by cessation of deferrals under the Plan.

(b) **Information Required.** A Participant who wishes to receive a distribution pursuant to this Section 6.10 shall apply for such distribution to the Plan Administrator and shall provide information to the Plan Administrator reasonably necessary to permit the Plan Administrator to determine whether an Unforeseeable Emergency exists and the amount of the distribution reasonably needed to satisfy the emergency need.

6.11 Payment Upon Re-Employment. This Section 6.11 shall apply to an individual who incurs a Separation from Service (if, at the time of such Separation from Service, such individual is a Participant), who is subsequently re-employed by the Company or an Affiliate and with respect to whom all amounts allocated to such Participant's accounts have not been paid out at the time of re-employment. Distributions of the amounts allocated to such Participant's accounts with respect to the Participant's participation before such re-employment shall be made in accordance with the distribution elections in effect immediately prior to such re-employment without regard to any subsequent Separation from Service, subject to the other provisions of this Article VI. If, pursuant to Section 3.2(d) or Section 3.5(b), a Participant elects to make Deferrals or is eligible to receive Non-Elective Contribution Credits following such re-employment, such post re-employment

Deferrals and Non-Elective Contribution Credits shall be subject to their own distribution elections made in accordance with Section 3.2(c)(3) and this Article VI.

6.12 Withholding. All distributions will be subject to all applicable tax and withholding requirements.

6.13 Ban on Acceleration of Benefits. Neither the time nor the schedule of any payment under the Plan may be accelerated except as permitted in regulations or other guidance issued by the Internal Revenue Service or the Department of the Treasury and as incorporated herein.

ARTICLE VII
SPIN-OFF FROM SEIP AND DEIP

7.1 General. In response to the enactment of Section 409A of the Code and pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury, deferrals and matching credits under SEIP and DEIP have been frozen and all amounts deferred and vested in those plans prior to January 1, 2005 have been "grandfathered" and thus are not subject to the requirements of Section 409A. The deferrals and matching credits made pursuant to SEIP and DEIP from January 1, 2005 through March 25, 2007, (and the earnings/losses thereon) were spun-off to the Plan as provided in this Article VII.

7.2 Amounts Spun-Off. All amounts credited to participant accounts in SEIP and DEIP on or after January 1, 2005 through March 25, 2007 and not fully distributed on or before April 1, 2007 were spun-off and allocated to Plan accounts, and were invested, as provided in Section 7.3. The amounts deferred prior to January 1, 2005 were determined in accordance with Q&A- 17 of IRS Notice 2005-1, proposed and final regulations, and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury.

7.3 Allocation and Investment of SEIP and DEIP Amounts. Amounts spun-off from SEIP and DEIP are allocated to accounts under the Plan in accordance with this Section 7.3.

(a) SEIP. Amounts deferred by participants under SEIP are allocated to the Participant's Excess Deferral Account in the Plan. Matching credits made by the Company under SEIP are allocated to the Participant's Excess Matching Credit Account in the Plan.

(b) DEIP. Amounts deferred by participants under DEIP are allocated to the Participant's Supplemental Deferral Account in the Plan. Matching credits made by the Company under DEIP are allocated to the Participant's Supplemental Matching Credit Account in the Plan.

(c) Investments. The amounts spun-off to the Plan in accordance with Section 7.2 are invested in accordance with Section 5.2(b)(2).

7.4 Deferral Elections. Deferral elections made by participants in DEIP and SEIP for amounts deferred in 2007 on and after March 26, 2007 shall apply to the Plan as provided in this Section 7.4.

(a) SEIP. Elections to defer Eligible Pay in 2007 under SEIP are considered Excess Deferral elections pursuant to the Plan, provided such elections otherwise comply with Section 409A of the Code and any transitional guidance issued by the Internal Revenue Service or the Department of Treasury.

(b) DEIP. Elections to defer Base Pay in 2007 and elections to defer Incentive Compensation paid in 2007 for any performance periods ending between July 1, 2006 and December 31, 2006 under DEIP are considered Supplemental Deferral elections pursuant to the Plan, provided such elections otherwise comply with Section 409A of the Code and any transitional guidance issued by the Internal Revenue Service or the Department of Treasury.

(c) Investments. The amounts deferred in accordance with this Section 7.4 are invested in accordance with Section 5.2(b)(2).

7.5 Distribution Elections.

(a) Participants in Pay Status. The distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A by the Participants identified in Section 6.7(b)(2)(i) shall continue to apply.

(b) Other Participants. All other individuals whom become Participants by virtue of the Spin-Off described in this Article VII shall make elections regarding the timing and form of distributions in accordance with Section 6.7.

7.6 Effective Date of Spin-Off. The Spin-Off described in this Article VII shall be effective as of 11:59:59 P.M. on March 25, 2007.

ARTICLE VIII
ADMINISTRATION OF THE PLAN

8.1 General Powers and Duties. The following list of powers and duties is not intended to be exhaustive, and the Plan Administrator shall, in addition, exercise such other powers and perform such other duties as he may deem advisable in the administration of the Plan, unless such powers or duties are expressly assigned to another pursuant to the provisions of the Plan.

(a) General. The Plan Administrator shall perform the duties and exercise the powers and discretion given to him in the Plan document and by applicable law and his decisions and actions shall be final and conclusive as to all persons affected thereby. The Company and the Adopting Affiliates shall furnish the Plan Administrator with all data and information that the Plan Administrator may reasonably require in order to perform his functions. The Plan Administrator may rely without question upon any such data or information.

(b) Disputes. Any and all disputes that may arise involving Participants or beneficiaries shall be referred to the Plan Administrator and his decision shall be final. Furthermore, if any question arises as to the meaning, interpretation or application of any provisions of the Plan, the decision of the Plan Administrator shall be final.

(c) **<u>Agents</u>.** The Plan Administrator may engage agents, including recordkeepers, to assist him and he may engage legal counsel who may be counsel for the Company. The Plan Administrator shall not be responsible for any action taken or omitted to be taken on the advice of such counsel, including written opinions or certificates of any agent, counsel, actuary or physician.

(d) **<u>Insurance</u>.** At the Director's request, the Company shall purchase liability insurance to cover the Director in his activities as the Plan Administrator.

(e) **<u>Allocations</u>.** The Plan Administrator is given specific authority to allocate responsibilities to others and to revoke such allocations. When the Plan Administrator has allocated authority pursuant to this paragraph, the Plan Administrator is not to be liable for the acts or omissions of the party to whom such responsibility has been allocated.

(f) **<u>Records</u>.** The Plan Administrator shall supervise the establishment and maintenance of records by its agents, the Company and each Adopting Affiliate containing all relevant data pertaining to any person affected hereby and his or her rights under the Plan.

(g) **<u>Interpretations</u>.** The Plan Administrator, in his sole discretion, shall interpret and construe the provisions of the Plan (and any underlying documents or policies).

(h) **<u>Electronic Administration</u>.** The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

(i) **<u>Accounts</u>.** The Plan Administrator shall combine the various accounts of a Participant if he deems such action appropriate. Furthermore, the Plan Administrator shall divide a Participant's accounts into sub-accounts if he deems such action appropriate.

(j) **<u>Delegation</u>.** The Plan Administrator may delegate his authority hereunder, in whole or in part, in his sole and absolute discretion.

8.2 **<u>Claims Procedures</u>.** Benefit claims under the Plan shall be resolved in accordance with Code Section 409A and uniform and nondiscriminatory procedures adopted by the Plan Administrator in accordance with Section 503 of ERISA.

ARTICLE IX
AMENDMENT

9.1 <u>Amendment</u>. The Company reserves the right at any time to amend, modify or suspend any or all of the provisions of this Plan, in whole or in part, at any time as designated by a written instrument duly adopted on behalf of the Company.

9.2 <u>Effect of Amendment</u>. Any amendment of the Plan shall not directly or indirectly reduce the balance of any Plan account as of the effective date of such amendment.

9.3 <u>Termination</u>. The Company expressly reserves the right to terminate the Plan.

(a) <u>General</u>. In the event of termination, the Company shall specify whether termination will change the time at which distributions are made; provided that any acceleration of a distribution is consistent with Section 409A of the Code. In the absence of such specification, the timing of distributions shall be unaffected by termination.

(b) <u>GSCS Termination</u>. Pursuant to the Company's authority to terminate the Plan, the Plan is irrevocably terminated with respect to all GSCS Participants upon the GSCS Closing Date and no GSCS Participant shall accrue any benefits under the Plan for any purpose after the GSCS Closing Date. Pursuant to termination of the Plan with respect to GSCS Participants pursuant to this Section 9.3, the balance in each GSCS Participant's account under the Plan shall be distributed to the GSCS Participant in a single lump-sum payment as soon as practicable after the GSCS Closing Date, but in no event later than December 31 next following the GSCS Closing Date. For purposes of the preceding sentence, the balance in each GSCS Participant's account shall be determined as of the Valuation Date occurring coincident with or next preceding the date of distribution. Termination of the Plan with respect to GSCS Participants will change the time at which distributions are made to GSCS Participants. Payments to GSCS Participants pursuant to this Section 9.3(b) are intended to comply with section 409A of the Code and applicable guidance issued thereunder.

ARTICLE X
GENERAL PROVISIONS

10.1 <u>Participant's Rights Unsecured</u>. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her designated beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company. All amounts credited to a Participant's accounts hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a "Rabbi Trust," but the assets in the Rabbi Trust must be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

10.2 <u>No Guaranty of Benefits</u>. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

10.3 <u>No Enlargement of Employee Rights</u>. No Participant shall have any right to receive a distribution from the Plan except in accordance with the terms of the Plan. Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of the Company or an Adopting Affiliate.

10.4 <u>Section 409A Compliance</u>. The Company intends that the Plan meet the requirements of Section 409A of the Code and the guidance issued thereunder. The Plan shall be administered, construed and interpreted in a manner consistent with that intention.

10.5 <u>Spendthrift Provision</u>. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor shall any such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings. This Section shall not preclude arrangements for the withholding of taxes from deferrals, credits, or benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

10.6 <u>Domestic Relations Orders</u>. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, a Participant's accounts may be assigned or alienated pursuant to a "Domestic Relations Order" (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time. Any amount subject to a Domestic Relations Order shall be distributed as soon as practicable.

10.7 <u>Incapacity of Recipient</u>. If the Plan Administrator is served with a court order holding that a person entitled to a distribution under the Plan is incapable of personally receiving and giving a valid receipt for such distribution, the Plan Administrator shall postpone payment until such time as a claim therefore shall have been made by a duly appointed guardian or other legal representative of such person. The Plan Administrator is under no obligation to inquire or investigate as to the competency of any person entitled to a distribution. Any payment to an appointed guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefor.

10.8 <u>Successors</u>. The Plan shall be binding upon the successors and assigns of the Company and upon the heirs, beneficiaries and personal representatives of the individuals who become Participants hereunder.

10.9 <u>Limitations on Liability</u>. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Director, or the Company, nor any individual acting as the

Plan Administrator's, the Director's, or the Company's employee, agent, or representative shall be liable to any Participant, former Participant, beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

10.10 Conflicts. If any person holds a position under the Plan through which he or she is charged with making a decision about the administration of his or her own (or any immediate family member's) Plan participation, including, without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, then such person shall be recused and the decision shall be made by the Plan Administrator. If a decision is required regarding the administration of the Plan Administrator's Plan participation, including without limitation, decisions regarding eligibility, or account valuation, or the administration of his or her Plan investments, such decision shall be made by the Company's Vice President, Human Services Division. Nothing in this Section 10.10 shall be construed to limit a Participant's or the Plan Administrator's ability to make decisions or elections with regard to his or her participation in the Plan in the same manner as other Participants.

10.11 Overpayments. If it is determined that a distribution under the Plan should not have been paid or should have been paid in a lesser amount, written notice thereof shall be given to the recipient of such distribution (or his legal representative) and he shall repay the amount of overpayment to the Company. If he fails to repay such amount of overpayment promptly, the Company shall arrange to recover for the Plan the amount of the overpayment by making an appropriate deduction or deductions from any future benefit payment or payments payable to that person (or his survivor or beneficiary) under the Plan or from any other benefit plan of the Company.

10.12 Special Rules for Participants With Same-Sex Domestic Partners.

(a) Generally. Effective January 1, 2013, except as specified under this Section 10.12 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "beneficiary", "survivor", or "family member" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) Definition of "Same-Sex Domestic Partner". For purposes of this Section 10.12, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) Exceptions.

(1) Determination of Unforeseeable Emergency. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 shall be considered a "spouse" for purposes of applying the definition of "Unforeseeable Emergency" in Section 1.1 (xx).

(2) Domestic Relations Orders. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another "alternate payee" (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant's interests hereunder pursuant to Section 10.6.

EXHIBIT 10.13

SOLAR TURBINES INCORPORATED MANAGERIAL RETIREMENT OBJECTIVE PLAN

(Amended and Restated as of December 13, 2012)

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SOLAR TURBINES INCORPORATED
MANAGERIAL RETIREMENT OBJECTIVE PLAN

PREAMBLE

Effective May 14, 1981, Solar Turbines Incorporated (the "Company") established the Solar Turbines Incorporated Managerial (and Professional) Retirement Objective Plan for the benefit of a select group of management or highly compensated employees of the Company. As a continuation of the plan, the Company formally adopted the Solar Turbines Incorporated Managerial Retirement Objective Plan (the "Plan") to comply with the requirements of Section 409A of the Code and other applicable law. This amended and restated Plan is effective as of the dates specified herein.

ARTICLE I
DEFINITIONS

1.1 **General**. When a word or phrase appears in the Plan with the initial letter capitalized, and the word or phrase does not begin a sentence, the word or phrase shall generally be a term defined in this Article I. The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article I, unless a clearly different meaning is required by the context in which the word or phrase is used or the word or phrase is defined for a limited purpose elsewhere in the Plan document:

(a) **"Adopting Affiliate"** means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan in accordance with Section 2.5. All Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates of the Plan.

(b) **"Affiliate"** means a parent business that controls, or a subsidiary business that is controlled by, the Company.

(c) **"Beneficiary"** means, with respect to a Participant, the person or persons entitled to receive distributions of the Participant's death benefits under SRP.

(d) "**Benefit Determination Date**" means the following:

(1) **On or After Effective Date But Prior to January 1, 2009**. On or after the Effective Date but prior to January 1, 2009, a Participant's Benefit Determination Date shall be the date as of which the Participant has elected to commence benefits under SRP.

(2) **On or After January 1, 2009**. On or after January 1, 2009, a Participant's Benefit Determination Date shall be the date determined under (i) or (ii) below:

(i) With respect to (x) a Participant's PEP Benefit (as defined in Section 3.2(b)) or (z) a Participant's Traditional Benefit (as defined in Section 3.2(a)) where the Participant satisfies the requirements under Section 5.2(d)(1)(i) or (ii) as of the Participant's

Separation from Service, the Participant's Benefit Determination Date shall be the first day of the month following the Participant's Separation from Service.

(ii) With respect to a Participant's Traditional Benefit (as defined in Section 3.2(a)) where the Participant does not satisfy the requirements under Section 5.2 (d)(1)(i) or (ii) as of the Participant's Separation from Service, the Participant's Benefit Determination Date shall be the first day of the month following the date that the Participant first satisfies the requirements under Section 5.2(d)(1)(i) or (ii).

(e) **"Benefit Payment Date"** means the date as of which the Participant's benefit amounts under the Plan shall be payable, as determined in accordance with Section 5.2(d).

(f) **"Board"** means the Board of Directors of the Company, or any authorized committee of the Board.

(g) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(h) **"Company"** means Solar Turbines Incorporated, and, to the extent provided in Section 8.8 below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(i) "**Disability**" or "**Disabled**" means that a Participant is determined to be totally disabled by the United States Social Security Administration.

(j) **"Effective Date"** means January 1, 2005.

(k) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

(l) **"MIP Award"** means a cash award paid pursuant to the Solar Turbines Incorporated Management Incentive Plan, as it may be amended from time to time.

(m) **"Participant"** means an employee of the Company or any Adopting Affiliate who satisfies the eligibility requirements for participation in the Plan.

(n) **"Plan"** means the Solar Turbines Incorporated Managerial Retirement Objective Plan, as set forth herein and as it may be amended from time to time.

(o) **"Plan Administrator"** means the Company.

(p) **"Plan Year"** means the calendar year.

(q) **"Separation from Service"** means separation from service as determined in accordance with any regulations, rulings or other guidance issued by the Department of the Treasury pursuant to Section 409A(a)(2)(A)(i) of the Code, as it may be amended or replaced from time to time.

(r) **"Specified Employee"** means a "key employee" as defined in Section 416 (i) of the Code without regard to Section 416(i)(5) and determined in accordance with Section 409A (a)(2)(B)(i) of the Code.

(s) **"SRP"** means the Solar Turbines Incorporated Retirement Plan, as it may be amended from time to time.

(t) **"Unforeseeable Emergency"** means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a "dependent" (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For purposes of the Plan, an "Unforeseeable Emergency" shall not include a Participant's need to send his or her child to college or a Participant's desire to purchase a home. Any determination as to whether a Participant has incurred an Unforeseeable Emergency shall be made in the sole discretion of the Plan Administrator in accordance with rules prescribed pursuant to Section 409A of the Code.

(u) **"Caterpillar STIP Award"** means a cash award paid pursuant to the Caterpillar Inc. Short-Term Incentive Plan for Management, Salaried, and Non-Bargained Hourly Employees or the Caterpillar Inc. Executive Short-Term Incentive Plan or any successor to such plans.

1.2 **Construction**. The masculine gender, when appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the Plan clearly states to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of the Plan. If any provision of the Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of the Plan shall be construed and enforced according to the laws of the State of Illinois without regard to conflict of law principles and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code, or other Federal law.

ARTICLE II
ELIGIBILITY; ADOPTION BY AFFILIATES

2.1 **Eligible Employees**. The purpose of the Plan is to provide supplemental retirement benefits to a select group of management or highly compensated employees. This group of employees is sometimes referred to as a "top hat group." The Plan constitutes an unfunded supplemental retirement plan and is fully exempt from Parts 2, 3, and 4 of Title I of ERISA. The Plan shall be governed and construed in accordance with Title I of ERISA.

2.2 **Existing Participants**. Each individual who was a Participant in the Plan as of the date of execution of this plan document shall continue as such, subject to the provisions hereof.

2.3 **New Participants**. An employee shall participate in the Plan if he (a) is in salary grade fifty-three (53) or higher pursuant to the Company's standard salary grades; (b) is a participant in SRP; (c) has received a MIP Award; and (d) has been notified by the Plan Administrator of the employee's eligibility to participate in the Plan.

2.4 **Discontinuance of Participation**. As a general rule, once an individual is a Participant, he will continue as such for all future Plan Years until his retirement or other termination of employment; provided that no payments will be made by the Plan to any Participant who terminates his or her employment with the Company prior to satisfying the requirements under Section 5.2(d)(1)(i) or (ii). In addition, prior to retirement or other termination of employment, the Plan Administrator shall discontinue an individual's participation in the Plan if the Plan Administrator concludes, in the exercise of its discretion, that the individual is no longer properly included in the top hat group. If an individual's participation is discontinued, the individual will no longer be eligible to accrue a benefit under the Plan. The individual will not be entitled to receive a distribution, however, until the occurrence of another event (e.g., death or Separation from Service) that entitles the individual to receive a distribution.

2.5 **Adoption by Affiliates**. An employee of an Affiliate may not become a Participant in the Plan unless the Affiliate has previously adopted the Plan. An Affiliate of the Company may adopt the Plan only with the approval of the Company. By adopting the Plan, the Affiliate shall be deemed to have agreed to assume the obligations and liabilities imposed upon it by the Plan, agreed to comply with all of the other terms and provisions of the Plan, delegated to the Plan Administrator the power and responsibility to administer the Plan with respect to the Affiliate's employees, and delegated to the Company the full power to amend or terminate the Plan with respect to the Affiliate's employees. Notwithstanding the foregoing, an Affiliate that has previously adopted the Plan may terminate its participation in the Plan in accordance with such rules and procedures that are promulgated by the Company.

ARTICLE III
DETERMINATION OF BENEFIT

3.1 **General**. Benefit amounts payable under the Plan shall be determined pursuant to Section 3.2 and, if applicable, adjusted pursuant to Section 3.4. Such determinations shall be made by reference to (a) the benefit amounts that would be payable to the Participant under SRP if MIP Awards were taken into account in determining the Participant's benefits thereunder and without regard to the applicable limitations under Sections 401(a)(17) and 415 of the Code and (b) the monthly benefit amounts actually payable to the Participant under the terms of SRP. Notwithstanding the foregoing, Participants shall not receive any additional benefit accruals pursuant to Article III for any period on or after January 1, 2020.

3.2 **Amount of Benefit Payable to Participant**. The monthly benefit payable to the Participant by the Plan shall be equal to the sum of the Participant's "Traditional Benefit" and "PEP Benefit" amounts (both as defined below), if any, determined under subsections (a) and (b) below as of the Participant's Benefit Determination Date:

(a) **"Traditional Benefit"**. Any benefit payable to the Participant by the Plan under the "traditional benefit" provisions under Part C of SRP, as it may be amended from time to time, shall be determined as follows:

(1) **Step One**. The Plan Administrator shall determine the benefit that would be payable to the Participant pursuant to SRP if MIP Awards were taken into account for the plan years used in determining the Participant's final average salary in accordance with the terms

of Part C of SRP and without regard to the applicable limitations under Sections 401(a)(17) and 415 of the Code.

(2) **Step Two**. The Plan Administrator shall determine the benefit that would be payable to the Participant pursuant to SRP by determining the Participant's final average salary in accordance with the terms of Part C of SRP and subject to the applicable limitations under Sections 401(a)(17) and 415 of the Code.

(3) **Step Three**. The amount determined pursuant to paragraph (2) above shall be subtracted from the amount determined pursuant to paragraph (1) above to determine the benefit payable to the Participant pursuant to this Section 3.2(a) of the Plan (herein referred to as a Participant's "Traditional Benefit").

(b) **"PEP Benefit"**. Any benefit payable by the Plan to the Participant under the "pension equity formula" provisions under Part E of SRP, as it may be amended from time to time, shall be determined as follows:

(1) **Step One**. The Plan Administrator shall determine the single sum amount that would be payable to the Participant pursuant to SRP if MIP Awards were taken into account for the plan years used in determining the Participant's final average salary in accordance with the terms of Part E of SRP and without regard to the applicable limitations under Sections 401 (a)(17) and 415 of the Code.

(2) **Step Two**. The Plan Administrator shall determine the single sum amount that is payable to the Participant pursuant to SRP by determining the Participant's final average salary in accordance with the terms of Part E of SRP and subject to the applicable limitations under Sections 401(a)(17) and 415 of the Code.

(3) **Step Three**. The amount determined pursuant to paragraph (2) above shall be subtracted from the amount determined pursuant to paragraph (1) above to determine the single sum amount payable to the Participant pursuant to this Section 3.2(b) of the Plan (herein referred to as a Participant's "PEP Benefit").

(c) **Timing of MIP Awards**. For purposes of Section 3.2(a)(1) and Section 3.2(b)(1) above, not more than three MIP Awards paid during any thirty-six consecutive month period shall be considered for such period when determining the benefit that would be payable to the Participant pursuant to SRP if MIP Awards were taken into account. The Plan Administrator shall adopt uniform and nondiscriminatory procedures for determining which MIP Award(s) will be disregarded if more than three MIP Awards are paid in a thirty-six consecutive month period.

(d) **Caterpillar Transfers.** Notwithstanding anything herein to the contrary, with respect to a Participant who at any time during his participation in the Plan is transferred to Caterpillar Inc. or one of its affiliates in an equivalent salary grade or higher, as determined by the Plan Administrator in it sole discretion, any Caterpillar STIP Award paid to such Participant shall be treated as a MIP Award for determining the monthly benefit payable pursuant to Section 3.2 and for any other applicable provision of the Plan.

3.3 **Survivor Benefits**. In the event a Participant dies after becoming vested under the Plan pursuant to Section 4.1 but prior to commencing his benefits under the Plan pursuant to Article V, a survivor benefit shall be payable as follows:

(a) **Traditional Benefit**. With respect to a Participant's Traditional Benefit, if any, determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4), the Participant's surviving spouse, if any, shall be entitled to a monthly survivor benefit payable during the spouse's lifetime and terminating with the payment for the month in which such spouse's death occurs. The monthly benefit payable to the surviving spouse shall be the portion of the amount determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) as of the Participant's Benefit Determination Date that the surviving spouse would have been entitled to receive under this Plan if the Participant had separated from service on the date of his death, commenced benefits in accordance with Article V in the form of a 60% (55% in the case of a Participant in benefit class code B as of the date the Participant first commenced participation under this Plan) joint and survivor annuity (as determined in accordance with the applicable assumptions in effect under SRP as of the date the Participant first commenced participation under this Plan), and then died immediately thereafter. A surviving spouse who was not married to the deceased Participant for at least one year at the date of death shall not be eligible for the monthly survivor benefit pursuant to this Section 3.3.

(b) **PEP Benefit**. With respect to a Participant's PEP Benefit, if any, determined under Section 3.2(b), such benefit shall be paid to the Participant's Beneficiary in a single sum amount as soon as administratively feasible after the Benefit Determination Date.

3.4 **Early Retirement Reductions**. Any benefits determined pursuant to this Article III shall be subject to the same reductions for early retirement as applicable under SRP.

3.5 **Future Adjustments**. Any benefit amounts payable under this Plan may be adjusted to take into account future amendments to SRP and increases in retirement income that are granted under SRP due to cost-of-living increases. Any benefit amounts payable under this Plan shall be adjusted to take into account future factors and adjustments made by the Secretary of the Treasury (in regulations or otherwise) to the limitations under Sections 401(a)(17) and 415 of the Code.

ARTICLE IV
VESTING

4.1 **Vesting**. Subject to Section 8.1, each Participant shall be vested in his or her benefit, if any, that becomes payable under Article V of the Plan to the same extent that the Participant is vested in his or her benefit accrued under SRP.

ARTICLE V
PAYMENT OF BENEFIT

5.1 **Payments on or After Effective Date But Prior to January 1, 2009**. In accordance with the transitional guidance issued by the Internal Revenue Service and the Department of Treasury in Section 3 of IRS Notice 2007-86, any payment of benefits to a Participant or his Beneficiary commencing on or after the Effective Date but prior to January 1, 2009 shall be made pursuant to the Participant's applicable payment election or the applicable pre-retirement survivor provisions under SRP.

5.2 **Payments on or After January 1, 2009**. Any payment of benefits to a Participant commencing on or after January 1, 2009 shall be determined in accordance with this Section 5.2.

(a) **Limitation on Right to Receive Distribution**. A Participant shall not be entitled to receive a distribution prior to the first to occur of the following events:

(1) The Participant's Separation from Service, or in the case of a Participant who is a Specified Employee, the date which is six months after the Participant's Separation from Service;

(2) The date the Participant becomes Disabled;

(3) The Participant's death;

(4) A specified time (or pursuant to a fixed schedule) specified at the date of deferral of compensation;

(5) An Unforeseeable Emergency; or

(6) To the extent provided by the Secretary of the Treasury, a change in the ownership or effective control of the Company or an Adopting Affiliate or in the ownership of a substantial portion of the assets of the Company or an Adopting Affiliate.

This Section 5.2(a) restates the restrictions on distributions set forth in Section 409A of the Code and is intended to impose restrictions on distributions pursuant to the Plan accordingly. This Section 5.2(a) does not describe the instances in which distributions will be made. Rather, distributions will be made only if and when permitted both by this Section 5.2(a) and another provision of the Plan.

(b) **General Right to Receive Distribution**. Following a Participant's termination of employment or death, the Participant's benefit amounts will be paid to the Participant in the manner and at the time provided in Sections 5.2(c) and 5.2(d), as applicable. A transfer of a Participant from the Company or any Affiliate to any other Affiliate or the Company shall not be deemed to be a termination of employment for purposes of this Section 5.2(b).

(c) **Form of Payment**.

(1) **Traditional Benefit**. Any monthly benefit payable to a Participant under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) shall be paid in the form of annuity payments as follows:

(i) **Unmarried Participants**. The benefits of an unmarried Participant shall be paid in the form of a single life annuity for the Participant's life. No payments shall be made after the Participant dies. Notwithstanding the foregoing, in accordance with uniform rules and procedures as may be adopted by the Plan Administrator from time to time, an unmarried Participant may elect, in lieu of a single life annuity, to have his or her benefits paid in any actuarially equivalent form of annuity permitted under SRP.

(ii) **Married Participants**. Subject to Section 3.3, the benefits of a married Participant shall be paid in the form of a joint and survivor annuity in a monthly benefit for the Participant's life and then, if the Participant's spouse is still alive, a benefit equal to 60% (55% in the case of a Participant in benefit class code B as of the date the Participant first commenced participation under this Plan) of the Participant's monthly benefit is paid to the spouse for the remainder of his or her life (as determined in accordance with the applicable assumptions in effect under SRP as of the date the Participant first commenced participation under this Plan). If the Participant's spouse is not alive when the Participant dies, no further payments shall be made. Notwithstanding the foregoing, in accordance with uniform rules and procedures as may be adopted by the Plan Administrator from time to time, a married Participant may, with the written consent of the Participant's spouse, elect to waive the joint and survivor annuity of this subparagraph (ii) and instead elect a single life annuity or any actuarially equivalent form of annuity permitted under SRP.

In addition, if the Participant's Benefit Payment Date, as described in clauses (i) or (ii) of Section 5.2(d)(1), is delayed pursuant to the last sentence of Section 5.2(d)(1), then any monthly benefit amounts that would have been paid if not for such last sentence will be credited with interest at five percent (5%) per annum through the Participant's Benefit Payment Date. Such delayed monthly benefit amounts and interest shall be paid in a single sum amount as soon as administratively feasible after such Benefit Payment Date.

(2) **PEP Benefit**. Any benefit payable to a Participant determined under Section 3.2(b) shall be paid in a single sum amount. In addition, if the Participant's Benefit Payment Date, as described in Section 5.2(d)(2), is delayed pursuant to the first sentence of Section 5.2(d)(2), then any single sum amount that would have been paid if not for such first sentence will be credited with interest at five percent (5%) per annum through the Participant's Benefit Payment Date. Such interest shall be paid in a single sum amount as soon as administratively feasible after such Benefit Payment Date.

(d) Timing of Payment.

(1) **Traditional Benefit.** Except as provided below, any benefit determined under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) that becomes payable to the Participant following Separation from Service shall commence on the first day of the month following the earliest of the following:

(i) the Participant's attainment of age 65 or, if later, the Participant's fifth anniversary of the date he or she commenced participation under SRP; or

(ii) the Participant's attainment of age 55 after completing at least 10 years of credited service.

For purposes of (ii) above, the Plan Administrator shall determine the Participant's "years of credited service" by reference to the applicable terms under SRP in existence as of the date the Participant first commenced participation under this Plan.

Notwithstanding the foregoing provisions of this Section 5.2(d)(1), in no event shall any benefit payable to a Participant under Section 3.2(a) (and, if applicable, adjusted under Section 3.4) commence earlier than the first day of the month coincident with or next following a date that is at least six months after the Participant's Separation from Service, except in the event of the Participant's death, in which case any benefit payable to the Participant's Beneficiary shall commence as of the applicable date specified in Section 3.3(a).

For avoidance of doubt, and notwithstanding any provision of the Plan to the contrary, no payments will be made by the Plan to any Participant who terminates his or her employment with the Company prior to satisfying the requirements under subparagraphs (i) or (ii) above.

(2) **PEP Benefit.** Subject to the last paragraph of Section 5.2(d)(1), any benefit determined under Section 3.2(b) that becomes payable to the Participant following Separation from Service shall be paid on the first day of the month that is at least six months after the Participant's Separation from Service. Notwithstanding the foregoing, in the event of the Participant's death, any benefit payable to the Participant's Beneficiary will be paid as soon as administratively feasible after the date of the Participant's death.

5.3 **Withholding**. All distributions will be subject to all applicable tax and withholding requirements.

5.4 **Ban on Acceleration of Benefits**. Neither the time nor the schedule of any payment under the Plan may be accelerated except as permitted in regulations or other guidance issued by the Internal Revenue Service or the Department of the Treasury and as incorporated herein.

ARTICLE VI
ADMINISTRATION OF THE PLAN

6.1 **General Powers and Duties**. The following list of powers and duties is not intended to be exhaustive, and the Plan Administrator shall, in addition, exercise such other powers and perform such other duties as he may deem advisable in the administration of the Plan, unless such powers or duties are expressly assigned to another pursuant to the provisions of the Plan.

(a) **General**. The Plan Administrator shall perform the duties and exercise the powers and discretion given to it in the Plan document and by applicable law and its decisions and actions shall be final and conclusive as to all persons affected thereby. The Company and the Adopting Affiliates shall furnish the Plan Administrator with all data and information that the it may reasonably require in order to perform its functions. The Plan Administrator may rely without question upon any such data or information.

(b) **Disputes**. Any and all disputes that may arise involving Participants or beneficiaries shall be referred to the Plan Administrator and its decision shall be final. Furthermore, if any question arises as to the meaning, interpretation or application of any provisions of the Plan, the decision of the Plan Administrator shall be final.

(c) **Agents**. The Plan Administrator may engage agents, including recordkeepers, to assist it and it may engage legal counsel who may be counsel for the Company. The Plan Administrator shall not be responsible for any action taken or omitted to be taken on the advice of such counsel, including written opinions or certificates of any agent, counsel, actuary or physician.

(d) **Insurance**. The Company may purchase liability insurance to cover its activities as the Plan Administrator.

(e) **Allocations**. The Plan Administrator is given specific authority to allocate responsibilities to others and to revoke such allocations. When the Plan Administrator has allocated authority pursuant to this paragraph, the Plan Administrator is not to be liable for the acts or omissions of the party to whom such responsibility has been allocated.

(f) **Records**. The Plan Administrator shall supervise the establishment and maintenance of records by its agents, the Company and each Adopting Affiliate containing all relevant data pertaining to any person affected hereby and his or her rights under the Plan.

(g) **Interpretations**. The Plan Administrator, in its sole discretion, shall interpret and construe the provisions of the Plan (and any underlying documents or policies).

(h) **Electronic Administration**. The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

(i) **Delegation**. The Plan Administrator may delegate its authority hereunder, in whole or in part, in its sole and absolute discretion.

6.2 **Claims Procedures**. Benefit claims under the Plan shall be resolved in accordance with Code Section 409A and uniform and nondiscriminatory procedures adopted by the Plan Administrator in accordance with Section 503 of ERISA.

ARTICLE VII
AMENDMENT

7.1 **Amendment**. Subject to the provisions of this Article VII, the Company and the Company's parent, Caterpillar Inc., each may amend the Plan at any time as designated by a written instrument duly adopted on behalf of the Company or Caterpillar Inc., as applicable.

7.2 **Effect of Amendment**. Any amendment of the Plan shall not directly or indirectly reduce the benefits previously accrued by the Participant.

7.3 **Termination**. The Company and the Company's parent, Caterpillar Inc., each expressly reserve the right to terminate the Plan. In the event of termination, the Company or Caterpillar Inc., as applicable, shall specify whether termination will change the time at which distributions are made; provided that any acceleration of a distribution is consistent with Section 409A of the Code. In the absence of such specification, the timing of distributions shall be unaffected by termination.

ARTICLE VIII
GENERAL PROVISIONS

8.1 **Participant's Rights Unsecured**. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her Beneficiary to receive benefits hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his Beneficiary shall have any rights in or against any specific assets of the Company. All amounts accrued by Participants hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a "Rabbi Trust," but the assets in the Rabbi Trust must be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

8.2 **No Guaranty of Benefits**. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

8.3 **No Enlargement of Employee Rights**. No Participant shall have any right to receive a distribution from the Plan except in accordance with the terms of the Plan. Participation in the Plan shall not be construed to give any Participant the right to be retained in the service of the Company or an Adopting Affiliate.

8.4 **Section 409A Compliance**. The Company intends that the Plan meet the requirements of Section 409A of the Code and the guidance issued thereunder. The Plan shall be administered, construed and interpreted in a manner consistent with that intention.

8.5 **Spendthrift Provision**. No interest of any person or entity in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor shall any such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims in bankruptcy proceedings. This Section shall not preclude arrangements for the withholding of taxes from deferrals, credits, or benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation).

8.6 **Domestic Relations Orders**. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, the amounts payable pursuant to the Plan may be assigned or alienated pursuant to a "Domestic Relations Order" (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan Administrator from time to time.

8.7 **Incapacity of Recipient**. If the Plan Administrator is served with a court order holding that a person entitled to a distribution under the Plan is incapable of personally receiving and giving a valid receipt for such distribution, the Plan Administrator shall postpone payment until such time as a claim therefore shall have been made by a duly appointed guardian or other legal representative of such person. The Plan Administrator is under no obligation to inquire or investigate as to the competency of any person entitled to a distribution. Any payment to an appointed guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefor.

8.8 **Successors**. The Plan shall be binding upon the successors and assigns of the Company and upon the heirs, beneficiaries and personal representatives of the individuals who become Participants hereunder.

8.9 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Company, nor any individual acting as the Plan Administrator's, or the Company's employee, agent, or representative shall be liable to any Participant, former Participant, Beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.10 Overpayments. If it is determined that the benefits under the Plan should not have been paid or should have been paid in a lesser amount, written notice thereof shall be given to the recipient of such benefits (or his legal representative) and he shall repay the amount of overpayment to the Company. If he fails to repay such amount of overpayment promptly, the Company shall arrange to recover for the Plan the amount of the overpayment by making an appropriate deduction or deductions from any future benefit payment or payments payable to that person (or his survivor or beneficiary) under the Plan or from any other benefit plan of the Company.

8.11 Plan Freeze. As a result of the freeze of SRP, benefit accruals will be frozen under the Plan. This Section 8.11 provides clarification regarding the freeze of the Plan. Effective January 1, 2020, benefit accruals under the Plan shall cease for all Participants. No Participants shall accrue any benefits under the Plan for any period of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive credited service for any period of employment on or after such date for purposes of determining his or her vesting under Section 4.1 and his or her eligibility to commence benefits under Section 5.2(d).

8.12 Special Rules of Participants With Same-Sex Domestic Partners

(a) Generally. Effective January 1, 2013, except as specified under this Section 8.12 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "Beneficiary", "survivor", or "surviving spouse" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) Definition of "Same-Sex Domestic Partner". For purposes of this Section 8.12, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) **Exceptions**.

(1) **Determination of Status as a "married Participant"**. For purposes of Section 5.2(c)(1), a Participant shall be considered a "married Participant" only if the Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996. For avoidance of doubt, a "Participant" with a same-sex domestic partner is considered to be an "unmarried Participant" and is not required to obtain the same-sex domestic partner's consent for the election of any form of payment provided under the Plan, and the normal form of benefit for purposes of Section 5.2(c)(1) for any such Participant shall be a single life annuity for the Participant's life.

(2) **Determination of Unforeseeable Emergency**. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 shall be considered a "spouse" for purposes of applying the definition of "Unforeseeable Emergency" in Section 1.1(t).

(3) **Domestic Relations Orders**. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another "alternate payee" (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant's interests hereunder pursuant to Section 8.6.

EXHIBIT 10.14

Solar Turbines Incorporated Pension Plan
For
European Foreign Service Employees

(Amended and Restated as of December 13, 2012)

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PREAMBLE

The Solar Turbines Incorporated Pension Plan for European Foreign Service Employees (the "Plan") was established as of January 1, 1987. The Plan has been and is intended to be an unfunded plan maintained primarily to provide retirement benefits for a select group of management employees or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, and Department of Labor Regulations 29 C.F.R. §2520.104-23, and shall be so construed.

Effective June 1, 2011, participation in the Plan is frozen. Any individual who was not a Participant in the Plan on or before May 31, 2011 is not eligible to become a participant in the Plan after such date.

Effective January 1, 2020, benefit accruals under the Plan shall cease for all Participants. No one shall accrue any benefits under the Plan for any period of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive service credit for any period of employment on or after such date for purposes of determining the Participant's vesting and eligibility to commence benefits under the Plan.

This amended and restated Plan is effective as of the dates stated herein.

ARTICLE I
DEFINITIONS

1.1 "Accrued Benefit" or "Accrued Retirement Benefit" means, as of any date, the Retirement Benefit computed in accordance with Article IV, based on the Participant's Pensionable Earnings on such date, and assuming termination occurred on the Normal Retirement Date, multiplied by a fraction. The numerator of the fraction shall be the Participant's actual years of Credited Service and the denominator shall be the years of Credited Service he would have completed if he had continued in employment until his Normal Retirement Date.

1.2 "Actuarial Equivalent" means the value of the Retirement Benefit otherwise payable to a Participant determined in accordance with the actuarial equivalent factors selected by the Company and in effect at the time the computation is made.

1.3 "Annuity Commencement Date" means the first day of the month in which a Participant's Retirement Benefit is due to commence pursuant to the provisions of the Plan.

1.4 "Associate Employer" means Caterpillar Inc. its subsidiaries and divisions, excluding Solar Turbines Incorporated, its subsidiaries and divisions.

1.5 "Beneficiary" means the person designated in writing by a Participant to receive any death benefit payments hereunder.

1.6 "Code" means the U.S. Internal Revenue Code of 1986, as amended.

1.7 "Company" means Solar Turbines Incorporated and all of its subsidiaries and divisions.

1.8 "Compensation" means the amount of base salary paid to a Participant in a month during which he is an EFSE and a Participant under the provisions of this Plan; subject to the following:

For Participants who are eligible for the Company's Target Total Cash Compensation under plans in effect on and after January 1, 1985, Compensation will include a Participant's job rate, performance incentive, merit alternative if applicable, bookings, margin and/or revenue incentives. However, the cumulative total of bookings, margin and/or revenue incentives earned for the includable period cannot exceed the cumulative total of the related bookings, margin or revenue incentive target amount for the same period.

Payments for bonus, premiums, living allowance, differentials or any other additional compensation will not be included.

1.9 "Converted Pension" means the retirement benefit due a Participant or Beneficiary and converted into a currency other than U.S. Dollars. A "Converted Pension" election can be exercised only at the time a benefit is due from the Plan and must be approved by the Company. Once a "Converted Pension" payment is selected and approved it is irrevocable.

1.10 "Credited Service" means all full years and full months of continuous service, not to exceed 35 years, with the Company while an EFSE and a Participant under the provisions of this Plan. Time spent on an approved paid leave of absence shall be considered as continuous service for purposes of this Plan, provided the leave is ended by return to work, retirement, death or disability.

Time spent on approved unpaid leave of absence in excess of 30 days for other than total disability, shall be deducted from continuous service. A Participant who fails to return to work from an approved leave of absence shall be considered as having terminated his employment on the last day that he was at work.

Once an employee is designated as an EFSE, all prior credited service under a Company Sponsored Pension Plan shall be considered Credited Service for the purpose of accruing benefits under this Plan. However, for Employees who are designated as EFSEs on or after July 1, 1999, Credited Service shall only include continuous service while an EFSE.

Notwithstanding the foregoing, Participants shall not receive Credited Service for benefit accrual purposes for any periods of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive Credited Service for any period of service on or after January 1, 2020 for purposes of determining the Participant's vesting and eligibility to commence benefits under the Plan.

1.11 "Disability" means total and permanent disability of a Participant due to bodily or mental injury, sickness or disease, which prevents him from engaging in any employment or occupation for remuneration or profit for more than six months. Such total disability chart be determined on the basis of a medical examination by a qualified physician selected by the Company.

The definition of Disability shall not include illness or injury resulting from:

(A) chronic alcoholism; or

(B) addiction to narcotics; or

(C) injury suffered while engaged in a felonious or criminal act or enterprise; or

(D) service in the armed forces; or

(E) participation in war or act of war.

1.12 "European Foreign Service Employee (EFSE)" means an employee designated as such by the Company.

1.13 "Married Participant" means a Participant who is lawfully married on the date Retirement Benefits become payable pursuant to Articles IV, V or VI.

1.14 "Participant" means an Employee designated pursuant to Article II and who continues to be entitled to any benefits under the Plan.

1.15 "Pensionable Earnings" means the average Compensation which has been paid to a Participant on account of continuous service during those 36 consecutive months of EFSE employment, included within the last 60 full months of his EFSE employment prior to Normal Retirement (or actual period of employment, if less) for which he received his highest compensation during such periods.

A Participant who has ten (10) years or more of continuous service and who is over fifty-five (55) years of age, is transferred prior to retirement to a part-time status without interruption of continuity of service, his Pensionable Earnings shall be determined by the Company as if such employee has retired when placed on a part-time status.

Notwithstanding the foregoing, Pensionable Earnings shall not include Compensation earned or paid on or after January 1, 2020.

1.16 "Plan" means the Solar Turbines Incorporated Pension Plan for European Foreign Service Employees as herein set forth and as it may thereafter be amended from time to time.

1.17 "Plan Year" means the 12 month period beginning January 1.

1.18 "Social Security Benefit" means all benefits (including the actuarial equivalent of lump sum benefits expressed as a lifetime pension) available to the Participant as of his Normal Retirement Date under the provisions of governmental, provincial or state Social Security Act(s). If a Participant terminates his employment before Normal Retirement, his Social Security Benefit will be estimated by assuming: a) that he will receive no further earnings if he then satisfies the requirements for Early Retirement or Disability Retirement under Article III; or b) that his earnings will continue at the same rate as in effect on the date of termination of employment if he does not then satisfy the requirements for Early Retirement or Disability Retirement under Article III.

The Company may adopt rules governing the computation of such amounts, and the fact that the Participant does not actually receive such amounts because or failure to apply, or continuance or work, or for any other reason, shall be disregarded.

1.19 "Retirement Benefit" means the benefits provided to Participants and their Beneficiaries in accordance with the applicable provisions of Articles IV, V and VI. The Retirement Benefit will be computed in U.S. Dollars and is normally paid in U.S. Dollars.

1.20 "Vested Percentage" means a Participant's right to an Accrued Benefit pursuant to Article X.

ARTICLE II
ELIGIBILITY

2.1 Eligibility. Each employee designated as an European Foreign Service Employee (EFSE) who commenced employment with the Company on or before January 1, 1987, became a Participant on January 1, 1987. Other employees become Participants coincident with or on the first day of the month next following their designation as an EFSE by the Company.

2.2 Participation Frozen. Effective June 1, 2011, participation in the Plan is frozen. Any individual who was not a Participant in the Plan on or before May 31, 2011 is not eligible to become a Participant in the Plan after such date. Any Participant whose employment terminates on or after June 1, 2011, shall not be eligible to resume participation in the Plan if subsequently reemployed by the Company or an Associate Employer. Similarly any Participant who ceases to be an European Foreign Service Employee on or after June 1, 2011, shall not be eligible to resume participation in the Plan if on or after June 1, 2011, such individual is re-designated as an European Foreign Service employee by the Company.

ARTICLE III
RETIREMENT DATES

3.1 Normal Retirement Date. A Participant's Normal Retirement Date shall be the first day of the month coinciding with or next following his 65th birthday. A Participant whose employment is terminated on his Normal Retirement Date shall be considered to have retired and shall receive a Normal Retirement Benefit in accordance with Article IV.

3.2 Early Retirement Date. Each Participant whose employment is terminated prior to his Normal Retirement Date, but after he has attained age 55 and completed at least 10 years of Credited Service, may elect to retire with the approval of the Company. Such Participant's Early Retirement Date shall be the first day of the month next following the month in which such termination of employment occurs. Early Retirement benefits will be determined in accordance with Article IV.

3.3 Late Retirement Date. Each Participant may continue his service with the Company after the Normal Retirement Date with the approval of the Company. No payment of any benefit shall be made to such Participant until his actual retirement. The Participant will not earn any Credited Service after the Normal Retirement Date, and will be paid in accordance with Article IV.

3.4 Disability Retirement Date. A Participant whose employment is terminated prior to his Normal Retirement Date by reason of a Disability, as defined in Section 1.11, shall be eligible for Disability Retirement and shall receive a benefit in accordance with Article V.

ARTICLE IV
BENEFITS

4.1 Normal Retirement. A Participant retiring on his Normal Retirement Date shall be entitled, commencing on such date, to receive a monthly Retirement Benefit for life computed in accordance with the provisions of Section 4.5.

4.2 Early Retirement. A Participant retiring on his Early Retirement Date shall be entitled to receive a deferred Retirement Benefit, commencing on his Normal Retirement Date, equal to 100% of his Accrued Benefit. A reduced Retirement Benefit can be elected prior to the Normal Retirement Date, equal to 100% of the Accrued Benefit, but reduced by 1/240th for each month that the date of commencement precedes the Participant's Normal Retirement Date.

4.3 Late Retirement. A Participant retiring on his Late Retirement Date shall be entitled, commencing on such date, to receive a monthly Retirement Benefit for life. Such Late Retirement Benefit will be determined as the Actuarial Equivalent of the Normal Retirement benefit computed as of the Participant's Normal Retirement Date.

4.4 Vested Benefits. A Participant who has terminated employment after the Effective Date with a Vested Percentage, shall be entitled to receive a deferred monthly benefit commencing on his Normal Retirement Date equal to his Accrued Benefit. Alternatively, a reduced monthly benefit can be elected to commence after attainment of age 55, computed in accordance with Section 4.2.

4.5 Form of Normal Retirement Benefit. Subject to Article VIII, the primary form of Retirement Benefit payable to a Participant shall be a monthly annuity payable to the Participant for life, equal to (A) minus the aggregate of (B), (C), and (D). In no event, however, shall the monthly annuity amount calculated pursuant to this Section 4.5 exceed the amount set forth in (E).

(A) .0175 times Credited Service times Pensionable Earnings.

(B) 100% of the monthly benefits for old age pension to which the Participant is entitled as a result of service with the Company and which the Participant can collect (or has collected or could collect by proper application) under any compulsory program, i.e. Social Security Benefits, a compulsory benefit payable as a result of union or collective bargaining agreements, and governmental decrees or directives having the force of law. For purposes of this Article IV, such offsets shall exclude benefits payable to the spouse (or other family members) which are attributable to the Participant's service with the Company, and for which the Company did not make additional contributions.

Normal Retirement Benefits shall be determined assuming the Participant is eligible to receive Social Security Benefits. If the Participant is not eligible for Social Security Benefits, or receives Social Security Benefits in a lesser amount than determined under the Plan, it is the Participant's responsibility to provide proof either of ineligibility or the amount of the actual Social Security Benefit received. Proof must be submitted within 60 days following the date of retirement.

(C) 100% of the monthly benefits for old age pension (based on a straight life annuity) which the Participant is entitled to under any formal or informal private benefit plan established by the Company or Associate Company in any country for the same period of service, except to the extent that if the Participant was required to contribute to the program, only 50% of such benefits will be considered. Notwithstanding the preceding sentence, to the extent the Participant is entitled to a benefit from the Caterpillar Inc. Retirement Income Plan ("RIP") for a period of service during which the Participant also accrued a benefit under the Plan, the benefit determined under RIP shall be excluded from the offset described in this paragraph (C).

(D) The actuarial equivalent of any lump sum termination indemnity as a lifetime monthly income multiplied by a fraction, the numerator of which is years of participation in this Plan and the denominator of which is the total years of service used to determine the indemnity benefit. For purposes of this Section 4.5(D), only lump sum termination indemnities which represent payment of the Participant's accrued pension liability shall be included.

(E) Notwithstanding anything provision of this Section to the contrary, the benefit payable hereunder shall be subject to the limitations on retirement income set forth in final Treasury Regulations issued under Section 415 of the Code and any other regulations, rulings or other administrative guidance issued pursuant thereto by the Internal Revenue Service, to the same extent as if such regulations, rulings and guidance applied to this Plan.

(F) Effective January 1, 2020, benefit accruals under the Plan shall cease for all Participants. No Participant shall accrue any benefits under the Plan for any period of employment on or after January 1, 2020.

ARTICLE V
DISABILITY PENSION

5.1 Disability Pension. In the event the Participant becomes disabled in accordance with Section 1.11 when he is an EFSE and a Participant under the provisions of this Plan, he shall be entitled to a pension calculated in accordance with Section 4.5 except that:

(A) Pensionable Earnings shall mean that annual compensation being paid to the Participant on the date disability commenced, and

(B) Credited Service shall be deemed to include the years and months between the date disability commenced and the Participant's Normal Retirement Date.

ARTICLE VI
PRERETIREMENT SURVIVOR'S BENEFITS

6.1 Spouse's and Orphan's Pension.

(A) If a Participant dies prior to his commencement of benefits hereunder and while such Participant is no longer an employee of the Company or Associate Employer, there shall be paid to his Spouse, a pension equal to 50% of the pension calculated in accordance with Section 4.4 except that the benefit shall be reduced by the applicable amount of the spouse's Social Security Benefit, and not the amount of the Participant's Social Security Benefit.

(B) If a Participant dies prior to his commencement of benefits hereunder and while such Participant is an employee of the Company or Associate Employer, there shall be paid to his Spouse, a pension equal to 50% of the pension calculated pursuant to Section 6.2.

(C) If a Participant dies prior to his commencement of benefits hereunder and while such Participant is an employee of the Company or Associate Employer, there shall be paid to each eligible child (as defined below), a pension equal to 10% of the amount determined in Section 6.2, such amount shall be doubled to 20% if the spouse of the Participant has predeceased the Participant. For purposes of this Article VI, an "eligible child" is a child of the Participant who is the natural, adopted, step-child or a child for whom the Participant has legal responsibility, who has not yet attained age 19, or age 25 if a full-time student.

(D) Any pension being paid to the spouse of a Participant pursuant to this Section 6.1 shall be paid for the spouse's lifetime, except that such pension shall cease in the event of remarriage of such spouse. Any pension being paid to the eligible child of a Participant pursuant to this Section 6.1 shall cease when such child is no longer an eligible child.

(E) Notwithstanding the foregoing or anything in this Article VI to the contrary, the total of all amounts paid pursuant to this Section 6.1 shall not exceed 100% of the benefit calculated in accordance with Section 6.2.

6.2 Benefit Calculation. For purposes of Section 6.1 above (excluding Section 6.1(A)), the pension amount shall be calculated in accordance with Section 4.5, except that:

(i) Pensionable Earnings shall mean the annual compensation being paid to the Participant on the date of death, and

(ii) Credited Service shall be deemed to include the years and months between the date of death and the Participant's Normal Retirement Date (had the Participant lived until his or her Normal Retirement Date).

For purposes of determining the spouse's and orphan's benefits described in Article VI, the benefit determined pursuant to this Section 6.2 shall be reduced by the applicable amount of the spouse's or orphan's Social Security Benefit, and not the amount of the Participant's Social Security Benefit.

6.3 Other Death Benefit. If a Participant dies prior to his Normal Retirement Date and while such Participant is an employee of the Company or Associate Employer and while such Participant is not married and has no eligible children (as defined in Section 6.1 above), there shall be paid a lump sum amount equal to two times the Participant's annual compensation to such Beneficiary or Beneficiaries, as the Participant may designate. Such lump sum death benefit shall be paid as soon as administratively practicable following the death of the Participant, but in no event more than 60 days following the date of the Participant's death.

ARTICLE VII
MAXIMUM BENEFITS

7.1 Maximum Benefits. The maximum pension from all. Company sources may never exceed 80% of the Pensionable Earnings. The factors to be considered in this limit are:

(i) The retirement benefit as calculated in Article IV, V or VI.

(ii) Other company sponsored plans.

(iii) Social Security as defined in Section 1.18.

(iv) Social benefits provided by the Company.

(v) The monthly equivalent, on an actuarial basis, of any termination indemnity.

7.2 Reemployment. If a retired Participant returns to the employ of the Company, his monthly Retirement Benefit shall cease for as long as he continues to be employed. During the period of reemployment, the Employee will participate in the Plan provided he meets the requirements of Section 2.1.

Upon subsequent retirement, the Participant shall be eligible to recommence a monthly Retirement Benefit attributable to his Accrued Benefit. However, the amount payable will be recomputed taking into account such Compensation and Credited Years of Service as allowed under Article IV, but only to the extent the Participant was an EFSE during the period of reemployment. Credited Years of Service shall not include service during the period of retirement prior to reemployment.

Such recomputed Retirement Benefit shall be reduced by the Actuarial Equivalent of the value, at the Participant's subsequent retirement date, of the Accrued Benefit payments previously received. In no event shall the recomputed Retirement Benefit, after such Actuarial Equivalent reduction, be less than the Retirement Benefit to which the Participant was entitled prior to his date of reemployment.

7.3 No Participant shall be entitled to receive benefits under this Plan unless he meets the requirements of the Company regarding required participation in the various Government pension plans in the Participant's home country and/or country of assignment, the contributions to such plans are paid directly or indirectly by the Company.

ARTICLE VIII
MODES OF BENEFIT PAYMENT

8.1 Retirement Benefit. Subject to the other provisions of this Article, a Participant may elect to have the Retirement Benefits paid under any of the optional forms of payment described in Section 8.2.

8.2 Optional Modes of Payment. A Participant may elect to receive Retirement Benefits under any one of the following options:

(A) Joint and Survivor Annuity:

A reduced rate of Retirement Benefit during his lifetime, with income at 50%, 75% or 100%, whichever the Participant elects, of that reduced rate continuing to his Beneficiary. The Joint and Survivor Annuity will be the Actuarial Equivalent of the Retirement Benefit provided under Article IV or V.

(B) Years Certain and Life Annuity:

A Retirement Benefit which is the Actuarial Equivalent of the Retirement Benefit provided under Section 4.5, payable for his lifetime, but guaranteed for a period of ten (10) or twenty (20) years, whichever the Participant elects.

If the Participant dies before expiration of the guaranteed period, the remaining certain payments shall continue to his Beneficiary, or in the absence of a surviving Beneficiary, the commuted value of such payments shall be paid to the Participant's estate.

If the Beneficiary dies while further payments are due, and after having received at least one (1) payment, such further payments shall be made to any person designated by the Participant as an alternate Beneficiary. In the absence of an alternate surviving Beneficiary, the commuted value of such payments shall be paid to the estate of the last surviving Beneficiary.

(C) Lump Sum:

A Participant shall have the option to elect to have the actuarial equivalent of his Accrued Benefit paid to him in a lump sum.

Such lump sum payment shall satisfy the liability of the Company in full, such that if the Participant were to be subsequently reemployed by the Company, he would be treated, for purposes of determining his Credited Years of Service, as a new Employee.

8.3 Election of Other Options. The following rules and requirements must be met in order for any of the options described in Section 8.2 to be effective:

(A) The election must be made on an appropriate form no later than ninety (90) days prior to the Participant's Normal Retirement Date or earlier date of actual retirement.

(B) The effective date of the option shall be the Participant's Normal Retirement Date or earlier date of actual retirement which must be at least ninety (90) days after the date on which the election is made.

(C) The name of the Beneficiary and address and relationship to the Participant must be stated on the form unless a lump sum is elected. The percentage of the Retirement Benefit to the Participant to be continued to the Joint Annuitant after the Participant's death, as well as the Beneficiary's sex and date of birth, must also be stated on the election form. Proof of date of birth, acceptable to the Company, must be submitted within 90 days after the election is made.

(D) The consent of the Beneficiary shall not be required for the election of an option.

(E) The election of an option may be cancelled or modified, subject to the same conditions that apply to the election of an option. However, the conditions for the cancellation or modification of an option may be waived by the Company if, in its opinion, the waiver of such conditions would have no adverse actuarial effect. A Participant may not change the Contingent Annuitant under Section 8.2, paragraph (A), other than by modification of the option in accordance with the foregoing rules. The election of an option may not be cancelled or modified subsequent to the Annuity Commencement Date.

ARTICLE IX
DEATH BENEFITS

9.1 Pre-Retirement - A death benefit will be payable. This benefit will be in accordance with Article VI.

9.2 Post-Retirement - The benefit payable will be determined by the retirement benefit option selected by the participant at date of retirement.

ARTICLE X
VESTING

10.1 If a Participant's employment terminates for any reason other than Death or Disability, he shall have a non-forfeitable right to the Accrued Retirement Benefit according to the following schedule:

Years of Credited Service	Vested %
less than 5	0
5 or more	100

10.2 A Participant whose employment is terminated for any reason, other than Death, Disability, prior to the completion of 5 Years of Credited Service shall cease to be a Participant; his Accrued Retirement Benefit will be cancelled, and he shall not be entitled to any benefits under the Plan.

10.3 If the Company decides that a Participant is no longer eligible, the Participant's Accrued Benefit shall be frozen until he qualifies for a pension under any provision in Article III.

10.4 Should a Participant resign or be discharged before satisfaction of the requirements for a pension under Article III, no person shall have any vested claim to benefits under this Plan except as provided in Section 10.1. Should any Participant die after becoming eligible for retirement benefits under the Plan, no person shall have any claim to benefits under this Plan except as provided by the Participant through the selection of an optional annuity as prescribed by the Company.

10.5 Any Participant who leaves the employ of the Company and is subsequently reemployed shall be considered, for purposes of this Plan, as a new Employee from the date of his reemployment, unless otherwise determined by the Company.

10.6 For the calculation of credited service, all service as a European Foreign Service Employee or previously known as International Employees or European Employees shall be counted.

ARTICLE XI
CONTRIBUTIONS

11.1 Employer Contributions. For periods before the effective date of this amended and restated Plan, this Section is intended to clarify the Plan as in effect since it was established. Subject to Section 14.1, the Company will contribute to an insurance contract such amounts as it considers appropriate based on actuarial calculations to provide the benefits under this Plan. The Company is under no obligation to make any contributions under the Plan after the Plan is terminated, whether or not benefits accrued or vested prior to such date or termination have been fully funded.

ARTICLE XII
ADMINISTRATION OF THE PLAN

12.1 This Plan is administered by the Company.

The Company shall have the power and authority to interpret the provisions of this Plan and to devise and make effective from time to time such procedures as may, in its judgment, be advisable and necessary to carry out said provisions. Whenever, in the Company's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Company may direct payments to such person or to his legal representative for his benefit, or to apply the payment for the benefit of such person in such manner as the Company considers advisable. Determination by the Company as to the interpretation and application of this Plan shall be conclusive on all parties and its action shall not be subject to any review.

The Company reserves the right to carefully review the situation of each employee and if necessary, to modify the provisions of this Plan to adapt the underlying philosophy and objectives to a particular employee or employment situation.

Nothing contemplated herein shall be inconsistent with any applicable provisions of Code Section 409A.

ARTICLE XIII
AMENDMENT OR TERMINATION

13.1 Subject to the provisions of this Article XIII, the Company and the Company's parent, Caterpillar Inc., each may amend the Plan at any time as designated by a written instrument duly adopted on behalf of the Company or Caterpillar Inc., as applicable. However, no amendment or modification shall make it possible to deprive any Participant of a previous Accrued Vested Retirement Benefit.

No amendment which becomes effective subsequent to the most recent retirement or other termination of employment of a Participant, shall in any way affect the amount or conditions of payment of any benefit to which such Participant is, or may become, entitled hereunder, except to the extent expressly so provided in such amendment.

13.2 While the Company and the Company's parent, Caterpillar Inc., intend to continue the Plan indefinitely, nevertheless they assume no contractual obligation as to its continuance and the Company or Caterpillar Inc., each may terminate the Plan.

However, if for any unforeseen reason the Plan is terminated, the Participant retains the right to the Accrued Vested Retirement Benefit determined as of the date of termination.

ARTICLE XIV
GENERAL PROVISIONS

14.1 For periods before the effective date of this amended and restated Plan, this Section is intended to clarify the Plan as in effect since it was established. To the extent that the Company acquires or holds designated assets in connection with its obligation hereunder (including the insurance contract described in Section 11.1), the Plan at all times shall nonetheless be entirely unfunded, and the right of a Participant or his Beneficiary to receive benefits under the Plan shall be an unsecured claim against such assets. All amounts accrued by Participants hereunder, or designated assets acquired or held by the Company in connection with its obligation hereunder, shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. The Company will make contributions to an insurance contract pursuant to Section 11.1, but any assets thereof shall be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

14.2 This Plan shall not be deemed to constitute a contract between the Company and any Employee or other person whether or not in the employ of the Company, nor shall anything herein contained be deemed to give any Employee or other person, whether or not in the employ of the Company, any right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge any Employee at any time and to treat him without regard to the effect which such treatment might have upon him as Participant of the Plan.

14.3 Except as may otherwise be provided by law, no distribution or payment under the Plan to any Participant or Beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment, voluntarily or involuntarily.

The Company, in its discretion, may hold, or cause to be held or applied, such distribution or payment or any part thereof to or for the benefit of such Participant or Beneficiary, in such manner as the Company shall direct.

14.4 If the Company determines that any person entitled to payments under the Plan is an infant, or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for the benefit of the person entitled to payment, without responsibility to follow applications of amounts so paid.

14.5 Subject to Section 14.1, the insurance contract and other designated assets acquired and held by the Company in connection with its obligation hereunder shall be the sole source of benefits under this Plan, and each Employee, Participant, Beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the insurance contract and such assets for payment of benefits. The Company shall have no further liability to make or continue from its own funds the payment of any benefit under the Plan.

14.6 If it is determined that the benefits under the Plan should be have been paid or should have been paid in a lesser amount, written notice thereof shall be given to the recipient of such benefits (or his legal representative) and he shall repay the amount of overpayment to the Company. If he fails to repay such amount of overpayment promptly, the Company shall arrange to recover for the Plan the amount of the overpayment by making an appropriate deduction or deductions from any future benefit payment or payments payable to that person (or his survivor or beneficiary) under the Plan or from any other benefit plan of the Company.

14.7 Domestic Relations Orders. Notwithstanding any provision of the Plan to the contrary, and to the extent permitted by law, the amounts payable pursuant to the Plan may be assigned or alienated pursuant to a "Domestic Relations Order" (as such term is defined in Section 414(p)(1)(B) of the Code), subject to such uniform rules and procedures as may be adopted by the Plan administrator from time to time.

14.8 Special Rules for Participants With Same-Sex Domestic Partners.

(A) Generally. Effective January 1, 2013, except as specified under this Section 14.8 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "Beneficiary", "survivor", or "surviving spouse" (or any individual having a similar relationship to the Participant), the Plan administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (B) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(B) Definition of "Same-Sex Domestic Partner". For purposes of this Section 14.8, the term "same-sex domestic partner" means the sole, same-sex person who is in a marriage, civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(C) Domestic Relations Orders. Only a spouse recognized for purposes of federal law under the Defense of Marriage Act of 1996 or another "alternate payee" (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant's interests hereunder pursuant to Section 14.7.

EXHIBIT 11

CATERPILLAR INC.
AND ITS SUBSIDIARIES

COMPUTATIONS OF EARNINGS PER SHARE

FOR THE YEARS ENDED DECEMBER 31,

(Dollars in millions except per share data)

	2012	2011	2010
Profit for the period (A) [1]	**$ 5,681**	$ 4,928	$ 2,700
Determination of shares (in millions):			
Weighted average number of common shares outstanding (B)	**652.6**	645.0	631.5
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	**17.0**	21.1	18.9
Average common shares outstanding for fully diluted computation (C)	**669.6**	666.1	650.4
Profit per share of common stock:			
Assuming no dilution (A/B)	**$ 8.71**	$ 7.64	$ 4.28
Assuming full dilution (A/C)	**$ 8.48**	$ 7.40	$ 4.15
Shares outstanding as of December 31 (in millions)	**655.0**	647.5	638.8

(1) Profit attributable to common stockholders.

EXHIBIT 12

CATERPILLAR INC.
AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of dollars)

YEARS ENDED DECEMBER 31,

	2012	2011	2010	2009	2008
Earnings [1]	$ 8,236	$ 6,725	$ 3,750	$ 569	$ 4,501
Plus: Interest expense	1,264	1,222	1,257	1,434	1,427
One-third of rental expense [2]	158	143	120	127	133
Adjusted Earnings	9,658	8,090	5,127	2,130	6,061
Fixed charges:					
Interest expense [3]	1,264	1,222	1,257	1,434	1,427
Capitalized interest	26	18	26	25	27
One-third of rental expense [2]	158	143	120	127	133
Total fixed charges	$ 1,448	$ 1,383	$ 1,403	$ 1,586	$ 1,587
Ratio of earnings to fixed charges	6.7	5.8	3.7	1.3	3.8

(1) Consolidated profit before taxes
(2) Considered to be representative of interest factor in rental expense
(3) Does not include interest on income taxes and other non-third-party indebtedness

EXHIBIT 13

CATERPILLAR INC.
GENERAL AND FINANCIAL INFORMATION
2012

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Caterpillar Inc. (company) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on our assessment we concluded that, as of December 31, 2012, the company's internal control over financial reporting was effective based on those criteria.

Management has excluded ERA Mining Machinery Limited, including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd., commonly known as Siwei, from our assessment of internal control over financial reporting as of December 31, 2012 because we acquired Siwei in May 2012. Siwei is a wholly owned subsidiary of Caterpillar Inc. whose total assets and total sales and revenues represent approximately 1 percent and less than 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

The effectiveness of the company's internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report appears on page A-4.

/s/Douglas R. Oberhelman
Douglas R. Oberhelman
Chairman of the Board
and Chief Executive Officer

/s/Bradley M. Halverson
Bradley M. Halverson
Group President
and Chief Financial Officer

February 19, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Caterpillar Inc.:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of results of operations, comprehensive income, changes in stockholders' equity, and of cash flow, including pages A-5 through A-97, present fairly, in all material respects, the financial position of Caterpillar Inc. and its subsidiaries at December 31, 2012, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing on page A-3. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded ERA Mining Machinery Limited, including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd., commonly known as Siwei, from its assessment of internal control over financial reporting as of December 31, 2012 because Siwei was acquired by the Company in May 2012. We have also excluded Siwei from our audit of internal control over financial reporting. Siwei is a wholly owned subsidiary of Caterpillar Inc. whose total assets and total sales and revenues represent approximately 1 percent and less than 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

/s/PricewaterhouseCoopers LLP

Peoria, Illinois
February 19, 2013

STATEMENT 1 **Caterpillar Inc.**

Consolidated Results of Operations for the Years Ended December 31

(Dollars in millions except per share data)

	2012	2011	2010
Sales and revenues:			
Sales of Machinery and Power Systems	**$ 63,068**	$ 57,392	$ 39,867
Revenues of Financial Products	**2,807**	2,746	2,721
Total sales and revenues	**65,875**	60,138	42,588
Operating costs:			
Cost of goods sold	**47,055**	43,578	30,367
Selling, general and administrative expenses	**5,919**	5,203	4,248
Research and development expenses	**2,466**	2,297	1,905
Interest expense of Financial Products	**797**	826	914
Goodwill impairment charge	**580**	—	—
Other operating (income) expenses	**485**	1,081	1,191
Total operating costs	**57,302**	52,985	38,625
Operating profit	**8,573**	7,153	3,963
Interest expense excluding Financial Products	**467**	396	343
Other income (expense)	**130**	(32)	130
Consolidated profit before taxes	**8,236**	6,725	3,750
Provision (benefit) for income taxes	**2,528**	1,720	968
Profit of consolidated companies	**5,708**	5,005	2,782
Equity in profit (loss) of unconsolidated affiliated companies	**14**	(24)	(24)
Profit of consolidated and affiliated companies	**5,722**	4,981	2,758
Less: Profit (loss) attributable to noncontrolling interests	**41**	53	58
Profit [1]	**$ 5,681**	$ 4,928	$ 2,700
Profit per common share	**$ 8.71**	$ 7.64	$ 4.28
Profit per common share — diluted [2]	**$ 8.48**	$ 7.40	$ 4.15
Weighted-average common shares outstanding (millions)			
- Basic	**652.6**	645.0	631.5
- Diluted [2]	**669.6**	666.1	650.4
Cash dividends declared per common share	**$ 2.02**	$ 1.82	$ 1.74

1 Profit attributable to common stockholders.

2 Diluted by assumed exercise of stock-based compensation awards, using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

STATEMENT 2 **Caterpillar Inc.**

Consolidated Comprehensive Income for the Years Ended December 31

(Millions of dollars)

	2012	2011	2010
Profit of consolidated and affiliated companies	**$ 5,722**	$ 4,981	$ 2,758
Other comprehensive income (loss), net of tax:			
Foreign currency translation, net of tax (expense)/benefit of: 2012 - $9; 2011 - $3; 2010 - ($73)	**60**	(312)	(34)
Pension and other postretirement benefits:			
Current year actuarial gain (loss), net of tax (expense)/benefit of: 2012 - $372; 2011 - $1,276; 2010 - $214	**(731)**	(2,364)	(540)
Amortization of actuarial (gain) loss, net of tax (expense)/benefit of: 2012 - ($243); 2011 - ($221); 2010 - ($173)	**458**	412	310
Current year prior service credit (cost), net of tax (expense)/benefit of: 2012 - ($12); 2011 - ($51); 2010 - $3	**23**	95	(8)
Amortization of prior service (credit) cost, net of tax (expense)/benefit of: 2012 - $17; 2011 - $11; 2010 - $12	**(31)**	(21)	(17)
Amortization of transition (asset) obligation, net of tax (expense)/benefit of: 2012 - ($1); 2011 - ($1); 2010 - ($1)	**1**	1	1
Derivative financial instruments:			
Gains (losses) deferred, net of tax (expense)/benefit of: 2012 - $29; 2011 - $12; 2010 - $29	**(48)**	(21)	(50)
(Gains) losses reclassified to earnings, net of tax (expense)/benefit of: 2012 - ($10); 2011 - $21; 2010 - ($18)	**16**	(34)	35
Available-for-sale securities:			
Gains (losses) deferred, net of tax (expense)/benefit of: 2012 - ($13); 2011 - $2; 2010 - ($25)	**26**	(5)	37
(Gains) losses reclassified to earnings, net of tax (expense)/benefit of: 2012 - $1; 2011 - ($1); 2010 - $2	**(3)**	1	(4)
Total other comprehensive income (loss), net of tax	**(229)**	(2,248)	(270)
Comprehensive income	**5,493**	2,733	2,488
Less: comprehensive income attributable to the noncontrolling interests	**(24)**	(82)	(78)
Comprehensive income attributable to stockholders	**$ 5,469**	$ 2,651	$ 2,410

See accompanying notes to Consolidated Financial Statements.

STATEMENT 3 **Caterpillar Inc.**

Consolidated Financial Position at December 31

(Dollars in millions)

	2012	2011	2010
Assets			
Current assets:			
Cash and short-term investments	**$ 5,490**	$ 3,057	$ 3,592
Receivables - trade and other	**10,092**	10,285	8,494
Receivables - finance	**8,860**	7,668	8,298
Deferred and refundable income taxes	**1,547**	1,580	931
Prepaid expenses and other current assets	**988**	994	908
Inventories	**15,547**	14,544	9,587
Total current assets	**42,524**	38,128	31,810
Property, plant and equipment - net	**16,461**	14,395	12,539
Long-term receivables - trade and other	**1,316**	1,130	793
Long-term receivables - finance	**14,029**	11,948	11,264
Investments in unconsolidated affiliated companies	**272**	133	164
Noncurrent deferred and refundable income taxes	**2,011**	2,157	2,493
Intangible assets	**4,016**	4,368	805
Goodwill	**6,942**	7,080	2,614
Other assets	**1,785**	2,107	1,538
Total assets	**$ 89,356**	$ 81,446	$ 64,020
Liabilities			
Current liabilities:			
Short-term borrowings:			
Machinery and Power Systems	**$ 636**	$ 93	$ 204
Financial Products	**4,651**	3,895	3,852
Accounts payable	**6,753**	8,161	5,856
Accrued expenses	**3,667**	3,386	2,880
Accrued wages, salaries and employee benefits	**1,911**	2,410	1,670
Customer advances	**2,978**	2,691	1,831
Dividends payable	**—**	298	281
Other current liabilities	**2,055**	1,967	1,521
Long-term debt due within one year:			
Machinery and Power Systems	**1,113**	558	495
Financial Products	**5,991**	5,102	3,430
Total current liabilities	**29,755**	28,561	22,020
Long-term debt due after one year:			
Machinery and Power Systems	**8,666**	8,415	4,505
Financial Products	**19,086**	16,529	15,932
Liability for postemployment benefits	**11,085**	10,956	7,584
Other liabilities	**3,182**	3,583	2,654
Total liabilities	**71,774**	68,044	52,695
Commitments and contingencies (Notes 20 and 21)			
Redeemable noncontrolling interest (Note 24)	**—**	473	461
Stockholders' equity			
Common stock of $1.00 par: Authorized shares: 2,000,000,000 Issued shares: (2012, 2011 and 2010 – 814,894,624) at paid-in amount	**4,481**	4,273	3,888
Treasury stock: (2012 – 159,846,131; 2011 – 167,361,280 shares; and 2010 – 176,071,910 shares) at cost	**(10,074)**	(10,281)	(10,397)
Profit employed in the business	**29,558**	25,219	21,384
Accumulated other comprehensive income (loss)	**(6,433)**	(6,328)	(4,051)
Noncontrolling interests	**50**	46	40
Total stockholders' equity	**17,582**	12,929	10,864
Total liabilities, redeemable noncontrolling interest and stockholders' equity	**$ 89,356**	$ 81,446	$ 64,020

See accompanying notes to Consolidated Financial Statements.

STATEMENT 4 **Caterpillar Inc.**

Changes in Consolidated Stockholders' Equity for the Years Ended December 31

(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance at January 1, 2010	**$ 3,439**	**$ (10,646)**	**$ 19,705**	**$ (3,761)**	**$ 83**	**$ 8,820**
Profit of consolidated and affiliated companies	—	—	2,700	—	58	2,758
Foreign currency translation, net of tax	—	—	—	(52)	18	(34)
Pension and other postretirement benefits, net of tax	—	—	—	(256)	2	(254)
Derivative financial instruments, net of tax	—	—	—	(15)	—	(15)
Available-for-sale securities, net of tax	—	—	—	33	—	33
Change in ownership from noncontrolling interests	(69)	—	—	—	(66)	(135)
Dividends declared	—	—	(1,103)	—	—	(1,103)
Common shares issued from treasury stock for stock-based compensation: 12,612,514	74	222	—	—	—	296
Common shares issued from treasury stock for benefit plans: 1,487,481 [1]	67	27	—	—	—	94
Stock-based compensation expense	226	—	—	—	—	226
Net excess tax benefits from stock-based compensation	151	—	—	—	—	151
Cat Japan share redemption [2]	—	—	82	—	(55)	27
Balance at December 31, 2010	**$ 3,888**	**$ (10,397)**	**$ 21,384**	**$ (4,051)**	**$ 40**	**$ 10,864**
Profit of consolidated and affiliated companies	—	—	4,928	—	53	4,981
Foreign currency translation, net of tax	—	—	—	(345)	33	(312)
Pension and other postretirement benefits, net of tax	—	—	—	(1,873)	(4)	(1,877)
Derivative financial instruments, net of tax	—	—	—	(55)	—	(55)
Available-for-sale securities, net of tax	—	—	—	(4)	—	(4)
Change in ownership from noncontrolling interests	(1)	—	—	—	(7)	(8)
Dividends declared	—	—	(1,176)	—	—	(1,176)
Distribution to noncontrolling interests	—	—	—	—	(3)	(3)
Common shares issued from treasury stock for stock-based compensation: 8,710,630	7	116	—	—	—	123
Stock-based compensation expense	193	—	—	—	—	193
Net excess tax benefits from stock-based compensation	186	—	—	—	—	186
Cat Japan share redemption [2]	—	—	83	—	(66)	17
Balance at December 31, 2011	**$ 4,273**	**$ (10,281)**	**$ 25,219**	**$ (6,328)**	**$ 46**	**$ 12,929**

(Continued)

STATEMENT 4 **Caterpillar Inc.**

Changes in Consolidated Stockholders' Equity for the Years Ended December 31

(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance at December 31, 2011	$ 4,273	$ (10,281)	$ 25,219	$ (6,328)	$ 46	$ 12,929
Profit of consolidated and affiliated companies	—	—	5,681	—	41	5,722
Foreign currency translation, net of tax	—	—	—	83	(23)	60
Pension and other postretirement benefits, net of tax	—	—	—	(285)	5	(280)
Derivative financial instruments, net of tax	—	—	—	(32)	—	(32)
Available-for-sale securities, net of tax	—	—	—	22	1	23
Change in ownership from noncontrolling interests	—	—	—	—	(4)	(4)
Dividends declared	—	—	(1,319)	—	—	(1,319)
Distribution to noncontrolling interests	—	—	—	—	(6)	(6)
Common shares issued from treasury stock for stock-based compensation: 7,515,149	(155)	207	—	—	—	52
Stock-based compensation expense	245	—	—	—	—	245
Net excess tax benefits from stock-based compensation	192	—	—	—	—	192
Cat Japan share redemption [2]	(74)	—	(23)	107	(10)	—
Balance at December 31, 2012	$ 4,481	$ (10,074)	$ 29,558	$ (6,433)	$ 50	$ 17,582

[1] See Note 12 regarding shares issued for benefit plans.
[2] See Note 24 regarding the Cat Japan share redemption.

See accompanying notes to Consolidated Financial Statements.

STATEMENT 5 **Caterpillar Inc.**

Consolidated Statement of Cash Flow for the Years Ended December 31

(Millions of dollars)

	2012	2011	2010
Cash flow from operating activities:			
Profit of consolidated and affiliated companies	**$ 5,722**	$ 4,981	$ 2,758
Adjustments for non-cash items:			
Depreciation and amortization	**2,813**	2,527	2,296
Net gain from sale of businesses and investments	**(630)**	(128)	—
Goodwill impairment charge	**580**	—	—
Other	**439**	585	469
Changes in assets and liabilities, net of acquisitions and divestitures:			
Receivables - trade and other	**(173)**	(1,345)	(2,320)
Inventories	**(1,149)**	(2,927)	(2,667)
Accounts payable	**(1,868)**	1,555	2,570
Accrued expenses	**183**	308	117
Accrued wages, salaries and employee benefits	**(490)**	619	847
Customer advances	**241**	173	604
Other assets - net	**252**	(91)	358
Other liabilities - net	**(679)**	753	(23)
Net cash provided by (used for) operating activities	**5,241**	7,010	5,009
Cash flow from investing activities:			
Capital expenditures - excluding equipment leased to others	**(3,350)**	(2,515)	(1,575)
Expenditures for equipment leased to others	**(1,726)**	(1,409)	(1,011)
Proceeds from disposals of leased assets and property, plant and equipment	**1,117**	1,354	1,469
Additions to finance receivables	**(12,010)**	(10,001)	(8,498)
Collections of finance receivables	**8,995**	8,874	8,987
Proceeds from sale of finance receivables	**132**	207	16
Investments and acquisitions (net of cash acquired)	**(618)**	(8,184)	(1,126)
Proceeds from sale of businesses and investments (net of cash sold)	**1,199**	376	—
Proceeds from sale of available-for-sale securities	**306**	247	228
Investments in available-for-sale securities	**(402)**	(336)	(217)
Other - net	**167**	(40)	132
Net cash provided by (used for) investing activities	**(6,190)**	(11,427)	(1,595)
Cash flow from financing activities:			
Dividends paid	**(1,617)**	(1,159)	(1,084)
Distribution to noncontrolling interests	**(6)**	(3)	—
Common stock issued, including treasury shares reissued	**52**	123	296
Excess tax benefit from stock-based compensation	**192**	189	153
Acquisitions of redeemable noncontrolling interests	**(444)**	—	—
Acquisitions of noncontrolling interests	**(5)**	(8)	(132)
Proceeds from debt issued (original maturities greater than three months):			
- Machinery and Power Systems	**2,209**	4,587	216
- Financial Products	**13,806**	10,873	8,108
Payments on debt (original maturities greater than three months):			
- Machinery and Power Systems	**(1,107)**	(2,269)	(1,298)
- Financial Products	**(9,992)**	(8,324)	(11,163)
Short-term borrowings - net (original maturities three months or less)	**461**	(43)	291
Net cash provided by (used for) financing activities	**3,549**	3,966	(4,613)
Effect of exchange rate changes on cash	**(167)**	(84)	(76)
Increase (decrease) in cash and short-term investments	**2,433**	(535)	(1,275)
Cash and short-term investments at beginning of period	**3,057**	3,592	4,867
Cash and short-term investments at end of period	**$ 5,490**	$ 3,057	$ 3,592

All short-term investments, which consist primarily of highly liquid investments with original maturities of three months or less, are considered to be cash equivalents.

Non-cash activities: During 2010, we contributed 1.5 million shares of company stock with a fair value of $94 million to our U.S. benefit plans. See Note 12 for further discussion. In 2012, $1,325 million of debentures with varying interest rates and maturity dates were exchanged for $1,722 million of 3.803% debentures due in 2042 and $179 million of cash. The $179 million of cash paid is included in Other liabilities – net in the operating activities section of the Consolidated Statement of Cash Flow.

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operations and summary of significant accounting policies

A. Nature of operations

Information in our financial statements and related commentary are presented in the following categories:

Machinery and Power Systems – Represents the aggregate total of Construction Industries, Resource Industries, Power Systems, and All Other segments and related corporate items and eliminations.

Financial Products – Primarily includes the company's Financial Products Segment. This category includes Caterpillar Financial Services Corporation (Cat Financial), Caterpillar Insurance Holdings Inc. (Cat Insurance) and their respective subsidiaries.

As discussed in Note 22 – Segment Information, during the first quarter of 2011, we revised our reportable segments in line with the changes to our organizational structure that were announced during 2010. The 2010 financial information has been retrospectively revised to reflect the change in reportable segments.

Our products are sold primarily under the brands "Caterpillar," "CAT," design versions of "CAT" and "Caterpillar," "Electro-Motive," "FG Wilson," "MaK," "MWM," "Olympian," "Perkins," "Progress Rail," "SEM" and "Solar Turbines".

We conduct operations in our Machinery and Power Systems lines of business under highly competitive conditions, including intense price competition. We place great emphasis on the high quality and performance of our products and our dealers' service support. Although no one competitor is believed to produce all of the same types of machines and engines that we do, there are numerous companies, large and small, which compete with us in the sale of each of our products.

Machines are distributed principally through a worldwide organization of dealers (dealer network), 48 located in the United States and 141 located outside the United States. Worldwide, these dealers serve 182 countries and operate 3,494 places of business, including 1,249 dealer rental outlets. Reciprocating engines are sold principally through the dealer network and to other manufacturers for use in products manufactured by them. Some of the reciprocating engines manufactured by Perkins are also sold through a worldwide network of 107 distributors located in 189 countries. Most of the FG Wilson branded electric power generation systems are sold through a worldwide network of 172 distributors located in 116 countries. Some of the large, medium speed reciprocating engines are also sold under the MaK brand through a worldwide network of 19 distributors located in 130 countries. Our dealers do not deal exclusively with our products; however, in most cases sales and servicing of our products are the dealers' principal business. Turbines, locomotives and certain global mining products are sold through sales forces employed by the company. At times, these employees are assisted by independent sales representatives.

The Financial Products line of business also conducts operations under highly competitive conditions. Financing for users of Caterpillar products is available through a variety of competitive sources, principally commercial banks and finance and leasing companies. We emphasize prompt and responsive service to meet customer requirements and offer various financing plans designed to increase the opportunity for sales of our products and generate financing income for our company. A significant portion of Financial Products activity is conducted in North America, with additional offices in Asia/Pacific, Europe and Latin America.

B. Basis of presentation

The consolidated financial statements include the accounts of Caterpillar Inc. and its subsidiaries where we have a controlling financial interest.

We consolidate all variable interest entities (VIEs) where Caterpillar Inc. is the primary beneficiary. For VIEs, we assess whether we are the primary beneficiary as prescribed by the accounting guidance on the consolidation of VIEs. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the entity's economic performance, and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Investments in companies that are owned 20 percent to 50 percent or are less than 20 percent owned and for which we have significant influence are accounted for by the equity method. See Note 9 for further discussion.

Certain amounts for prior years have been reclassified to conform with the current-year financial statement presentation.

Shipping and handling costs are included in Cost of goods sold in Statement 1. Other operating (income) expenses primarily include Cat Financial's depreciation of equipment leased to others, Cat Insurance's underwriting expenses, gains (losses) on disposal of long-lived assets and business divestitures, long-lived asset impairment charges, employee separation charges and benefit plan curtailment, settlement and special termination benefits.

Prepaid expenses and other current assets in Statement 3 include prepaid rent, prepaid insurance, assets held for sale, core to be returned for remanufacturing, restricted cash and other short-term investments, and other prepaid items.

C. Sales and revenue recognition

Sales of Machinery and Power Systems are recognized and earned when all the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) price is fixed and determinable; (c) collectability is reasonably assured; and (d) delivery has occurred. Persuasive evidence of an arrangement and a fixed or determinable price exist once we receive an order or contract from a customer or independently owned and operated dealer. We assess collectability at the time of the sale and if collectability is not reasonably assured, the sale is deferred and not recognized until collectability is probable or payment is received. Typically, where product is produced and sold in the same country, title and risk of ownership transfer when the product is shipped. Products that are exported from a country for sale typically pass title and risk of ownership at the border of the destination country.

Sales of certain turbine machinery units, draglines, large shovels and long wall roof supports are recognized under accounting for construction-type contracts, primarily using the percentage-of-completion method. Revenue is recognized based upon progress towards completion, which is estimated and continually updated over the course of construction. We provide for any loss that we expect to incur on these contracts when that loss is probable.

Our remanufacturing operations are primarily focused on the remanufacture of Cat engines and components and rail related products. In this business, used engines and related components (core) are inspected, cleaned and remanufactured. In connection with the sale of most of our remanufactured product, we collect a deposit from the dealer that is repaid if the dealer returns an acceptable core within a specified time period. Caterpillar owns and has title to the cores when they are returned from dealers. The rebuilt engine or component (the core plus any new content) is then sold as a remanufactured product to dealers and customers. Revenue is recognized pursuant to the same criteria as machinery and engine sales noted above (title to the entire remanufactured product passes to the dealer upon sale). At the time of sale, the deposit is recognized in Other current liabilities in Statement 3. In addition, the core to be returned is recognized as an asset in Prepaid expenses and other current assets in Statement 3 at the estimated replacement cost (based on historical experience with useable cores). Upon receipt of an acceptable core, we repay the deposit and relieve the liability. The returned core is then included in inventory. In the event that the deposit is forfeited (i.e. upon failure by the dealer to return an acceptable core in the specified time period), we recognize the core deposit and the cost of the core in revenue and expense, respectively.

No right of return exists on sales of equipment. Replacement part returns are estimable and accrued at the time a sale is recognized.

We provide discounts to dealers through merchandising programs. We have numerous programs that are designed to promote the sale of our products. The most common dealer programs provide a discount when the dealer sells a product to a targeted end user. The cost of these discounts is estimated based on historical experience and known changes in merchandising programs and is reported as a reduction to sales when the product sale is recognized.

Our standard invoice terms are established by marketing region. When a sale is made to a dealer, the dealer is responsible for payment even if the product is not sold to an end customer and must make payment within the standard terms to avoid interest costs. Interest at or above prevailing market rates is charged on any past due balance. Our policy is to not forgive this interest. Terms were extended to not more than one year for $354 million, $341 million and $221 million of receivables in 2012, 2011 and 2010, respectively. These term extensions represent less than 1 percent of consolidated sales for all years presented.

We establish a bad debt allowance for Machinery and Power Systems receivables when it becomes probable that the receivable will not be collected. Our allowance for bad debts is not significant.

Revenues of Financial Products primarily represent the following Cat Financial revenues:

- Retail finance revenue on finance leases and installment sale contracts is recognized over the term of the contract at a constant rate of return on the scheduled outstanding principal balance. Revenue on retail notes is recognized based on the daily balance of retail receivables outstanding and the applicable effective interest rate.

- Operating lease revenue is recorded on a straight-line basis in the period earned over the life of the contract.

- Cat Financial provides wholesale inventory financing to dealers. Wholesale finance revenue on installment sale contracts and finance leases is recognized over the term of the contract at a constant rate of return on the scheduled outstanding principal balance. Revenue on wholesale notes is recognized based on the daily balance of wholesale receivables outstanding and the applicable effective interest rate.

- Loan origination and commitment fees are deferred and then amortized to revenue using the interest method over the life of the finance receivables.

Recognition of income is suspended when management determines that collection of future income is not probable (generally after 120 days past due). Accrual is resumed, and previously suspended income is recognized, when the receivable becomes contractually current and/or collection doubts are removed. See Note 6 for more information.

Sales and revenues are presented net of sales and other related taxes.

D. Inventories

Inventories are stated at the lower of cost or market. Cost is principally determined using the last-in, first-out (LIFO) method. The value of inventories on the LIFO basis represented about 60 percent of total inventories at December 31, 2012, about 65 percent of total inventories at December 31, 2011, and about 70 percent at December 31, 2010.

If the FIFO (first-in, first-out) method had been in use, inventories would have been $2,750 million, $2,422 million and $2,575 million higher than reported at December 31, 2012, 2011 and 2010, respectively.

E. Depreciation and amortization

Depreciation of plant and equipment is computed principally using accelerated methods. Depreciation on equipment leased to others, primarily for Financial Products, is computed using the straight-line method over the term of the lease. The depreciable basis is the original cost of the equipment less the estimated residual value of the equipment at the end of the lease term. In 2012, 2011 and 2010, Cat Financial depreciation on equipment leased to others was $688 million, $690 million and $690 million, respectively, and was included in Other operating (income) expenses in Statement 1. In 2012, 2011 and 2010, consolidated depreciation expense was $2,421 million, $2,240 million and $2,202 million, respectively. Amortization of purchased finite-lived intangibles is computed principally using the straight-line method, generally not to exceed a period of 20 years.

F. Foreign currency translation

The functional currency for most of our Machinery and Power Systems consolidated companies is the U.S. dollar. The functional currency for most of our Financial Products and affiliates accounted for under the equity method is the respective local currency. Gains and losses resulting from the remeasurement of foreign currency amounts to the functional currency are included in Other income (expense) in Statement 1. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in Accumulated other comprehensive income (loss) in Statement 3.

G. Derivative financial instruments

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 exposures and not for the purpose of creating speculative positions. Derivatives that we use are primarily foreign currency forward, option and cross currency contracts, interest rate swaps and commodity forward and option contracts. All derivatives are recorded at fair value. See Note 3 for more information.

H. Income taxes

The provision for income taxes is determined using the asset and liability approach taking into account guidance related to uncertain tax positions. Tax laws require items to be included in tax filings at different times than the items are reflected in the financial statements. A current liability is recognized for the estimated taxes payable for the current year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. Deferred taxes are adjusted for enacted changes in tax rates and tax laws. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

I. Estimates in financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts. The more significant estimates include: residual values for leased assets, fair values for goodwill impairment tests, impairment of available-for-sale securities, warranty liability, stock-based compensation and reserves for product liability and insurance losses, postretirement benefits, post-sale discounts, credit losses and income taxes.

J. New accounting guidance

Disclosures about the credit quality of financing receivables and the allowance for credit losses – In July 2010, the Financial Accounting Standards Board (FASB) issued accounting guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses. The guidance expands disclosures for the allowance for credit losses and financing receivables by requiring entities to disclose information at disaggregated levels. It also requires disclosure of credit quality indicators, past due information and modifications of financing receivables. Also, in April 2011, the FASB issued guidance clarifying when a restructuring of a receivable should be considered a troubled debt restructuring by providing additional guidance for determining whether the creditor has granted a concession and whether the debtor is experiencing financial difficulties. For end of period balances, the new disclosures were effective December 31, 2010 and did not have a material impact on our financial statements. For activity during a reporting period, the disclosures were effective January 1, 2011 and did not have a material impact on our financial statements. The disclosures related to modifications of financing receivables, as well as the guidance clarifying when a restructured receivable should be considered a troubled debt restructuring were effective July 1, 2011 and did not have a material impact on our financial statements. See Note 6 for additional information.

Presentation of comprehensive income – In June 2011, the FASB issued accounting guidance on the presentation of comprehensive income. The guidance provides two options for presenting net income and other comprehensive income. The total of comprehensive income, the components of net income, and the components of other comprehensive income may be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. We elected to present two separate statements. This guidance was effective January 1, 2012.

Goodwill impairment testing – In September 2011, the FASB issued accounting guidance on the testing of goodwill for impairment. The guidance allows entities testing goodwill for impairment the option of performing a qualitative assessment to determine the likelihood of goodwill impairment and whether it is necessary to perform the two-step impairment test currently required. This guidance was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption was permitted. We elected to early adopt this guidance for the year ended December 31, 2011 and the guidance did not have a material impact on our financial statements. See Note 10 for additional information.

Disclosures about offsetting assets and liabilities – In December 2011, the FASB issued accounting guidance on disclosures about offsetting assets and liabilities. The guidance requires entities to disclose both gross and net information about instruments and transactions that are offset in the statement of financial position, as well as instruments and transactions that are subject to an enforceable master netting arrangement or similar agreement. In January 2013, the FASB issued guidance clarifying the scope of the disclosures to apply only to derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. This guidance is effective January 1, 2013, with retrospective application required. We do not expect the adoption to have a material impact on our financial statements.

Indefinite-lived intangible assets impairment testing – In July 2012, the FASB issued accounting guidance on the testing of indefinite-lived intangible assets for impairment. The guidance allows entities to first perform a qualitative assessment to determine the likelihood of an impairment for an indefinite-lived intangible asset and whether it is necessary to perform the quantitative impairment assessment currently required. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. We do not expect the adoption to have a material impact on our financial statements.

Reporting of amounts reclassified out of accumulated other comprehensive income – In February 2013, the FASB issued accounting guidance on the reporting of reclassifications out of accumulated other comprehensive income. The guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. For other amounts not required to be reclassified in their entirety to net income in the same reporting period, a cross reference to other disclosures that provide additional detail about the reclassification amounts is required. This guidance is effective January 1, 2013. We do not expect the adoption to have a material impact on our financial statements.

K. Goodwill

For acquisitions accounted for as a business combination, goodwill represents the excess of the cost over the fair value of the net assets acquired. We are required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a reporting unit may be below its carrying value. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. Because Caterpillar is a highly integrated company, the businesses we acquire are sometimes combined with or integrated into existing reporting units. When changes occur in the composition of our operating segments or reporting units, goodwill is reassigned to the affected reporting units based on their relative fair values.

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual goodwill impairment test as of October 1 and monitor for interim triggering events on an ongoing basis. Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the two-step process, the first step requires us to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss. See Note 10 for further details.

L. Accumulated other comprehensive income (loss)

Comprehensive income and its components are presented in Statement 2. Accumulated other comprehensive income (loss), net of tax, included in Statement 4, consisted of the following at December 31:

	December 31,		
(Millions of dollars)	**2012**	2011	2010
Foreign currency translation	**$ 456**	$ 206	$ 551
Pension and other postretirement benefits	**(6,914)**	(6,568)	(4,695)
Derivative financial instruments	**(42)**	(10)	45
Available-for-sale securities	**67**	44	48
Total accumulated other comprehensive income (loss)	**$ (6,433)** [1]	$ (6,328)	$ (4,051)

[1] In conjunction with the Cat Japan share redemption, to reflect the increase in our ownership interest in Cat Japan from 67 percent to 100 percent, $107 million was reclassified to Accumulated other comprehensive income (loss) from other components of stockholders' equity and was not included in Comprehensive income during 2012. The amount was comprised of foreign currency translation of $167 million, pension and other postretirement benefits of $(61) million and available-for-sale securities of $1 million.

M. Assets held for sale

For those businesses where management has committed to a plan to divest, which is typically demonstrated by approval from the Board of Directors, each business is valued at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, an impairment loss is recognized. The fair values are estimated using accepted valuation techniques such as a discounted cash flow model, valuations performed by third parties, or indicative bids, when available. A number of significant estimates and assumptions are involved in the application of these techniques, including the forecasting of markets and market share, sales volumes and prices, costs and expenses, and multiple other factors. Management considers historical experience and all available information at the time the estimates are made; however, the fair values that are ultimately realized upon the sale of the businesses to be divested may differ from the estimated fair values reflected in the Consolidated Financial Statements.

2. Stock-based compensation

Our stock-based compensation plans primarily provide for the granting of stock options, stock-settled stock appreciation rights (SARs) and restricted stock units (RSUs) to Officers and other key employees, as well as non-employee Directors. Stock options permit a holder to buy Caterpillar stock at the stock's price when the option was granted. SARs permit a holder the right to receive the value in shares of the appreciation in Caterpillar stock that occurred from the date the right was granted up to the date of exercise. A restricted stock unit (RSU) is an agreement to issue shares of Caterpillar stock at the time of vesting.

Our long-standing practices and policies specify all stock-based compensation awards are approved by the Compensation Committee (the Committee) of the Board of Directors on the date of grant. The stock-based award approval process specifies the number of awards granted, the terms of the award and the grant date. The same terms and conditions are consistently applied to all employee grants, including Officers. The Committee approves all individual Officer grants. The number of stock-based compensation awards included in an individual's award is determined based on the methodology approved by the Committee. In 2007, under the terms of the Caterpillar Inc. 2006 Long-Term Incentive Plan (approved by stockholders in June of 2006), the Compensation Committee approved the exercise price methodology to be the closing price of the Company stock on the date of the grant.

Common stock issued from Treasury stock under the plans totaled 7,515,149 for 2012, 8,710,630 for 2011 and 12,612,514 for 2010.

Awards generally vest three years after the date of grant. At grant, SARs and option awards have a term life of ten years. Upon separation from service for the 2010 awards, if the participant is 55 years of age or older with more than ten years of service, the participant meets the criteria for a "Long Service Separation." For the 2011 and 2012 awards, upon separation from service, if the participant is 55 years of age or older with more than five years of service, the participant meets the criteria for a "Long Service Separation". If the "Long Service Separation" criteria are met, the vested options/SARs will have a life that is the lesser of ten years from the original grant date or five years from the separation date.

Our stock-based compensation plans allow for the immediate vesting upon separation for employees who meet the criteria for a "Long Service Separation" and who have fulfilled the requisite service period of six months. Compensation expense is recognized over the period from the grant date to the end date of the requisite service period for employees who meet the immediate vesting upon retirement requirements. For those employees who become eligible for immediate vesting upon retirement subsequent to the requisite service period and prior to the completion of the vesting period, compensation expense is recognized over the period from grant date to the date eligibility is achieved.

Accounting guidance on share-based payments requires companies to estimate the fair value of options/SARs on the date of grant using an option-pricing model. The fair value of the option/SAR grant was estimated using a lattice-based option-pricing model. The lattice-based option-pricing model considers a range of assumptions related to volatility, risk-free interest rate and historical employee behavior. Expected volatility was based on historical and current implied volatilities from traded options on our stock. The risk-free rate was based on U.S. Treasury security yields at the time of grant. The weighted-average dividend yield was based on historical information. The expected life was determined from the lattice-based model. The lattice-based model incorporated exercise and post vesting forfeiture assumptions based on analysis of historical data. The following table provides the assumptions used in determining the fair value of the stock-based awards for the years ended December 31, 2012, 2011 and 2010, respectively.

	Grant Year		
	2012	2011	2010
Weighted-average dividend yield	**2.2%**	2.2%	2.3%
Weighted-average volatility	**35.0%**	32.7%	36.4%
Range of volatilities	**33.3-40.4%**	20.9-45.4%	35.2-51.8%
Range of risk-free interest rates	**0.17-2.00%**	0.25-3.51%	0.32-3.61%
Weighted-average expected lives	**7 years**	8 years	7 years

The fair value of the RSU grant was determined by reducing the stock price on the day of grant by the present value of the estimated dividends to be paid during the vesting period. The estimated dividends are based on Caterpillar's weighted-average dividend yield.

The amount of stock-based compensation expense capitalized for the years ended December 31, 2012, 2011 and 2010 did not have a significant impact on our financial statements.

At December 31, 2012, there was $181 million of total unrecognized compensation cost from stock-based compensation arrangements granted under the plans, which is related to non-vested stock-based awards. The compensation expense is expected to be recognized over a weighted-average period of approximately 1.8 years.

Please refer to Tables I and II below for additional information on our stock-based awards.

TABLE I — Financial Information Related to Stock-based Compensation

	2012		2011		2010	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Stock options/SARs activity:						
Outstanding at beginning of year	**50,372,991**	**$ 53.01**	57,882,998	$ 48.50	63,082,787	$ 44.24
Granted to officers and key employees [1]	**3,318,188**	**$ 110.09**	2,960,595	$ 102.13	7,556,481	$ 57.85
Exercised	**(7,708,343)**	**$ 38.73**	(10,149,476)	$ 41.78	(12,568,232)	$ 32.83
Forfeited / expired	**(155,237)**	**$ 67.50**	(321,126)	$ 48.02	(188,038)	$ 43.64
Outstanding at end of year	**45,827,599**	**$ 59.45**	50,372,991	$ 53.01	57,882,998	$ 48.50
Exercisable at year-end	**33,962,000**	**$ 51.75**	35,523,057	$ 52.66	41,658,033	$ 48.23
RSUs activity:						
Outstanding at beginning of year	**4,281,490**		4,650,241		4,531,545	
Granted to officers and key employees	**1,429,939**		1,082,032		1,711,771	
Vested	**(2,077,485)**		(1,382,539)		(1,538,047)	
Forfeited	**(53,724)**		(68,244)		(55,028)	
Outstanding at end of year	**3,580,220**		4,281,490		4,650,241	

Stock options/SARs outstanding and exercisable:

	Outstanding				**Exercisable**			
Exercise Prices	**Shares Outstanding at 12/31/12**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value[2]**	**Shares Outstanding at 12/31/12**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value[2]**
$22.17 – 27.14	6,759,589	4.75	$ 23.36	$ 439	6,759,589	4.75	$ 23.36	$ 439
$38.63 – 45.64	11,099,949	1.81	$ 42.38	509	11,099,949	1.81	$ 42.38	509
$57.85 – 66.77	10,654,464	6.16	$ 59.54	306	4,597,874	4.84	$ 61.77	122
$72.05 – 86.77	11,246,820	3.90	$ 72.60	176	11,152,835	3.89	$ 72.48	176
$102.13 – 110.09	6,066,777	8.71	$ 106.30	—	351,753	8.49	$ 104.55	—
	45,827,599		$ 59.45	$ 1,430	33,962,000		$ 51.75	$ 1,246

[1] Of the 3,318,188 awards granted during the year ended December 31, 2012, none were SARs. Of the 2,960,595 awards granted during the year ended December 31, 2011, 2,722,689 were SARs. Of the 7,556,481 awards granted during the year ended December 31, 2010, 7,125,210 were SARs.

[2] The difference between a stock award's exercise price and the underlying stock's market price at December 31, 2012, for awards with market price greater than the exercise price. Amounts are in millions of dollars.

The computations of weighted-average exercise prices and aggregate intrinsic values are not applicable to RSUs since an RSU represents an agreement to issue shares of stock at the time of vesting. At December 31, 2012, there were 3,580,220 outstanding RSUs with a weighted average remaining contractual life of 1.2 years.

TABLE II— Additional Stock-based Award Information

(Dollars in millions except per share data)	2012	2011	2010
Stock Options/SARs activity:			
Weighted-average fair value per share of stock awards granted	**$ 39.20**	$ 36.73	$ 22.31
Intrinsic value of stock awards exercised	**$ 488**	$ 618	$ 518
Fair value of stock awards vested	**$ 66**	$ 96	$ 124
Cash received from stock awards exercised	**$ 112**	$ 161	$ 325
RSUs activity:			
Weighted-average fair value per share of stock awards granted	**$ 104.61**	$ 97.51	$ 53.35
Fair value of stock awards vested	**$ 229**	$ 143	$ 99

Before tax, stock-based compensation expense for 2012, 2011 and 2010 was $245 million, $193 million and $226 million, respectively, with a corresponding income tax benefit of $78 million, $61 million and $73 million, respectively. Included in the 2010 pre-tax stock-based compensation expense was $19 million relating to the modification of awards resulting from separations due to the streamlining of our corporate structure as announced in the second quarter 2010.

In accordance with guidance on share-based payments, we classify stock-based compensation within cost of goods sold, selling, general and administrative expenses and research and development expenses corresponding to the same line item as the cash compensation paid to respective employees, officers and non-employee directors.

We currently use shares in treasury stock to satisfy share award exercises.

The cash tax benefits realized from stock awards exercised for December 31, 2012, 2011 and 2010 were $217 million, $235 million and $188 million, respectively. We use the direct only method and tax law ordering approach to calculate the tax effects of stock-based compensation. In certain jurisdictions, tax deductions for exercises of stock-based awards did not generate a cash benefit. A tax benefit of approximately $40 million will be recorded in additional paid-in capital when these deductions reduce our future income taxes payable.

3. Derivative financial instruments and risk management

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 exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward, option and cross currency contracts, interest rate swaps and commodity forward and option contracts. Our derivative activities are subject to the management, direction and control of our senior 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.

All derivatives are recognized in Statement 3 at their fair value. On the date the derivative contract is entered into, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge), or (3) an undesignated instrument. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in Accumulated other comprehensive income (loss) (AOCI), to the extent effective, in Statement 3 until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings. Cash flow from designated derivative financial instruments are classified within the same category as the item being hedged on Statement 5. Cash flow from undesignated derivative financial instruments are included in the investing category on Statement 5.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities in Statement 3 and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, we discontinue hedge accounting prospectively, in accordance with the derecognition criteria for hedge accounting.

A. 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 currencies, thereby creating exposure to movements in exchange rates.

Our Machinery and Power Systems 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 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 five years.

We generally designate as cash flow hedges at inception of the contract any Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese yuan, euro, Indian rupee, Japanese yen, Mexican peso, Singapore dollar, or Swiss franc forward or option contracts that meet the requirements for hedge accounting and the maturity extends beyond the current quarter-end. Designation is performed on a specific exposure basis to support hedge accounting. The remainder of Machinery and Power Systems foreign currency contracts are undesignated, including any hedges designed to protect our competitive exposure.

As of December 31, 2012, $24 million of deferred net losses, net of tax, included in equity (AOCI in Statement 3), are expected to be reclassified to current earnings (Other income (expense) in Statement 1) over the next twelve months when earnings are affected by the hedged transactions. The actual amount recorded in Other income (expense) will vary based on exchange rates at the time the hedged transactions impact earnings.

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, and future transactions denominated in foreign currencies. Our policy allows the use of foreign currency forward, option and cross currency contracts to offset the risk of currency mismatch between our receivables and debt, and exchange rate risk associated with future transactions denominated in foreign currencies. Substantially all such foreign currency forward, option and cross currency contracts are undesignated.

B. 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 practice is to use interest rate derivatives to manage our exposure to interest rate changes and, in some cases, lower the cost of borrowed funds.

Our Machinery and Power Systems 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 into 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.

Financial Products operations has a match-funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of Cat Financial's debt portfolio with the interest rate profile of their receivables portfolio within predetermined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This matched funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

Our policy allows us to use fixed-to-floating, floating-to-fixed, and floating-to-floating interest rate swaps to meet the match-funding objective. We designate fixed-to-floating interest rate swaps as fair value hedges to protect debt against changes in fair value due to changes in the benchmark interest rate. We designate most floating-to-fixed interest rate swaps as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

As of December 31, 2012, $3 million of deferred net losses, net of tax, included in equity (AOCI in Statement 3), related to Financial Products floating-to-fixed interest rate swaps, are expected to be reclassified to current earnings (Interest expense of Financial Products in Statement 1) over the next twelve months. The actual amount recorded in Interest expense of Financial Products will vary based on interest rates at the time the hedged transactions impact earnings.

We have, at certain times, liquidated fixed-to-floating and floating-to-fixed interest rate swaps at both Machinery and Power Systems and Financial Products. The gains or losses associated with these swaps at the time of liquidation are amortized into earnings over the original term of the previously designated hedged item.

In anticipation of issuing debt for the planned acquisition of Bucyrus International, Inc., we entered into interest rate swaps to manage our exposure to interest rate changes. For the year ended December 31, 2011, we recognized a net loss of $149 million, included in Other income (expense) in Statement 1. The contracts were liquidated in conjunction with the debt issuance in May 2011. These contracts were not designated as hedging instruments, and therefore, did not receive hedge accounting treatment.

C. 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 Power Systems operations purchase base and precious metals embedded in the components we purchase from suppliers. Our suppliers pass on to us price changes in the commodity portion of the component cost. In addition, we are subject to price changes on energy products such as natural gas and diesel fuel purchased for operational use.

Our objective is to minimize volatility in the price of these commodities. Our policy allows us to enter into commodity forward and option contracts to lock in the purchase price of a portion of these commodities within a five-year horizon. All such commodity forward and option contracts are undesignated.

The location and fair value of derivative instruments reported in Statement 3 are as follows:

(Millions of dollars)	Consolidated Statement of Financial Position Location	Asset (Liability) Fair Value		
		Years ended December 31,		
		2012	2011	2010
Designated derivatives				
Foreign exchange contracts				
Machinery and Power Systems	Receivables — trade and other	**$ 28**	$ 54	$ 65
Machinery and Power Systems	Long-term receivables — trade and other	**—**	19	52
Machinery and Power Systems	Accrued expenses	**(66)**	(73)	(66)
Machinery and Power Systems	Other liabilities	**—**	(10)	(1)
Interest rate contracts				
Machinery and Power Systems	Receivables — trade and other	**—**	—	1
Financial Products	Receivables — trade and other	**17**	15	14
Financial Products	Long-term receivables — trade and other	**209**	233	197
Financial Products	Accrued expenses	**(8)**	(6)	(18)
		$ 180	$ 232	$ 244
Undesignated derivatives				
Foreign exchange contracts				
Machinery and Power Systems	Receivables — trade and other	**$ 31**	$ 27	$ 120
Machinery and Power Systems	Accrued expenses	**(63)**	(12)	(46)
Machinery and Power Systems	Other liabilities	**—**	(85)	(58)
Financial Products	Receivables — trade and other	**10**	7	6
Financial Products	Accrued expenses	**(6)**	(16)	(9)
Interest rate contracts				
Machinery and Power Systems	Accrued expenses	**—**	—	(6)
Financial Products	Receivables — trade and other	**2**	—	—
Financial Products	Accrued expenses	**(1)**	(1)	(1)
Commodity contracts				
Machinery and Power Systems	Receivables — trade and other	**1**	2	17
Machinery and Power Systems	Accrued expenses	**—**	(9)	—
		$ (26)	$ (87)	$ 23

The effect of derivatives designated as hedging instruments on Statement 1 is as follows:

Fair Value Hedges (Millions of dollars)	Classification	Year ended December 31, 2012	
		Gains (Losses) on Derivatives	**Gains (Losses) on Borrowings**
Interest rate contracts			
Financial Products	Other income (expense)	**$ (20)**	**$ 36**
		$ (20)	**$ 36**

	Classification	Year ended December 31, 2011	
		Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Interest rate contracts			
Machinery and Power Systems	Other income (expense)	$ (1)	$ 1
Financial Products	Other income (expense)	39	(44)
		$ 38	$ (43)

	Classification	Year ended December 31, 2010	
		Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Interest rate contracts			
Financial Products	Other income (expense)	$ 107	$ (98)
		$ 107	$ (98)

Cash Flow Hedges
(Millions of dollars)

	Year ended December 31, 2012			
		Recognized in Earnings		
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	**Classification of Gains (Losses)**	**Amount of Gains (Losses) Reclassified from AOCI to Earnings**	**Recognized in Earnings (Ineffective Portion)**
Foreign exchange contracts				
Machinery and Power Systems .	**$ (78)**	Other income (expense)	**$ (30)** [2]	**$ —**
Interest rate contracts				
Financial Products	**1**	Interest expense of Financial Products.	**4**	**(1)** [1]
	$ (77)		**$ (26)**	**$ (1)**

	Year ended December 31, 2011			
		Recognized in Earnings		
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	Classification of Gains (Losses)	Amount of Gains (Losses) Reclassified from AOCI to Earnings	Recognized in Earnings (Ineffective Portion)
Foreign exchange contracts				
Machinery and Power Systems .	$ 34	Other income (expense)	$ 70	$ —
Interest rate contracts				
Machinery and Power Systems .	—	Other income (expense)	(3)	—
Financial Products	(1)	Interest expense of Financial Products.	(12)	(2) [1]
	$ 33		$ 55	$ (2)

	Year ended December 31, 2010			
		Recognized in Earnings		
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	Classification of Gains (Losses)	Amount of Gains (Losses) Reclassified from AOCI to Earnings	Recognized in Earnings (Ineffective Portion)
Foreign exchange contracts				
Machinery and Power Systems .	$ (72)	Other income (expense)	$ (1)	$ 2
Interest rate contracts				
Machinery and Power Systems .	—	Other income (expense)	(3)	—
Financial Products	(7)	Interest expense of Financial Products.	(49)	(1) [1]
	$ (79)		$ (53)	$ 1

[1] The ineffective portion recognized in earnings is included in Other income (expense).
[2] Includes $7 million loss reclassified from AOCI to Other income (expense) in 2012 as certain derivatives were dedesignated as the related transactions are no longer probable to occur.

The effect of derivatives not designated as hedging instruments on Statement 1 is as follows:

(Millions of dollars)	Classification of Gains (Losses)	Years ended December 31, 2012	2011	2010
Foreign exchange contracts				
Machinery and Power Systems	Other income (expense)	**$ 62**	$ 62	$ (45)
Financial Products	Other income (expense)	**6**	(15)	16
Interest rate contracts				
Machinery and Power Systems	Other income (expense)	**2**	(149)	(8)
Financial Products	Other income (expense)	**—**	—	2
Commodity contracts				
Machinery and Power Systems	Other income (expense)	**2**	(17)	15
		$ 72	$ (119)	$ (20)

4. Other income (expense)

(Millions of dollars)	Years ended December 31, 2012	2011	2010
Investment and interest income	**$ 82**	$ 85	$ 86
Foreign exchange gains (losses) [1]	**(116)**	21	(55)
License fee income	**99**	80	54
Gains (losses) on sale of securities and affiliated companies	**4**	17	9
Impairment of available-for-sale securities	**(2)**	(5)	(3)
Miscellaneous income (loss)	**63**	(230) [2]	39
	$ 130	$ (32)	$ 130

[1] Includes gains (losses) from foreign exchange derivative contracts. See Note 3 for further details.
[2] Miscellaneous income (loss) in 2011 includes forward starting swap costs of $149 million (see Note 3) and bridge financing costs of $54 million (see Note 23), both related to the acquisition of Bucyrus.

5. Income taxes

The components of profit before taxes were:

(Millions of dollars)	Years ended December 31, 2012	2011	2010
U.S.	**$ 4,090**	$ 2,250	$ 778
Non-U.S.	**4,146**	4,475	2,972
	$ 8,236	$ 6,725	$ 3,750

Profit before taxes, as shown above, is based on the location of the entity to which such earnings are attributable. Where an entity's earnings are subject to taxation, however, may not correlate solely to where an entity is located. Thus, the income tax provision shown below as U.S. or non-U.S. may not correspond to the earnings shown above.

The components of the provision (benefit) for income taxes were:

(Millions of dollars)	Years ended December 31, 2012	2011	2010
Current tax provision (benefit):			
U.S.	**$ 971**	$ 750	$ 247
Non-U.S.	**1,250**	1,014	645
State (U.S.)	**56**	72	44
	2,277	1,836	936
Deferred tax provision (benefit):			
U.S.	**332**	2	103
Non-U.S.	**(89)**	(92)	(75)
State (U.S.)	**8**	(26)	4
	251	(116)	32
Total provision (benefit) for income taxes	**$ 2,528**	$ 1,720	$ 968

We paid net income tax and related interest of $2,396 million, $1,369 million and $264 million in 2012, 2011 and 2010, respectively.

Reconciliation of the U.S. federal statutory rate to effective rate:

(Millions of dollars)	2012		2011		2010	
Taxes at U.S. statutory rate	**$ 2,882**	**35.0 %**	$ 2,354	35.0 %	$ 1,313	35.0 %
(Decreases) increases in taxes resulting from:						
Non-U.S. subsidiaries taxed at other than 35%	**(342)**	**(4.2)%**	(467)	(6.9)%	(339)	(9.0)%
State and local taxes, net of federal	**55**	**0.7 %**	30	0.4 %	27	0.7 %
Interest and penalties, net of tax	**22**	**0.3 %**	25	0.4 %	16	0.4 %
U.S. research and production incentives	**(80)**	**(1.0)%**	(152)	(2.3)%	(74)	(2.0)%
Other—net	**(27)**	**(0.3)%**	(7)	(0.1)%	(5)	(0.1)%
	2,510	**30.5 %**	1,783	26.5 %	938	25.0 %
Prior year tax and interest adjustments	**(300)**	**(3.7)%**	41	0.6 %	(34)	(0.9)%
Nondeductible goodwill	**318**	**3.9 %**	33	0.5 %	—	— %
Release of valuation allowances	**—**	**— %**	(24)	(0.3)%	(26)	(0.7)%
Non-U.S. earnings reinvestment changes	**—**	**— %**	(113)	(1.7)%	—	— %
Tax law change related to Medicare subsidies	**—**	**— %**	—	— %	90	2.4 %
Provision (benefit) for income taxes	**$ 2,528**	**30.7 %**	$ 1,720	25.6 %	$ 968	25.8 %

The provision for income taxes for 2012 included a $300 million benefit for adjusting prior year taxes and interest primarily to reflect a settlement reached with the U.S. Internal Revenue Service (IRS) for tax years 2000 to 2006. The largest drivers of the settlement benefit were a $188 million benefit to remeasure and recognize previously unrecognized tax benefits and a $96 million benefit to adjust related interest and penalties, net of tax. This benefit was offset by a negative impact from nondeductible goodwill of $203 million related to the ERA Mining Machinery Limited (Siwei) goodwill impairment and $115 million related to the divestiture of portions of the Bucyrus distribution business. See Note 10 and Note 25 for more information.

The provision for income taxes for 2011 included a $113 million benefit due to repatriation of non-U.S. earnings with available foreign tax credits in excess of the U.S. tax liability on the dividends and a $24 million benefit for the release of a valuation allowance against the deferred tax assets of certain non-U.S. entities due to tax planning actions implemented in 2011. These benefits were offset by a charge of $41 million due to an increase in prior year unrecognized tax benefits and a negative impact of $33 million from nondeductible goodwill primarily related to the divestiture of a portion of the Bucyrus distribution business.

The provision for income taxes for 2010 included a deferred tax charge of $90 million due to the enactment of U.S. healthcare legislation effectively making government subsidies received for Medicare equivalent prescription drug coverage taxable. This deferred tax charge was offset by a $34 million benefit related to the recognition of refund claims for prior tax years and a $26 million benefit for the release of a valuation allowance against the deferred tax assets of certain non-U.S. entities due to tax planning actions implemented in 2010.

We have recorded income tax expense at U.S. tax rates on all profits, except for undistributed profits of non-U.S. subsidiaries of approximately $15 billion which are considered indefinitely reinvested. Determination of the amount of unrecognized deferred tax liability related to indefinitely reinvested profits is not feasible. If management intentions or U.S. tax law changes in the future, there may be a significant negative impact on the provision for income taxes to record an incremental tax liability in the period the change occurs.

Accounting for income taxes under U.S. GAAP requires that individual tax-paying entities of the company offset all current deferred tax liabilities and assets within each particular tax jurisdiction and present them as a single amount in the Consolidated Financial Position. A similar procedure is followed for all noncurrent deferred tax liabilities and assets. Amounts in different tax jurisdictions cannot be offset against each other. The amount of deferred income taxes at December 31, included on the following lines in Statement 3, are as follows:

	December 31,		
(Millions of dollars)	**2012**	2011	2010
Assets:			
Deferred and refundable income taxes	**$ 979**	$ 1,044	$ 579
Noncurrent deferred and refundable income taxes	**1,863**	2,005	2,337
	2,842	3,049	2,916
Liabilities:			
Other current liabilities	**66**	69	8
Other liabilities	**484**	559	141
Deferred income taxes—net	**$ 2,292**	$ 2,421	$ 2,767

Deferred income tax assets and liabilities:			
	December 31,		
(Millions of dollars)	**2012**	2011	2010
Deferred income tax assets:			
Pension	**$ 2,100**	$ 2,130	$ 1,065
Postemployment benefits other than pensions	**1,678**	1,622	1,501
Tax carryforwards	**663**	821	1,117
Warranty reserves	**358**	338	253
Stock-based compensation	**281**	232	215
Inventory	**195**	148	32
Allowance for credit losses	**170**	131	111
Post sale discounts	**141**	141	142
Deferred compensation	**110**	102	106
Other—net	**491**	537	404
	6,187	6,202	4,946
Deferred income tax liabilities:			
Capital and intangible assets	**(2,759)**	(2,866)	(1,560)
Bond discount	**(249)**	(37)	(38)
Translation	**(173)**	(193)	(169)
Undistributed profits of non-U.S. subsidiaries	**(128)**	(215)	—
	(3,309)	(3,311)	(1,767)
Valuation allowance for deferred tax assets	**(586)**	(470)	(412)
Deferred income taxes—net	**$ 2,292**	$ 2,421	$ 2,767

At December 31, 2012, approximately $633 million of U.S. state tax net operating losses (NOLs) and $139 million of U.S. state tax credit carryforwards were available. The state NOLs primarily expire between 2015 and 2031. The state tax credit carryforwards primarily expire over the next five to ten years. We established a valuation allowance of $144 million for those state NOLs and credit carryforwards that are more likely than not to expire prior to utilization.

At December 31, 2012, amounts and expiration dates of net operating loss carryforwards in various non-U.S. taxing jurisdictions were:

(Millions of dollars)						
2013	2014	2015	2016	2017-2033	Unlimited	Total
$ 6	$ 11	$ 10	$ 8	$ 576	$ 1,135	$ 1,746

At December 31, 2012 a valuation allowance of $442 million has been recorded at certain non-U.S. entities that have not yet demonstrated consistent and/or sustainable profitability to support the realization of net deferred tax assets.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, follows.

Reconciliation of unrecognized tax benefits: [1]

(Millions of dollars)	Years ended December 31, 2012	2011	2010
Balance at January 1,	**$ 958**	$ 789	$ 761
Additions for tax positions related to current year	**64**	118	21
Additions for tax positions related to prior years	**178**	108	59
Reductions for tax positions related to prior years	**(266)**	(30)	(49)
Reductions for settlements [2]	**(191)**	—	—
Reductions for expiration of statute of limitations	**(28)**	(27)	(3)
Balance at December 31,	**$ 715**	$ 958	$ 789
Amount that, if recognized, would impact the effective tax rate	**$ 669**	$ 835	$ 667

1 Foreign currency translation amounts are included within each line as applicable.
2 Includes cash payment or other reduction of assets to settle liability.

We classify interest and penalties on income taxes as a component of the provision for income taxes. We recognized a net benefit for interest and penalties of $114 million in 2012 including the impact of the 2000 through 2006 settlement discussed previously. This compares to an expense of $39 million and $27 million during the years ended December 31, 2011 and 2010, respectively. The total amount of interest and penalties accrued was $134 million, $240 million and $201 million as of December 31, 2012, 2011 and 2010, respectively.

It is reasonably possible that the amount of unrecognized tax benefits will change in the next 12 months. The IRS is currently examining our U.S. tax returns for 2007 to 2009. In our major non-U.S. jurisdictions, tax years are typically subject to examination for three to eight years. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, liquidity or results of operations. Due to the uncertainty related to the timing and potential outcome of these matters, we can not estimate the range of reasonably possible change in unrecognized tax benefits in the next 12 months.

6. Cat Financial Financing Activities

A. Wholesale inventory receivables

Wholesale inventory receivables are receivables of Cat Financial that arise when Cat Financial provides financing for a dealer's purchase of inventory. These receivables are included in Receivables—trade and other and Long-term receivables—trade and other in Statement 3 and were $2,152 million, $1,990 million, and $1,361 million at December 31, 2012, 2011 and 2010, respectively.

Contractual maturities of outstanding wholesale inventory receivables:				
(Millions of dollars)	December 31, 2012			
Amounts Due In	Wholesale Installment Contracts	Wholesale Finance Leases	Wholesale Notes	Total
2013	$ 398	$ 146	$ 727	$ 1,271
2014	96	100	167	363
2015	58	74	181	313
2016	28	42	13	83
2017	12	14	6	32
Thereafter	2	—	—	2
	594	376	1,094	2,064
Guaranteed residual value	—	102	—	102
Unguaranteed residual value	—	35	—	35
Less: Unearned income	(7)	(35)	(7)	(49)
Total	$ 587	$ 478	$ 1,087	$ 2,152

Please refer to Note 17 and Table III for fair value information.

B. Finance receivables

Finance receivables are receivables of Cat Financial, which generally can be repaid or refinanced without penalty prior to contractual maturity. Total finance receivables reported in Statement 3 are net of an allowance for credit losses.

Cat Financial provides financing only when acceptable criteria are met. Credit decisions are based on, among other things, the customer's credit history, financial strength and intended use of equipment. Cat Financial typically maintains a security interest in retail financed equipment and requires physical damage insurance coverage on financed equipment.

Contractual maturities of outstanding finance receivables:				
(Millions of dollars)	December 31, 2012			
Amounts Due In	Retail Installment Contracts	Retail Finance Leases	Retail Notes	Total
2013	$ 1,819	$ 3,192	$ 4,068	$ 9,079
2014	1,357	2,144	1,836	5,337
2015	911	1,225	1,714	3,850
2016	466	600	1,175	2,241
2017	171	241	1,454	1,866
Thereafter	29	125	861	1,015
	4,753	7,527	11,108	23,388
Guaranteed residual value	—	374	—	374
Unguaranteed residual value	—	462	—	462
Less: Unearned income	(67)	(762)	(87)	(916)
Total	$ 4,686	$ 7,601	$ 11,021	$ 23,308

Please refer to Note 17 and Table III for fair value information.

C. Credit quality of financing receivables and allowance for credit losses

Cat Financial applies a systematic methodology to determine the allowance for credit losses for finance receivables. Based upon Cat Financial's analysis of credit losses and risk factors, portfolio segments are as follows:

- Customer - Finance receivables with retail customers.

- Dealer - Finance receivables with Caterpillar dealers.

Cat Financial further evaluates portfolio segments by the class of finance receivables, which is defined as a level of information (below a portfolio segment) in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. Typically, Cat Financial's finance receivables within a geographic area have similar credit risk profiles and methods for assessing and monitoring credit risk. Cat Financial's classes, which align with management reporting for credit losses, are as follows:

- North America - Finance receivables originated in the United States or Canada.

- Europe - Finance receivables originated in Europe, Africa, Middle East and the Commonwealth of Independent States.

- Asia Pacific - Finance receivables originated in Australia, New Zealand, China, Japan, South Korea and Southeast Asia.

- Mining - Finance receivables related to large mining customers worldwide.

- Latin America - Finance receivables originated in Central and South American countries and Mexico.

- Caterpillar Power Finance - Finance receivables related to marine vessels with Caterpillar engines worldwide and Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems worldwide.

Impaired loans and finance leases

For all classes, a loan or finance lease is considered impaired, based on current information and events, if it is probable that Cat Financial will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. Loans and finance leases reviewed for impairment include loans and finance leases that are past due, non-performing or in bankruptcy. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or in instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans or finance leases are recorded against the receivable and then to any unrecognized income.

At December 31, 2012, 2011 and 2010, there were no impaired loans or finance leases for the Dealer portfolio segment. The average recorded investment for impaired loans and finance leases within the dealer portfolio segment was zero during 2012 and 2011 and $19 million during 2010.

Individually impaired loans and finance leases for the customer portfolio segment were as follows:

(Millions of dollars)	December 31, 2012 Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired Loans and Finance Leases With No Allowance Recorded			
Customer			
North America	$ 28	$ 27	$ —
Europe	45	45	—
Asia Pacific	2	2	—
Mining	1	1	—
Latin America	7	7	—
Caterpillar Power Finance	295	295	—
Total	$ 378	$ 377	$ —
Impaired Loans and Finance Leases With An Allowance Recorded			
Customer			
North America	$ 47	$ 43	$ 10
Europe	40	37	14
Asia Pacific	35	35	8
Mining	23	23	5
Latin America	43	43	12
Caterpillar Power Finance	116	112	24
Total	$ 304	$ 293	$ 73
Total Impaired Loans and Finance Leases			
Customer			
North America	$ 75	$ 70	$ 10
Europe	85	82	14
Asia Pacific	37	37	8
Mining	24	24	5
Latin America	50	50	12
Caterpillar Power Finance	411	407	24
Total	$ 682	$ 670	$ 73

(Millions of dollars)	December 31, 2011 Recorded Investment	Unpaid Principal Balance	Related Allowance
<u>Impaired Loans and Finance Leases With No Allowance Recorded</u>			
Customer			
North America	$ 83	$ 80	$ —
Europe	47	46	—
Asia Pacific	4	4	—
Mining	8	8	—
Latin America	9	9	—
Caterpillar Power Finance	175	170	—
Total	$ 326	$ 317	$ —
<u>Impaired Loans and Finance Leases With An Allowance Recorded</u>			
Customer			
North America	$ 69	$ 64	$ 15
Europe	36	33	12
Asia Pacific	13	13	3
Mining	13	13	4
Latin America	25	25	6
Caterpillar Power Finance	93	92	16
Total	$ 249	$ 240	$ 56
<u>Total Impaired Loans and Finance Leases</u>			
Customer			
North America	$ 152	$ 144	$ 15
Europe	83	79	12
Asia Pacific	17	17	3
Mining	21	21	4
Latin America	34	34	6
Caterpillar Power Finance	268	262	16
Total	$ 575	$ 557	$ 56

(Millions of dollars)	December 31, 2010 Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired Loans and Finance Leases With No Allowance Recorded			
Customer			
North America	$ 87	$ 87	$ —
Europe	6	4	—
Asia Pacific	5	5	—
Mining	8	8	—
Latin America	3	3	—
Caterpillar Power Finance	174	174	—
Total	$ 283	$ 281	$ —
Impaired Loans and Finance Leases With An Allowance Recorded			
Customer			
North America	$ 191	$ 185	$ 44
Europe	62	57	15
Asia Pacific	27	27	7
Mining	—	—	—
Latin America	44	43	9
Caterpillar Power Finance	34	33	4
Total	$ 358	$ 345	$ 79
Total Impaired Loans and Finance Leases			
Customer			
North America	$ 278	$ 272	$ 44
Europe	68	61	15
Asia Pacific	32	32	7
Mining	8	8	—
Latin America	47	46	9
Caterpillar Power Finance	208	207	4
Total	$ 641	$ 626	$ 79

(Millions of dollars)	2012 Average Recorded Investment	2012 Interest Income Recognized	2011 Average Recorded Investment	2011 Interest Income Recognized	2010 Average Recorded Investment	2010 Interest Income Recognized
Impaired Loans and Finance Leases With No Allowance Recorded						
Customer						
North America	**$ 50**	**$ 3**	$ 91	$ 4	$ 39	$ 2
Europe	**45**	**1**	11	—	7	—
Asia Pacific	**3**	**—**	5	—	6	—
Mining	**8**	**—**	8	1	3	—
Latin America	**6**	**—**	9	1	5	—
Caterpillar Power Finance	**220**	**2**	221	6	92	—
Total	**$ 332**	**$ 6**	$ 345	$ 12	$ 152	$ 2
Impaired Loans and Finance Leases With An Allowance Recorded						
Customer						
North America	**$ 58**	**$ 1**	$ 142	$ 5	$ 271	$ 11
Europe	**43**	**2**	50	2	85	4
Asia Pacific	**27**	**2**	17	1	34	3
Mining	**38**	**2**	6	—	6	—
Latin America	**43**	**2**	39	2	39	3
Caterpillar Power Finance	**99**	**—**	83	—	17	—
Total	**$ 308**	**$ 9**	$ 337	$ 10	$ 452	$ 21
Total Impaired Loans and Finance Leases						
Customer						
North America	**$ 108**	**$ 4**	$ 233	$ 9	$ 310	$ 13
Europe	**88**	**3**	61	2	92	4
Asia Pacific	**30**	**2**	22	1	40	3
Mining	**46**	**2**	14	1	9	—
Latin America	**49**	**2**	48	3	44	3
Caterpillar Power Finance	**319**	**2**	304	6	109	—
Total	**$ 640**	**$ 15**	$ 682	$ 22	$ 604	$ 23

Years ended December 31.

Non-accrual and past due loans and finance leases

For all classes, Cat Financial considers a loan or finance lease past due if any portion of a contractual payment is due and unpaid for more than 30 days. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or in instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed.

As of December 31, 2012, 2011 and 2010, there were no loans or finance leases on non-accrual status for the Dealer portfolio segment.

The investment in customer loans and finance leases on non-accrual status was as follows:

(Millions of dollars)	December 31, 2012	2011	2010
Customer			
North America	$ 59	$ 112	$ 217
Europe	38	58	89
Asia Pacific	36	24	24
Mining	12	12	7
Latin America	148	108	139
Caterpillar Power Finance	220	158	163
Total	$ 513	$ 472	$ 639

Aging related to loans and finance leases was as follows:

(Millions of dollars)	December 31, 2012						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	$ 35	$ 8	$ 52	$ 95	$ 5,872	$ 5,967	$ —
Europe	23	9	36	68	2,487	2,555	6
Asia Pacific	53	19	54	126	2,912	3,038	18
Mining	—	1	12	13	1,960	1,973	—
Latin America	62	19	138	219	2,500	2,719	—
Caterpillar Power Finance	15	14	126	155	3,017	3,172	4
Dealer							
North America	—	—	—	—	2,063	2,063	—
Europe	—	—	—	—	185	185	—
Asia Pacific	—	—	—	—	751	751	—
Mining	—	—	—	—	1	1	—
Latin America	—	—	—	—	884	884	—
Caterpillar Power Finance	—	—	—	—	—	—	—
Total	$ 188	$ 70	$ 418	$ 676	$ 22,632	$ 23,308	$ 28

(Millions of dollars)	December 31, 2011						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	$ 74	$ 39	$ 111	$ 224	$ 5,378	$ 5,602	$ 9
Europe	27	11	57	95	2,129	2,224	10
Asia Pacific	47	23	38	108	2,769	2,877	14
Mining	—	—	12	12	1,473	1,485	—
Latin America	32	15	99	146	2,339	2,485	—
Caterpillar Power Finance	14	16	125	155	2,765	2,920	25
Dealer							
North America	—	—	—	—	1,689	1,689	—
Europe	—	—	—	—	57	57	—
Asia Pacific	—	—	—	—	161	161	—
Mining	—	—	—	—	—	—	—
Latin America	—	—	—	—	480	480	—
Caterpillar Power Finance	—	—	—	—	—	—	—
Total	$ 194	$ 104	$ 442	$ 740	$ 19,240	$ 19,980	$ 58

(Millions of dollars)	December 31, 2010						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	$ 139	$ 44	$ 228	$ 411	$ 6,037	$ 6,448	$ 27
Europe	27	12	106	145	2,365	2,510	26
Asia Pacific	63	17	37	117	2,537	2,654	12
Mining	—	—	—	—	875	875	—
Latin America	44	16	144	204	2,222	2,426	1
Caterpillar Power Finance	18	17	54	89	2,978	3,067	25
Dealer							
North America	—	—	—	—	1,291	1,291	—
Europe	—	—	—	—	41	41	—
Asia Pacific	—	—	—	—	151	151	—
Mining	—	—	—	—	—	—	—
Latin America	—	—	—	—	457	457	—
Caterpillar Power Finance	—	—	—	—	3	3	—
Total	$ 291	$ 106	$ 569	$ 966	$ 18,957	$ 19,923	$ 91

Allowance for credit loss activity

In estimating the allowance for credit losses, Cat Financial reviews loans and finance leases that are past due, non-performing or in bankruptcy. An analysis of the allowance for credit losses during 2012, 2011 and 2010 was as follows:

(Millions of dollars)	December 31, 2012		
	Customer	**Dealer**	**Total**
Allowance for Credit Losses:			
Balance at beginning of year	**$ 360**	**$ 6**	**$ 366**
Receivables written off	**(149)**	**—**	**(149)**
Recoveries on receivables previously written off	**47**	**—**	**47**
Provision for credit losses	**157**	**3**	**160**
Other	**(1)**	**—**	**(1)**
Balance at end of year	**$ 414**	**$ 9**	**$ 423**
Individually evaluated for impairment	**$ 73**	**$ —**	**$ 73**
Collectively evaluated for impairment	**341**	**9**	**350**
Ending Balance	**$ 414**	**$ 9**	**$ 423**
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	**$ 682**	**$ —**	**$ 682**
Collectively evaluated for impairment	**18,742**	**3,884**	**22,626**
Ending Balance	**$ 19,424**	**$ 3,884**	**$ 23,308**

(Millions of dollars)	December 31, 2011		
	Customer	Dealer	Total
Allowance for Credit Losses:			
Balance at beginning of year	$ 357	$ 5	$ 362
Receivables written off	(210)	—	(210)
Recoveries on receivables previously written off	52	—	52
Provision for credit losses	167	1	168
Other	(6)	—	(6)
Balance at end of year	$ 360	$ 6	$ 366
Individually evaluated for impairment	$ 56	$ —	$ 56
Collectively evaluated for impairment	304	6	310
Ending Balance	$ 360	$ 6	$ 366
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	$ 575	$ —	$ 575
Collectively evaluated for impairment	17,018	2,387	19,405
Ending Balance	$ 17,593	$ 2,387	$ 19,980

(Millions of dollars)	December 31, 2010
Allowance for Credit Losses:	
Balance at beginning of year	$ 376
Receivables written off	(288)
Recoveries on receivables previously written off	51
Provision for credit losses	205
Adjustment to adopt consolidation of variable-interest entities	18
Other–net	—
Balance at end of year	$ 362

(Millions of dollars)	December 31, 2010		
	Customer	Dealer	Total
Individually evaluated for impairment	$ 79	$ —	$ 79
Collectively evaluated for impairment	278	5	283
Ending Balance	$ 357	$ 5	$ 362
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	$ 641	$ —	$ 641
Collectively evaluated for impairment	17,339	1,943	19,282
Ending Balance	$ 17,980	$ 1,943	$ 19,923

Credit quality of finance receivables

The credit quality of finance receivables is reviewed on a monthly basis. Credit quality indicators include performing and non-performing. Non-performing is defined as finance receivables currently over 120 days past due and/or on non-accrual status or in bankruptcy. Finance receivables not meeting the criteria listed above are considered performing. Non-performing receivables have the highest probability for credit loss. The allowance for credit losses attributable to non-performing receivables is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, Cat Financial estimates the current fair market value of the collateral. In addition, Cat Financial considers credit enhancements such as additional collateral and contractual third-party guarantees in determining the allowance for credit losses attributable to non-performing receivables.

The recorded investment in performing and non-performing finance receivables was as follows:

(Millions of dollars)	December 31, 2012		
	Customer	Dealer	Total
Performing			
North America	$ 5,908	$ 2,063	$ 7,971
Europe	2,517	185	2,702
Asia Pacific	3,002	751	3,753
Mining	1,961	1	1,962
Latin America	2,571	884	3,455
Caterpillar Power Finance	2,952	—	2,952
Total Performing	$ 18,911	$ 3,884	$ 22,795
Non-Performing			
North America	$ 59	$ —	$ 59
Europe	38	—	38
Asia Pacific	36	—	36
Mining	12	—	12
Latin America	148	—	148
Caterpillar Power Finance	220	—	220
Total Non-Performing	$ 513	$ —	$ 513
Performing & Non-Performing			
North America	$ 5,967	$ 2,063	$ 8,030
Europe	2,555	185	2,740
Asia Pacific	3,038	751	3,789
Mining	1,973	1	1,974
Latin America	2,719	884	3,603
Caterpillar Power Finance	3,172	—	3,172
Total	$ 19,424	$ 3,884	$ 23,308

(Millions of dollars)	December 31, 2011		
	Customer	Dealer	Total
Performing			
North America	$ 5,490	$ 1,689	$ 7,179
Europe	2,166	57	2,223
Asia Pacific	2,853	161	3,014
Mining	1,473	—	1,473
Latin America	2,377	480	2,857
Caterpillar Power Finance	2,762	—	2,762
Total Performing	$ 17,121	$ 2,387	$ 19,508
Non-Performing			
North America	$ 112	$ —	$ 112
Europe	58	—	58
Asia Pacific	24	—	24
Mining	12	—	12
Latin America	108	—	108
Caterpillar Power Finance	158	—	158
Total Non-Performing	$ 472	$ —	$ 472
Performing & Non-Performing			
North America	$ 5,602	$ 1,689	$ 7,291
Europe	2,224	57	2,281
Asia Pacific	2,877	161	3,038
Mining	1,485	—	1,485
Latin America	2,485	480	2,965
Caterpillar Power Finance	2,920	—	2,920
Total	$ 17,593	$ 2,387	$ 19,980

(Millions of dollars)	December 31, 2010		
	Customer	Dealer	Total
Performing			
North America	$ 6,231	$ 1,291	$ 7,522
Europe	2,421	41	2,462
Asia Pacific	2,630	151	2,781
Mining	868	—	868
Latin America	2,287	457	2,744
Caterpillar Power Finance	2,904	3	2,907
Total Performing	$ 17,341	$ 1,943	$ 19,284
Non-Performing			
North America	$ 217	$ —	$ 217
Europe	89	—	89
Asia Pacific	24	—	24
Mining	7	—	7
Latin America	139	—	139
Caterpillar Power Finance	163	—	163
Total Non-Performing	$ 639	$ —	$ 639
Performing & Non-Performing			
North America	$ 6,448	$ 1,291	$ 7,739
Europe	2,510	41	2,551
Asia Pacific	2,654	151	2,805
Mining	875	—	875
Latin America	2,426	457	2,883
Caterpillar Power Finance	3,067	3	3,070
Total	$ 17,980	$ 1,943	$ 19,923

Troubled Debt Restructurings

A restructuring of a loan or finance lease receivable constitutes a troubled debt restructuring (TDR) when the lender grants a concession it would not otherwise consider to a borrower experiencing financial difficulties. Concessions granted may include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs are reviewed along with other receivables as part of management's ongoing evaluation of the adequacy of the allowance for credit losses. The allowance for credit losses attributable to TDRs is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, Cat Financial estimates the current fair market value of the collateral. In addition, Cat Financial factors in credit enhancements such as additional collateral and contractual third-party guarantees in determining the allowance for credit losses attributable to TDRs.

There were no loans or finance lease receivables modified as TDRs during the years ended December 31, 2012 and 2011 for the Dealer portfolio segment.

Loan and finance lease receivables in the customer portfolio segment modified as TDRs during the years ended December 31, 2012 and 2011, were as follows:

(Dollars in millions)	Year ended December 31, 2012			Year ended December 31, 2011		
	Number of Contracts	**Pre-TDR Outstanding Recorded Investment**	**Post-TDR Outstanding Recorded Investment**	Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
Customer						
North America	**98**	**$ 15**	**$ 15**	71	$ 13	$ 13
Europe [1]	**21**	**8**	**8**	7	44	44
Asia Pacific	**12**	**3**	**3**	—	—	—
Mining	**—**	**—**	**—**	—	—	—
Latin America	**41**	**5**	**5**	12	10	10
Caterpillar Power Finance [2,3]	**27**	**253**	**253**	35	117	117
Total [4]	**199**	**$ 284**	**$ 284**	125	$ 184	$ 184

[1] One customer comprises $43 million of the $44 million pre-TDR and post-TDR outstanding recorded investment for the year ended December 31, 2011.

[2] Ten customers comprise $248 million of the $253 million pre-TDR and post-TDR outstanding recorded investment for the year ended December 31, 2012. Three customers comprise $104 million of the $117 million pre-TDR and post-TDR outstanding recorded investment for the year ended December 31, 2011.

[3] During the years ended December 31, 2012 and 2011, $24 million and $15 million, respectively, of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The $24 million and $15 million of additional funds are not reflected in the table above as no incremental modifications have been made with the borrower during the periods presented. At December 31, 2012, remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR were $1 million.

[4] Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs in the customer portfolio segment with a payment default during the years ended December 31, 2012 and 2011, which had been modified within twelve months prior to the default date, were as follows:

(Dollars in millions)	Year ended December 31, 2012		Year ended December 31, 2011	
	Number of Contracts	**Post-TDR Recorded Investment**	Number of Contracts	Post-TDR Recorded Investment
Customer				
North America	**49**	**$ 4**	48	$ 26
Europe	**—**	**—**	1	1
Asia Pacific	**2**	**1**	—	—
Mining	**—**	**—**	—	—
Latin America	**—**	**—**	7	4
Caterpillar Power Finance [1]	**16**	**21**	14	70
Total	**67**	**$ 26**	70	$ 101

[1] Two customers comprise $19 million of the $21 million post-TDR recorded investment for the year ended December 31, 2012. Two customers comprise $65 million of the $70 million post-TDR recorded investment for the year ended December 31, 2011.

D. Securitized Retail Installment Sale Contracts and Finance Leases

Cat Financial has periodically transfered certain finance receivables relating to their retail installment sale contracts and finance leases to special-purpose entities (SPEs) as part of their asset-backed securitization program. These SPEs were concluded to be VIEs. Cat Financial determined that they were the primary beneficiary based on their power to direct activities through their role as servicer and their obligation to absorb losses and right to receive benefits and therefore consolidated these securitization SPEs.

On April 25, 2011, Cat Financial exercised a clean-up call on their only outstanding asset-backed securitization transaction.

As a result, Cat Financial had no assets or liabilities related to their securitization program as of December 31, 2012 or 2011. The restricted assets (Receivables-finance, Long-term receivables-finance, Prepaid expenses and other current assets, and Other assets) of the consolidated SPEs totaled $136 million at December 31, 2010. The liabilities (Accrued expenses and Long-term debt due within one year-Financial Products) of the consolidated SPEs totaled $73 million at December 31, 2010.

7. Inventories

Inventories (principally using the LIFO method) are comprised of the following:

	December 31,		
(Millions of dollars)	**2012**	2011	2010
Raw materials	**$ 3,573**	$ 3,766	$ 2,766
Work-in-process	**2,920**	2,959	1,483
Finished goods	**8,767**	7,562	5,098
Supplies	**287**	257	240
Total inventories	**$ 15,547**	$ 14,544	$ 9,587

We had long-term material purchase obligations of approximately $2,421 million at December 31, 2012.

8. Property, plant and equipment

		December 31,		
(Millions of dollars)	Useful Lives (Years)	**2012**	2011	2010
Land	—	**$ 723**	$ 753	$ 682
Buildings and land improvements	20-45	**6,214**	5,857	5,174
Machinery, equipment and other	3-10	**16,073**	14,435	13,414
Equipment leased to others	1-10	**4,658**	4,285	4,444
Construction-in-process	—	**2,264**	1,996	1,192
Total property, plant and equipment, at cost		**29,932**	27,326	24,906
Less: Accumulated depreciation		**(13,471)**	(12,931)	(12,367)
Property, plant and equipment–net		**$ 16,461**	$ 14,395	$ 12,539

We had commitments for the purchase or construction of capital assets of approximately $569 million at December 31, 2012.

Assets recorded under capital leases: [1]

	December 31,		
(Millions of dollars)	**2012**	2011	2010
Gross capital leases [2]	**$ 134**	$ 131	$ 251
Less: Accumulated depreciation	**(58)**	(75)	(134)
Net capital leases	**$ 76**	$ 56	$ 117

[1] Included in Property, plant and equipment table above.
[2] Consists primarily of machinery and equipment.

At December 31, 2012, scheduled minimum rental payments on assets recorded under capital leases were:

(Millions of dollars)					
2013	2014	2015	2016	2017	Thereafter
$ 15	$ 10	$ 7	$ 18	$ 4	$ 34

Equipment leased to others (primarily by Cat Financial):

(Millions of dollars)	December 31, 2012	2011	2010
Equipment leased to others–at original cost	**$ 4,658**	$ 4,285	$ 4,444
Less: Accumulated depreciation	**(1,383)**	(1,406)	(1,533)
Equipment leased to others–net	**$ 3,275**	$ 2,879	$ 2,911

At December 31, 2012, scheduled minimum rental payments to be received for equipment leased to others were:

(Millions of dollars)					
2013	**2014**	**2015**	**2016**	**2017**	**Thereafter**
$ 798	$ 551	$ 337	$ 187	$ 74	$ 35

9. Investments in unconsolidated affiliated companies

Combined financial information of the unconsolidated affiliated companies accounted for by the equity method (generally on a lag of 3 months or less) was as follows:

Results of Operations of unconsolidated affiliated companies:

(Millions of dollars)	Years ended December 31, 2012	2011	2010
Results of Operations:			
Sales	**$ 1,084**	$ 966	$ 812
Cost of sales	**872**	797	627
Gross profit	**$ 212**	$ 169	$ 185
Profit (loss)	**$ 28**	$ (46)	$ (36)

Financial Position of unconsolidated affiliated companies:

(Millions of dollars)	December 31, 2012	2011	2010
Financial Position:			
Assets:			
Current assets	**$ 715**	$ 345	$ 414
Property, plant and equipment–net	**529**	200	196
Other assets	**616**	9	39
	1,860	554	649
Liabilities:			
Current liabilities	**443**	220	274
Long-term debt due after one year	**708**	72	72
Other liabilities	**170**	17	40
	1,321	309	386
Equity	**$ 539**	$ 245	$ 263

Caterpillar's investments in unconsolidated affiliated companies:

(Millions of dollars)	December 31, 2012	2011	2010
Investments in equity method companies	**$ 256**	$ 111	$ 135
Plus: Investments in cost method companies	**16**	22	29
Total investments in unconsolidated affiliated companies	**$ 272**	$ 133	$ 164

The increase in the 2012 financial position and equity investments amounts relate to the sale of a majority interest in Caterpillar's third party logistics business, which occurred on July 31, 2012. Under the terms of the agreement, Caterpillar retained a 35 percent equity interest. The increase is also related to the acquisition of an equity interest in Black Horse LLC, which occurred on December 5, 2012.

The decrease in the 2011 financial position and equity investments amounts from 2010 primarily relate to the sale of our ownership in NC^2 Global LLC (NC^2), which occurred on September 29, 2011.

At December 31, 2012, consolidated Profit employed in the business in Statement 3 included no net undistributed profits of the unconsolidated affiliated companies.

10. Intangible assets and goodwill

A. Intangible assets

Intangible assets are comprised of the following:

(Millions of dollars)	Weighted Amortizable Life (Years)	December 31, 2012 Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	**15**	**$ 2,756**	**$ (377)**	**$ 2,379**
Intellectual property	**12**	**1,767**	**(342)**	**1,425**
Other	**10**	**299**	**(105)**	**194**
Total finite-lived intangible assets	**13**	**4,822**	**(824)**	**3,998**
Indefinite-lived intangible assets - In-process research & development		**18**	**—**	**18**
Total intangible assets		**$ 4,840**	**$ (824)**	**$ 4,016**

	Weighted Amortizable Life (Years)	December 31, 2011 Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	15	$ 2,811	$ (213)	$ 2,598
Intellectual property	11	1,794	(244)	1,550
Other	11	299	(97)	202
Total finite-lived intangible assets	13	4,904	(554)	4,350
Indefinite-lived intangible assets - In-process research & development		18	—	18
Total intangible assets		$ 4,922	$ (554)	$ 4,368

	Weighted Amortizable Life (Years)	December 31, 2010 Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	17	$ 630	$ (108)	$ 522
Intellectual property	9	306	(166)	140
Other	13	197	(72)	125
Total finite-lived intangible assets	14	1,133	(346)	787
Indefinite-lived intangible assets - In-process research & development		18	—	18
Total intangible assets		$ 1,151	$ (346)	$ 805

During 2012, we acquired finite-lived intangible assets aggregating $120 million due to purchases of Siwei ($112 million) and Caterpillar Tohoku Ltd. (Cat Tohoku) ($8 million). See Note 23 for details on these acquisitions.

Customer relationship intangibles of $207 million, net of accumulated amortization of $93 million, were reclassified from Intangible assets to held for sale and/or divested during 2012, primarily related to the divestiture of portions of the Bucyrus distribution business and our third party logistics business, and are not included in the December 31, 2012 balances in the table above. See Note 25 for additional information on assets held for sale.

Customer relationship intangibles of $51 million, net of accumulated amortization of $29 million, from the All Other segment were impaired during 2012. Fair value of the intangibles was determined using an income approach based on the present value of discounted cash flows. The impairment of $22 million was recognized in Other operating (income) expenses in Statement 1 and included in the All Other segment.

During 2011, we acquired finite-lived intangible assets aggregating $4,167 million primarily due to purchases of Bucyrus

International, Inc. (Bucyrus) ($3,901 million), Pyroban Group Ltd. (Pyroban) ($41 million) and MWM Holding GmbH (MWM) ($221 million). See Note 23 for details on these acquisitions.

As described in Note 25, we sold customer relationship intangibles of $63 million associated with the divestiture of a portion of the Bucyrus distribution business in December 2011. Additionally, $186 million of customer relationship intangibles were classified as held for sale at December 31, 2011, and are not included in the table above.

During 2010, we acquired finite-lived intangible assets aggregating $409 million primarily due to purchases of Electro-Motive Diesel, Inc. (EMD) ($329 million), GE Transportation's Inspection Products business ($28 million), JCS Company, Ltd. (JCS) ($12 million) and FCM Rail Ltd. (FCM) ($10 million). Also, associated with the purchase of EMD, we acquired $18 million of indefinite-lived intangible assets. See Note 23 for details on these acquisitions.

Finite-lived intangible assets are amortized over their estimated useful lives and tested for impairment if events or changes in circumstances indicate that the asset may be impaired. Indefinite-lived intangible assets are tested for impairment at least annually.

Amortization expense related to intangible assets was $387 million, $233 million and $76 million for 2012, 2011 and 2010, respectively.

As of December 31, 2012, amortization expense related to intangible assets is expected to be:

(Millions of dollars)					
2013	**2014**	**2015**	**2016**	**2017**	**Thereafter**
$ 380	$ 375	$ 371	$ 365	$ 359	$ 2,166

B. Goodwill

As discussed in Note 23, we recorded goodwill of $625 million related to our May 2012 acquisition of Siwei. In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition.

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which is a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a $580 million goodwill impairment charge, which resulted in goodwill of $45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

Additionally, during 2012, we recorded goodwill of $22 million related to the acquisition of Cat Tohoku and finalized the allocation of the Bucyrus and MWM purchase prices to identifiable assets and liabilities, adjusting goodwill from our December 31, 2011 preliminary allocation for Bucyrus and MWM by a reduction of $28 million and an increase of $9 million, respectively. See Note 23 for details on these acquisitions.

During 2011, we acquired net assets with related goodwill aggregating $5,026 million primarily due to purchases of Bucyrus ($4,616 million), Pyroban ($23 million) and MWM ($387 million). See Note 23 for details on these acquisitions.

During 2010, we acquired net assets with related goodwill of $286 million as part of the purchase of EMD. In 2010, we also acquired net assets with related goodwill as part of the purchases of FCM ($17 million), GE Transportation's Inspection Products business ($15 million), JCS ($8 million) and other acquisitions ($8 million). See Note 23 for details on these acquisitions.

Goodwill of $181 million and $409 million was reclassified to held for sale and/or divested during 2012 and 2011, respectively, primarily related to the divestiture of portions of the Bucyrus distribution business, and is not included in the December 31, 2012 and 2011 respective balances in the table below. No goodwill was disposed of or held for sale in 2010. See Note 25 for additional information on divestitures and assets held for sale.

As discussed in Note 22 – Segment Information, during 2011, we revised our reportable segments in line with the changes to our organizational structure that were announced during 2010. Our reporting units did not significantly change as a result of the changes to our reportable segments.

The changes in carrying amount of goodwill by reportable segment for the years ended December 31, 2012, 2011 and 2010 were as follows:

(Millions of dollars)	December 31, 2011	Acquisitions	Held for Sale and Business Divestitures [1]	Impairment Loss	Other Adjustments [2]	December 31, 2012
Construction Industries						
Goodwill	**$ 378**	**$ 22**	**$ —**	**$ —**	**$ (18)**	**$ 382**
Resource Industries						
Goodwill	**4,121**	**597**	**(181)**	**—**	**22**	**4,559**
Impairments	**(22)**	**—**	**—**	**(580)**	**—**	**(602)**
Net goodwill	**4,099**	**597**	**(181)**	**(580)**	**22**	**3,957**
Power Systems						
Goodwill	**2,486**	**9**	**—**	**—**	**(9)**	**2,486**
All Other [3]						
Goodwill	**117**	**—**	**—**	**—**	**—**	**117**
Consolidated total						
Goodwill	**7,102**	**628**	**(181)**	**—**	**(5)**	**7,544**
Impairments	**(22)**	**—**	**—**	**(580)**	**—**	**(602)**
Net goodwill	**$ 7,080**	**$ 628**	**$ (181)**	**$ (580)**	**$ (5)**	**$ 6,942**

	December 31, 2010	Acquisitions	Held for Sale and Business Divestitures [1]	Impairment Loss	Other Adjustments [2]	December 31, 2011
Construction Industries						
Goodwill	$ 357	$ —	$ —	$ —	$ 21	$ 378
Resource Industries						
Goodwill	73	4,616	(397)	—	(171)	4,121
Impairments	(22)	—	—	—	—	(22)
Net goodwill	51	4,616	(397)	—	(171)	4,099
Power Systems						
Goodwill	2,077	410	—	—	(1)	2,486
All Other [3]						
Goodwill	129	—	(12)	—	—	117
Consolidated total						
Goodwill	2,636	5,026	(409)	—	(151)	7,102
Impairments	(22)	—	—	—	—	(22)
Net goodwill	$ 2,614	$ 5,026	$ (409)	$ —	$ (151)	$ 7,080

	December 31, 2009	Acquisitions	Held for Sale and Business Divestitures [1]	Impairment Loss	Other Adjustments [2]	December 31, 2010
Construction Industries						
Goodwill	$ 342	$ 5	$ —	$ —	$ 10	$ 357
Resource Industries						
Goodwill	69	3	—	—	1	73
Impairments	(22)	—	—	—	—	(22)
Net goodwill	47	3	—	—	1	51
Power Systems						
Goodwill	1,751	326	—	—	—	2,077
All Other [3]						
Goodwill	129	—	—	—	—	129
Consolidated total						
Goodwill	2,291	334	—	—	11	2,636
Impairments	(22)	—	—	—	—	(22)
Net goodwill	$ 2,269	$ 334	$ —	$ —	$ 11	$ 2,614

[1] See Note 25 for additional information.
[2] Other adjustments are comprised primarily of foreign currency translation.
[3] Includes All Other operating segment (See Note 22).

11. Available-for-sale securities

We have investments in certain debt and equity securities, primarily at Cat Insurance, that have been classified as available-for-sale and recorded at fair value based upon quoted market prices. These investments are primarily included in Other assets in Statement 3. Unrealized 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 (loss) in Statement 3). Realized gains and losses on sales of investments are generally determined using the FIFO (first-in, first-out) method for debt instruments and the specific identification method for equity securities. Realized gains and losses are included in Other income (expense) in Statement 1.

	December 31, 2012			December 31, 2011			December 31, 2010		
(Millions of dollars)	**Cost Basis**	**Unrealized Pretax Net Gains (Losses)**	**Fair Value**	Cost Basis	Unrealized Pretax Net Gains (Losses)	Fair Value	Cost Basis	Unrealized Pretax Net Gains (Losses)	Fair Value
Government debt									
U.S. treasury bonds	**$ 10**	**$ —**	**$ 10**	$ 10	$ —	$ 10	$ 12	$ —	$ 12
Other U.S. and non-U.S. government bonds	**144**	**2**	**146**	90	2	92	76	1	77
Corporate bonds									
Corporate bonds	**626**	**38**	**664**	542	30	572	481	30	511
Asset-backed securities	**96**	**—**	**96**	112	(1)	111	136	—	136
Mortgage-backed debt securities									
U.S. governmental agency	**291**	**8**	**299**	297	13	310	258	15	273
Residential	**26**	**(1)**	**25**	33	(3)	30	43	(3)	40
Commercial	**117**	**10**	**127**	142	3	145	164	4	168
Equity securities									
Large capitalization value	**147**	**38**	**185**	127	21	148	100	22	122
Smaller company growth	**22**	**12**	**34**	22	7	29	23	8	31
Total	**$ 1,479**	**$ 107**	**$ 1,586**	$ 1,375	$ 72	$ 1,447	$ 1,293	$ 77	$ 1,370

During 2012, 2011 and 2010, charges for other-than-temporary declines in the market values of securities were $2 million, $5 million and $3 million, respectively. These charges were accounted for as a realized loss and were included in Other income (expense) in Statement 1. The cost basis of the impacted securities was adjusted to reflect these charges.

Investments in an unrealized loss position that are not other-than-temporarily impaired:

	December 31, 2012											
	Less than 12 months [1]				12 months or more [1]				Total			
(Millions of dollars)	Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses	
Corporate bonds												
Asset-backed securities	$	—	$	—	$	20	$	3	$	20	$	3
Mortgage-backed debt securities												
U.S. governmental agency		84		1		15		—		99		1
Residential		—		—		14		1		14		1
Equity securities												
Large capitalization value		25		2		10		1		35		3
Total	$	109	$	3	$	59	$	5	$	168	$	8

[1] Indicates length of time that individual securities have been in a continuous unrealized loss position.

Investments in an unrealized loss position that are not other-than-temporarily impaired:

	December 31, 2011											
	Less than 12 months [1]				12 months or more [1]				Total			
(Millions of dollars)	Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses	
Corporate bonds												
Corporate bonds	$	54	$	1	$	1	$	—	$	55	$	1
Asset-backed securities		1		—		20		5		21		5
Mortgage-backed debt securities												
U.S. governmental agency		51		1		—		—		51		1
Residential		3		—		18		3		21		3
Commercial		15		—		8		1		23		1
Equity securities												
Large capitalization value		36		5		6		1		42		6
Smaller company growth		4		1		—		—		4		1
Total	$	164	$	8	$	53	$	10	$	217	$	18

[1] Indicates length of time that individual securities have been in a continuous unrealized loss position.

Investments in an unrealized loss position that are not other-than-temporarily impaired:

	December 31, 2010					
	Less than 12 months [1]		12 months or more [1]		Total	
(Millions of dollars)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate bonds						
Asset-backed securities	$ 19	$ —	$ 19	$ 4	$ 38	$ 4
Mortgage-backed debt securities						
Residential	2	—	25	4	27	4
Commercial	3	—	14	1	17	1
Equity securities						
Large capitalization value	14	1	12	2	26	3
Total	$ 38	$ 1	$ 70	$ 11	$ 108	$ 12

[1] Indicates length of time that individual securities have been in a continuous unrealized loss position.

Corporate Bonds. The unrealized losses on our investments in asset-backed securities relate primarily to changes in interest rates and credit-related yield spreads since time of purchase. We do not intend to sell the investments and it is not likely that we will be required to sell the investments before recovery of their amortized cost basis. We do not consider these investments to be other-than-temporarily impaired as of December 31, 2012.

Mortgage-Backed Debt Securities. The unrealized losses on our investments in mortgage-backed securities and mortgage-related asset-backed securities relate primarily to the continuation of elevated housing delinquencies and default rates, risk aversion and credit-related yield spreads since time of purchase. We do not intend to sell the investments and it is not likely that we will be required to sell these investments before recovery of their amortized cost basis. We do not consider these investments to be other-than-temporarily impaired as of December 31, 2012.

Equity Securities. Cat Insurance maintains a well-diversified equity portfolio consisting of two specific mandates: large capitalization value stocks and smaller company growth stocks. Overall U.S. equity valuations were marginally lower for the fourth quarter of 2012 as concerns over economic growth and the fiscal budget outweighed strong earnings and stimulus measures. We do not consider these investments to be other-than-temporarily impaired as of December 31, 2012.

The cost basis and fair value of the available-for-sale debt securities at December 31, 2012, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay and creditors may have the right to call obligations.

	December 31, 2012	
(Millions of dollars)	**Cost Basis**	**Fair Value**
Due in one year or less	**$ 161**	**$ 162**
Due after one year through five years	**595**	**623**
Due after five years through ten years	**78**	**90**
Due after ten years	**42**	**41**
U.S. governmental agency mortgage-backed securities	**291**	**299**
Residential mortgage-backed securities	**26**	**25**
Commercial mortgage-backed securities	**117**	**127**
Total debt securities – available-for-sale	**$ 1,310**	**$ 1,367**

Sales of Securities:			
	Years Ended December 31,		
(Millions of dollars)	**2012**	2011	2010
Proceeds from the sale of available-for-sale securities	**$ 306**	$ 247	$ 228
Gross gains from the sale of available-for-sale securities	**$ 6**	$ 4	$ 10
Gross losses from the sale of available-for-sale securities	**$ —**	$ 1	$ 1

12. Postemployment benefit plans

We have both U.S. and non-U.S. pension plans covering substantially all of our U.S. employees and a portion of our non-U.S. employees, located primarily in Europe, Japan and Brazil. Our defined benefit plans provide a benefit based on years of service and/or the employee's average earnings near retirement. Our defined contribution plans allow employees to contribute a portion of their salary to help save for retirement, and in certain cases, we provide a matching contribution. We also have defined benefit retirement health care and life insurance plans covering substantially all of our U.S. employees.

As announced in August 2010, on January 1, 2011, our retirement benefits for U.S. support and management employees began transitioning from defined benefit pension plans to defined contribution plans. The transition date was determined for each employee based upon age and years of service or proximity to retirement. Pension benefit accruals were frozen for certain employees on December 31, 2010, and will freeze for remaining employees on December 31, 2019. On the respective transition dates employees move to a retirement benefit that provides a frozen pension benefit and a 401(k) plan that provides an annual employer contribution. The plan change required a re-measurement as of August 31, 2010, which resulted in an increase in our Liability for postemployment benefits of $1.32 billion and a decrease in Accumulated other comprehensive income (loss) of $831 million net of tax. The increase in the liability was due to a decline in the discount rate and lower than expected asset returns at the re-measurement date. Curtailment expense of $28 million was also recognized in 2010 as a result of the plan change.

In February 2012, we announced the closure of the Electro-Motive Diesel facility located in London, Ontario. As a result of the closure, we recognized a $37 million other postretirement benefits curtailment gain. This excludes a $21 million loss of a third-party receivable for other postretirement benefits that was eliminated due to the closure. In addition, a $10 million special termination benefit expense was recognized related to statutory pension benefits required to be paid to certain affected employees. As a result, a net gain of $6 million related to the facility closure was recognized in Other operating (income) expenses in Statement 1.

In August 2012, we announced changes to our U.S. hourly pension plan, which impacted certain hourly employees. For impacted employees, pension benefit accruals will freeze on January 1, 2013 or January 1, 2016, at which time employees will become eligible for various provisions of company sponsored 401(k) plans including a matching contribution and an annual employer contribution. The plan changes resulted in a curtailment and required a remeasurement as of August 31, 2012. The curtailment and the remeasurement resulted in a net increase in our Liability for postemployment benefits of $243 million and a net loss of $153 million, net of tax, recognized in Accumulated other comprehensive income (loss). The increase in the liability was primarily due to a decline in the discount rate. Also, the curtailment resulted in expense of $7 million which was recognized in Other operating (income) expenses in Statement 1.

A. Benefit obligations

(Millions of dollars)	U.S. Pension Benefits 2012	2011	2010	Non-U.S. Pension Benefits 2012	2011	2010	Other Postretirement Benefits 2012	2011	2010
Change in benefit obligation:									
Benefit obligation, beginning of year	**$14,782**	$13,024	$12,064	**$4,299**	$ 3,867	$ 3,542	**$5,381**	$ 5,184	$ 4,537
Service cost	**185**	158	210	**108**	115	92	**92**	84	68
Interest cost	**609**	651	652	**182**	182	162	**221**	253	245
Plan amendments	**—**	1	4	**12**	(24)	35	**(38)**	(121)	—
Actuarial losses (gains)	**1,168**	1,635	1,140	**385**	312	153	**186**	306	602
Foreign currency exchange rates	**—**	—	—	**49**	(32)	34	**(11)**	(19)	14
Participant contributions	**—**	—	—	**9**	9	9	**48**	44	45
Benefits paid - gross	**(831)**	(823)	(820)	**(190)**	(187)	(168)	**(394)**	(388)	(379)
Less: federal subsidy on benefits paid	**—**	—	—	**—**	—	—	**16**	14	15
Curtailments, settlements and special termination benefits	**—**	(3)	(235)	**(67)**	(83)	(52)	**(48)**	(6)	—
Acquisitions, divestitures and other [1]	**—**	139	9	**(50)**	140	60	**—**	30	37
Benefit obligation, end of year	**$15,913**	$14,782	$13,024	**$4,737**	$ 4,299	$ 3,867	**$5,453**	$ 5,381	$ 5,184
Accumulated benefit obligation, end of year	**$15,132**	$14,055	$12,558	**$4,329**	$ 3,744	$ 3,504			
Weighted-average assumptions used to determine benefit obligation:									
Discount rate [2]	**3.7%**	4.3%	5.1%	**3.7%**	4.3%	4.6%	**3.7%**	4.3%	5.0%
Rate of compensation increase [2]	**4.5%**	4.5%	4.5%	**3.9%**	3.9%	4.2%	**4.4%**	4.4%	4.4%

[1] See Note 23 regarding the acquisitions of Electro-Motive Diesel in 2010 and Bucyrus International in 2011. See Note 25 regarding the divestiture of the third party logistics business in 2012.

[2] End of year rates are used to determine net periodic cost for the subsequent year. See Note 12E.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(Millions of dollars)	One-percentage-point increase	One-percentage-point decrease
Effect on 2012 service and interest cost components of other postretirement benefit cost	$ 27	$ (22)
Effect on accumulated postretirement benefit obligation	$ 343	$ (285)

B. Plan assets

(Millions of dollars)	U.S. Pension Benefits 2012	2011	2010	Non-U.S. Pension Benefits 2012	2011	2010	Other Postretirement Benefits 2012	2011	2010
Change in plan assets:									
Fair value of plan assets, beginning of year	**$ 9,997**	$ 10,760	$ 9,029	**$ 2,818**	$ 2,880	$ 2,797	**$ 814**	$ 996	$ 1,063
Actual return on plan assets	**1,235**	(270)	1,628	**368**	(83)	193	**117**	(45)	129
Foreign currency exchange rates	**—**	—	—	**47**	(1)	17	**—**	—	—
Company contributions	**580**	212	919	**446**	234	58	**204**	207	138
Participant contributions	**—**	—	—	**9**	9	9	**48**	44	45
Benefits paid	**(831)**	(823)	(820)	**(190)**	(187)	(168)	**(394)**	(388)	(379)
Settlements and special termination benefits	**—**	—	—	**(72)**	(41)	(51)	**—**	—	—
Acquisitions / other [1]	**—**	118	4	**—**	7	25	**—**	—	—
Fair value of plan assets, end of year	**$ 10,981**	$ 9,997	$ 10,760	**$ 3,426**	$ 2,818	$ 2,880	**$ 789**	$ 814	$ 996

[1] See Note 23 regarding the acquisitions of Electro-Motive Diesel in 2010 and Bucyrus International in 2011.

Our U.S. pension target asset allocations reflect our investment strategy of maximizing the long-term rate of return on plan assets and the resulting funded status, within an appropriate level of risk. In August 2012, as part of our pension de-risking strategy, we revised our U.S. investment policy to better align assets with liabilities and reduce risk in our portfolio. Our current target allocations for the U.S. pension plans are 70 percent equities and 30 percent fixed income. Within equity securities, approximately 65 percent includes investments in U.S. large cap, small cap and private companies. The remaining portion is invested in international companies, including emerging markets. Fixed income securities primarily include corporate bonds, mortgage-backed securities and U.S. Treasuries. While target allocation percentages will vary over time, our current strategy is to gradually reduce our equity allocation. Target allocation policies will be revisited periodically to ensure they reflect the overall objectives of the fund.

In general, our non-U.S. pension target asset allocations reflect our investment strategy of maximizing the long-term rate of return on plan assets and the resulting funded status, within an appropriate level of risk. The weighted-average target allocations for the non-U.S. pension plans are 58 percent equities, 31 percent fixed income, 7 percent real estate and 4 percent other. The target allocations for each plan vary based upon local statutory requirements, demographics of plan participants and funded status. Plan assets are primarily invested in non-U.S. securities.

Our target allocations for the other postretirement benefit plans are 80 percent equities and 20 percent fixed income. Within equity securities, approximately two-thirds include investments in U.S. large and small cap companies. The remaining portion is invested in international companies, including emerging markets. Fixed income securities primarily include corporate bonds, mortgage-backed securities and U.S. Treasuries.

The U.S. plans are rebalanced to plus or minus 5 percentage points of the target asset allocation ranges on a monthly basis. The frequency of rebalancing for the non-U.S. plans varies depending on the plan. As a result of our diversification strategies, there are no significant concentrations of risk within the portfolio of investments except for the holdings in Caterpillar stock as discussed below.

The use of certain derivative instruments is permitted where appropriate and necessary for achieving overall investment policy objectives. The plans do not engage in derivative contracts for speculative purposes.

The accounting guidance on fair value measurements specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques (Level 1, 2 and 3). See Note 17 for a discussion of the fair value hierarchy.

Fair values are determined as follows:

- Equity securities are primarily based on valuations for identical instruments in active markets.

- Fixed income securities are primarily based upon models that take into consideration such market-based factors as recent sales, risk-free yield curves and prices of similarly rated bonds.
- Real estate is stated at the fund's net asset value or at appraised value.
- Cash, short-term instruments and other are based on the carrying amount, which approximates fair value, or at the fund's net asset value.

The fair value of the pension and other postretirement benefit plan assets by category is summarized below:

	December 31, 2012			
(Millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total Assets, at Fair Value**
U.S. Pension				
Equity securities:				
U.S. equities	**$ 4,460**	**$ 3**	**$ 98**	**$ 4,561**
Non-U.S. equities	**2,691**	**2**	**—**	**2,693**
Fixed income securities:				
U.S. corporate bonds	**—**	**1,490**	**23**	**1,513**
Non-U.S. corporate bonds	**—**	**231**	**10**	**241**
U.S. government bonds	**—**	**694**	**8**	**702**
U.S. governmental agency mortgage-backed securities	**—**	**794**	**1**	**795**
Non-U.S. government bonds	**—**	**33**	**3**	**36**
Real estate	**—**	**—**	**8**	**8**
Cash, short-term instruments and other	**13**	**419**	**—**	**432**
Total U.S. pension assets	**$ 7,164**	**$ 3,666**	**$ 151**	**$ 10,981**

	December 31, 2011			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
U.S. Pension				
Equity securities:				
U.S. equities	$ 4,314	$ —	$ 77	$ 4,391
Non-U.S. equities	2,366	—	—	2,366
Fixed income securities:				
U.S. corporate bonds	—	1,178	35	1,213
Non-U.S. corporate bonds	—	143	6	149
U.S. government bonds	—	462	7	469
U.S. governmental agency mortgage-backed securities	—	891	3	894
Non-U.S. government bonds	—	31	—	31
Real estate	—	—	8	8
Cash, short-term instruments and other	48	428	—	476
Total U.S. pension assets	$ 6,728	$ 3,133	$ 136	$ 9,997

(Millions of dollars)	December 31, 2010 Level 1		Level 2		Level 3		Total Assets, at Fair Value
U.S. Pension							
Equity securities:							
U.S. equities	$	4,975	$	1	$	46	$ 5,022
Non-U.S. equities		2,884		—		4	2,888
Fixed income securities:							
U.S. corporate bonds		—		1,412		38	1,450
Non-U.S. corporate bonds		—		92		1	93
U.S. government bonds		—		299		5	304
U.S. governmental agency mortgage-backed securities		—		634		4	638
Non-U.S. government bonds		—		22		—	22
Real estate		—		—		10	10
Cash, short-term instruments and other		70		263		—	333
Total U.S. pension assets	$	7,929	$	2,723	$	108	$ 10,760

(Millions of dollars)	December 31, 2012 Level 1		Level 2		Level 3		Total Assets, at Fair Value
Non-U.S. Pension							
Equity securities:							
U.S. equities	$	436	$	2	$	—	$ 438
Non-U.S. equities		1,038		118		—	1,156
Global equities [1]		244		27		—	271
Fixed income securities:							
U.S. corporate bonds		—		37		3	40
Non-U.S. corporate bonds		—		494		2	496
U.S. government bonds		—		3		—	3
Non-U.S. government bonds		—		169		—	169
Global fixed income [1]		—		403		—	403
Real estate		—		114		104	218
Cash, short-term instruments and other [2]		185		47		—	232
Total non-U.S. pension assets	$	1,903	$	1,414	$	109	$ 3,426

(Millions of dollars)	December 31, 2011 Level 1	Level 2	Level 3	Total Assets, at Fair Value
Non-U.S. Pension				
Equity securities:				
U.S. equities	$ 356	$ 1	$ —	$ 357
Non-U.S. equities	822	84	—	906
Global equities [1]	198	40	—	238
Fixed income securities:				
U.S. corporate bonds	—	16	4	20
Non-U.S. corporate bonds	—	395	5	400
U.S. government bonds	—	3	—	3
Non-U.S. government bonds	—	200	—	200
Global fixed income [1]	—	363	—	363
Real estate	—	100	97	197
Cash, short-term instruments and other [2]	109	25	—	134
Total non-U.S. pension assets	$ 1,485	$ 1,227	$ 106	$ 2,818

(Millions of dollars)	December 31, 2010 Level 1	Level 2	Level 3	Total Assets, at Fair Value
Non-U.S. Pension				
Equity securities:				
U.S. equities	$ 359	$ —	$ —	$ 359
Non-U.S. equities	916	90	1	1,007
Global equities [1]	153	37	—	190
Fixed income securities:				
U.S. corporate bonds	—	18	2	20
Non-U.S. corporate bonds	—	374	5	379
U.S. government bonds	—	5	—	5
Non-U.S. government bonds	—	163	1	164
Global fixed income [1]	—	374	—	374
Real estate	—	89	90	179
Cash, short-term instruments and other [2]	61	107	35	203
Total non-U.S. pension assets	$ 1,489	$ 1,257	$ 134	$ 2,880

1 Includes funds that invest in both U.S. and non-U.S. securities.
2 Includes funds that invest in multiple asset classes, hedge funds and other.

(Millions of dollars)	December 31, 2012 Level 1	Level 2	Level 3	Total Assets, at Fair Value
Other Postretirement Benefits				
Equity securities:				
U.S. equities	**$ 387**	**$ —**	**$ —**	**$ 387**
Non-U.S. equities	**194**	**—**	**—**	**194**
Fixed income securities:				
U.S. corporate bonds	**—**	**70**	**—**	**70**
Non-U.S. corporate bonds	**—**	**11**	**—**	**11**
U.S. government bonds	**—**	**27**	**—**	**27**
U.S. governmental agency mortgage-backed securities	**—**	**33**	**—**	**33**
Non-U.S. government bonds	**—**	**2**	**—**	**2**
Cash, short-term instruments and other	**18**	**47**	**—**	**65**
Total other postretirement benefit assets	**$ 599**	**$ 190**	**$ —**	**$ 789**

(Millions of dollars)	December 31, 2011 Level 1	Level 2	Level 3	Total Assets, at Fair Value
Other Postretirement Benefits				
Equity securities:				
U.S. equities	$ 410	$ —	$ —	$ 410
Non-U.S. equities	191	—	—	191
Fixed income securities:				
U.S. corporate bonds	—	67	—	67
Non-U.S. corporate bonds	—	8	—	8
U.S. government bonds	—	21	—	21
U.S. governmental agency mortgage-backed securities	—	47	—	47
Non-U.S. government bonds	—	1	—	1
Cash, short-term instruments and other	4	65	—	69
Total other postretirement benefit assets	$ 605	$ 209	$ —	$ 814

(Millions of dollars)	December 31, 2010 Level 1	Level 2	Level 3	Total Assets, at Fair Value
Other Postretirement Benefits				
Equity securities:				
U.S. equities	$ 512	$ —	$ —	$ 512
Non-U.S. equities	289	—	—	289
Fixed income securities:				
U.S. corporate bonds	—	79	—	79
Non-U.S. corporate bonds	—	6	—	6
U.S. government bonds	—	14	—	14
U.S. governmental agency mortgage-backed securities	—	43	—	43
Non-U.S. government bonds	—	1	—	1
Cash, short-term instruments and other	19	33	—	52
Total other postretirement benefit assets	$ 820	$ 176	$ —	$ 996

Below are roll-forwards of assets measured at fair value using Level 3 inputs for the years ended December 31, 2012, 2011 and 2010. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions a marketplace participant would use.

(Millions of dollars)	Equities	Fixed Income	Real Estate	Other
U.S. Pension				
Balance at December 31, 2009	$ 51	$ 57	$ 10	$ —
Unrealized gains (losses)	11	1	—	—
Realized gains (losses)	(1)	3	—	—
Purchases, issuances and settlements, net	32	(9)	—	—
Transfers in and/or out of Level 3	(43)	(4)	—	—
Balance at December 31, 2010	$ 50	$ 48	$ 10	$ —
Unrealized gains (losses)	(4)	(2)	(2)	—
Realized gains (losses)	1	—	—	—
Purchases, issuances and settlements, net	30	17	—	—
Transfers in and/or out of Level 3	—	(12)	—	—
Balance at December 31, 2011	$ 77	$ 51	$ 8	$ —
Unrealized gains (losses)	**(4)**	—	—	**(1)**
Realized gains (losses)	**4**	**2**	—	—
Purchases, issuances and settlements, net	**21**	**(4)**	—	**1**
Transfers in and/or out of Level 3	—	**(4)**	—	—
Balance at December 31, 2012	**$ 98**	**$ 45**	**$ 8**	**$ —**
Non-U.S. Pension				
Balance at December 31, 2009	$ 5	$ 14	$ 71	$ 51
Unrealized gains (losses)	(1)	—	7	1
Realized gains (losses)	1	—	—	5
Purchases, issuances and settlements, net	(2)	(3)	12	(22)
Transfers in and/or out of Level 3	(2)	(3)	—	—
Balance at December 31, 2010	$ 1	$ 8	$ 90	$ 35
Unrealized gains (losses)	—	1	7	—
Realized gains (losses)	—	—	—	3
Purchases, issuances and settlements, net	(1)	—	—	(38)
Transfers in and/or out of Level 3	—	—	—	—
Balance at December 31, 2011	$ —	$ 9	$ 97	$ —
Unrealized gains (losses)	—	—	**8**	—
Realized gains (losses)	—	—	—	—
Purchases, issuances and settlements, net	—	**(1)**	**(1)**	—
Transfers in and/or out of Level 3	—	**(3)**	—	—
Balance at December 31, 2012	**$ —**	**$ 5**	**$ 104**	**$ —**

Equity securities within plan assets include Caterpillar Inc. common stock in the amounts of:

	U.S. Pension Benefits[1]			Non-U.S. Pension Benefits			Other Postretirement Benefits		
(Millions of dollars)	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Caterpillar Inc. common stock	**$ 597**	$ 653	$ 779	**$ 1**	$ 1	$ 2	**$ 1**	$ 1	$ 3

[1] Amounts represent 5 percent of total plan assets for 2012 and 7 percent of total plan assets for 2011 and 2010.

C. Funded status

The funded status of the plans, reconciled to the amount reported on Statement 3, is as follows:

(Millions of dollars)	U.S. Pension Benefits 2012	2011	2010	Non-U.S. Pension Benefits 2012	2011	2010	Other Postretirement Benefits 2012	2011	2010
End of Year									
Fair value of plan assets	**$ 10,981**	$ 9,997	$ 10,760	**$ 3,426**	$ 2,818	$ 2,880	**$ 789**	$ 814	$ 996
Benefit obligations	**15,913**	14,782	13,024	**4,737**	4,299	3,867	**5,453**	5,381	5,184
Over (under) funded status recognized in financial position	**$ (4,932)**	$ (4,785)	$ (2,264)	**$ (1,311)**	$ (1,481)	$ (987)	**$ (4,664)**	$ (4,567)	$ (4,188)
Components of net amount recognized in financial position:									
Other assets (non-current asset)	**$ —**	$ —	$ —	**$ 30**	$ 3	$ 4	**$ —**	$ —	$ —
Accrued wages, salaries and employee benefits (current liability)	**(23)**	(21)	(18)	**(27)**	(26)	(18)	**(169)**	(171)	(171)
Liability for postemployment benefits (non-current liability)	**(4,909)**	(4,764)	(2,246)	**(1,314)**	(1,458)	(973)	**(4,495)**	(4,396)	(4,017)
Net liability recognized	**$ (4,932)**	$ (4,785)	$ (2,264)	**$ (1,311)**	$ (1,481)	$ (987)	**$ (4,664)**	$ (4,567)	$ (4,188)
Amounts recognized in Accumulated other comprehensive income (pre-tax) consist of:									
Net actuarial loss (gain)	**$ 7,286**	$ 7,044	$ 4,795	**$ 1,907**	$ 1,712	$ 1,273	**$ 1,528**	$ 1,495	$ 1,195
Prior service cost (credit)	**36**	63	83	**22**	15	43	**(159)**	(188)	(122)
Transition obligation (asset)	**—**	—	—	**—**	—	—	**3**	5	7
Total	**$ 7,322**	$ 7,107	$ 4,878	**$ 1,929**	$ 1,727	$ 1,316	**$ 1,372**	$ 1,312	$ 1,080

The estimated amounts that will be amortized from Accumulated other comprehensive income (loss) at December 31, 2012 into net periodic benefit cost (pre-tax) in 2013 are as follows:

(Millions of dollars)	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Postretirement Benefits
Net actuarial loss (gain)	**$ 546**	**$ 133**	**$ 108**
Prior service cost (credit)	**18**	**1**	**(73)**
Transition obligation (asset)	**—**	**—**	**2**
Total	**$ 564**	**$ 134**	**$ 37**

The following amounts relate to our pension plans with projected benefit obligations in excess of plan assets:

(Millions of dollars)	U.S. Pension Benefits at Year-end 2012	2011	2010	Non-U.S. Pension Benefits at Year-end 2012	2011	2010
Projected benefit obligation	**$ 15,913**	$ 14,782	$ 13,024	**$ 4,310**	$ 4,293	$ 3,846
Accumulated benefit obligation	**$ 15,132**	$ 14,055	$ 12,558	**$ 3,903**	$ 3,738	$ 3,485
Fair value of plan assets	**$ 10,981**	$ 9,997	$ 10,760	**$ 2,969**	$ 2,809	$ 2,855

The following amounts relate to our pension plans with accumulated benefit obligations in excess of plan assets:

(Millions of dollars)	U.S. Pension Benefits at Year-end 2012	2011	2010	Non-U.S. Pension Benefits at Year-end 2012	2011	2010
Projected benefit obligation	**$ 15,913**	$ 14,782	$ 13,024	**$ 4,107**	$ 4,112	$ 3,452
Accumulated benefit obligation	**$ 15,132**	$ 14,055	$ 12,558	**$ 3,752**	$ 3,600	$ 3,179
Fair value of plan assets	**$ 10,981**	$ 9,997	$ 10,760	**$ 2,806**	$ 2,661	$ 2,514

The accumulated postretirement benefit obligation exceeds plan assets for all of our other postretirement benefit plans for all years presented.

D. Expected cash flow

Information about the expected cash flow for the pension and other postretirement benefit plans is as follows:

(Millions of dollars)	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Postretirement Benefits
Employer contributions:			
2013 (expected)	$ 160	$ 320	$ 200
Expected benefit payments:			
2013	$ 850	$ 220	$ 350
2014	870	210	350
2015	880	220	360
2016	900	230	370
2017	910	220	370
2018-2022	4,680	1,120	1,890
Total	$ 9,090	$ 2,220	$ 3,690

The above table reflects the total employer contributions and benefits expected to be paid from the plan or from company assets and does not include the participants' share of the cost. The expected benefit payments for our other postretirement benefits include payments for prescription drug benefits. Medicare Part D subsidy amounts expected to be received by the company which will offset other postretirement benefit payments are as follows:

(Millions of dollars)	2013	2014	2015	2016	2017	2018-2022	Total
Other postretirement benefits	$ 15	$ 20	$ 20	$ 20	$ 20	$ 110	$ 205

E. Net periodic cost

(Millions of dollars)	U.S. Pension Benefits 2012	2011	2010	Non-U.S. Pension Benefits 2012	2011	2010	Other Postretirement Benefits 2012	2011	2010
Components of net periodic benefit cost:									
Service cost	**$ 185**	$ 158	$ 210	**$ 108**	$ 115	$ 92	**$ 92**	$ 84	$ 68
Interest cost	**609**	651	652	**182**	182	162	**221**	253	245
Expected return on plan assets	**(812)**	(798)	(773)	**(215)**	(210)	(192)	**(63)**	(70)	(93)
Curtailments, settlements and special termination benefits [1]	**7**	—	28	**38**	19	22	**(40)**	—	—
Amortization of:									
Transition obligation (asset)	**—**	—	—	**—**	—	—	**2**	2	2
Prior service cost (credit) [2]	**19**	20	25	**1**	3	1	**(68)**	(55)	(55)
Net actuarial loss (gain)	**504**	451	385	**97**	74	65	**100**	108	33
Total cost included in operating profit	**$ 512**	$ 482	$ 527	**$ 211**	$ 183	$ 150	**$ 244**	$ 322	$ 200
Other changes in plan assets and benefit obligations recognized in other comprehensive income (pre-tax):									
Current year actuarial loss (gain)	**$ 745**	$ 2,700	$ 47	**$ 225**	$ 526	$ 136	**$ 133**	$ 408	$ 570
Amortization of actuarial (loss) gain	**(504)**	(451)	(385)	**(97)**	(72)	(62)	**(100)**	(108)	(33)
Current year prior service cost (credit)	**(7)**	—	(24)	**10**	(25)	35	**(38)**	(121)	—
Amortization of prior service (cost) credit	**(19)**	(20)	(25)	**(1)**	(3)	(1)	**68**	55	55
Amortization of transition (obligation) asset	**—**	—	—	**—**	—	—	**(2)**	(2)	(2)
Total recognized in other comprehensive income	**215**	2,229	(387)	**137**	426	108	**61**	232	590
Total recognized in net periodic cost and other comprehensive income	**$ 727**	$ 2,711	$ 140	**$ 348**	$ 609	$ 258	**$ 305**	$ 554	$ 790
Weighted-average assumptions used to determine net cost:									
Discount rate	**4.3%**	5.1%	5.4%	**4.3%**	4.6%	4.8%	**4.3%**	5.0%	5.6%
Expected return on plan assets [3]	**8.0%**	8.5%	8.5%	**7.1%**	7.1%	7.0%	**8.0%**	8.5%	8.5%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**3.9%**	4.1%	4.2%	**4.4%**	4.4%	4.4%

1 Curtailments, settlements and special termination benefits were recognized in Other operating (income) expenses in Statement 1.

2 Prior service cost (credit) and net actuarial loss (gain) for both pension and other postretirement benefits are generally amortized using the straight-line method over the average remaining service period to the full retirement eligibility date of employees expected to receive benefits from the plan. For other postretirement benefit plans in which all or almost all of the plan's participants are fully eligible for benefits under the plan, prior service cost (credit) and net actuarial loss (gain) are amortized using the straight-line method over the remaining life expectancy of those participants.

3 The weighted-average rates for 2013 are 7.8 percent and 6.7 percent for U.S. and non-U.S. pension plans, respectively.

The assumed discount rate is used to discount future benefit obligations back to today's dollars. The U.S. discount rate is based on a benefit cash flow-matching approach and represents the rate at which our benefit obligations could effectively be settled as of our measurement date, December 31. The benefit cash flow-matching approach involves analyzing Caterpillar's projected cash flows against a high quality bond yield curve, calculated using a wide population of corporate Aa bonds available on the measurement date. The very highest and lowest yielding bonds (top and bottom 10 percent) are excluded from the analysis. A similar process is used to determine the assumed discount rate for our most significant non-U.S. plans. This rate is sensitive to changes in interest rates. A decrease in the discount rate would increase our obligation and future expense.

Our U.S. expected long-term rate of return on plan assets is based on our estimate of long-term passive returns for equities and fixed income securities weighted by the allocation of our pension assets. Based on historical performance, we increase the passive returns due to our active management of the plan assets. To arrive at our expected long-term return, the amount added for active management was 1 percent for 2012, 2011 and 2010. A similar process is used to determine this rate for our non-U.S. plans.

The assumed health care trend rate represents the rate at which health care costs are assumed to increase. We assumed a weighted-average increase of 7.4 percent in our calculation of 2012 benefit expense. We expect a weighted-average increase of 7.1 percent during 2013. The 2012 and 2013 rates are assumed to decrease gradually to the ultimate health care trend rate of 5 percent in 2019. This rate represents 3 percent general inflation plus 2 percent additional health care inflation.

F. Other postemployment benefit plans

We offer long-term disability benefits, continued health care for disabled employees, survivor income benefit insurance and supplemental unemployment benefits to substantially all eligible U.S. employees.

G. Defined contribution plans

We have both U.S. and non-U.S. employee defined contribution plans to help employees save for retirement. Our U.S. 401 (k) plan allows eligible employees to contribute a portion of their salary to the plan on a tax-deferred basis, and we provide a matching contribution equal to 100 percent of employee contributions to the plan up to 6 percent of compensation. Various other U.S. and non-U.S. defined contribution plans allow eligible employees to contribute a portion of their salary to the plans, and in some cases, we provide a matching contribution to the funds.

On January 1, 2011, matching contributions to our U.S. 401(k) plan changed for certain employees that are still accruing benefits under a defined benefit pension plan. Matching contributions changed from 100 percent of employee contributions to the plan up to 6 percent of compensation to 50 percent of employee contributions up to 6 percent of compensation. For employees whose defined benefit pension accruals were frozen as of December 31, 2010, we began providing a new annual employer contribution in 2011, which ranges from 3 to 5 percent of compensation, depending on years of service and age.

From June 2009 to October 2010, we funded our employer matching contribution for certain U.S. defined contribution plans in Caterpillar stock, held as treasury stock. In 2010, we made $94 million (1.5 million shares) of matching contributions in Caterpillar stock.

Total company costs related to U.S. and non-U.S. defined contribution plans were as follows:

(Millions of dollars)	**2012**	2011	2010
U.S. plans	**$ 260**	$ 219	$ 231
Non-U.S. plans	**60**	54	39
	$ 320	$ 273	$ 270

H. Summary of long-term liability:

	December 31,		
(Millions of dollars)	**2012**	2011	2010
Pensions:			
U.S. pensions	**$ 4,909**	$ 4,764	$ 2,246
Non-U.S. pensions	**1,314**	1,458	973
Total pensions	**6,223**	6,222	3,219
Postretirement benefits other than pensions	**4,495**	4,396	4,017
Other postemployment benefits	**81**	73	69
Defined contribution	**286**	265	279
	$ 11,085	$ 10,956	$ 7,584

13. Short-term borrowings

(Millions of dollars)	December 31, 2012	2011	2010
Machinery and Power Systems:			
Notes payable to banks	**$ 484**	$ 93	$ 204
Notes payable to certain former shareholders of Siwei	**152**	—	—
Commercial paper	**—**	—	—
	636	93	204
Financial Products:			
Notes payable to banks	**418**	527	479
Commercial paper	**3,654**	2,818	2,710
Demand notes	**579**	550	663
	4,651	3,895	3,852
Total short-term borrowings	**$ 5,287**	$ 3,988	$ 4,056

The weighted-average interest rates on short-term borrowings outstanding were:

	December 31, 2012	2011	2010
Notes payable to banks	**5.8%**	7.2%	4.1%
Commercial paper	**0.6%**	1.0%	1.5%
Demand notes	**0.8%**	0.9%	1.1%

The notes payable to certain former shareholders of Siwei do not bear interest. Please refer to Note 23 for more information. Please refer to Note 17 and Table III for fair value information on short-term borrowings.

14. Long-term debt

(Millions of dollars)	December 31, 2012	2011	2010
Machinery and Power Systems:			
Notes—Floating Rate (Three-month USD LIBOR plus 0.17%) due 2013	**$ —**	$ 750	$ —
Notes—1.375% due 2014	**750**	750	—
Notes—5.700% due 2016	**508**	510	512
Notes—3.900% due 2021	**1,245**	1,245	—
Notes—5.200% due 2041	**757**	1,247	—
Debentures—7.000% due 2013	**—**	350	350
Debentures—0.950% due 2015	**500**	—	—
Debentures—1.500% due 2017	**499**	—	—
Debentures—7.900% due 2018	**899**	899	899
Debentures—9.375% due 2021	**120**	120	120
Debentures—2.600% due 2022	**498**	—	—
Debentures—8.000% due 2023	**82**	82	82
Debentures—6.625% due 2028	**193**	299	299
Debentures—7.300% due 2031	**241**	349	349
Debentures—5.300% due 2035 [1]	**208**	206	205
Debentures—6.050% due 2036	**459**	748	748
Debentures—8.250% due 2038	**65**	248	248
Debentures—6.950% due 2042	**160**	250	249
Debentures—3.803% due 2042 [2]	**1,149**	—	—
Debentures—7.375% due 2097	**244**	297	297
Capital lease obligations	**73**	46	81
Other	**16**	19	66
Total Machinery and Power Systems	**8,666**	8,415	4,505
Financial Products:			
Medium-term notes	**18,036**	15,701	14,993
Other	**1,050**	828	939
Total Financial Products	**19,086**	16,529	15,932
Total long-term debt due after one year	**$ 27,752**	$ 24,944	$ 20,437

[1] Debentures due in 2035 have a face value of $307 million and an effective yield to maturity of 8.55%.
[2] Debentures due in 2042 have a face value of $1,722 million and an effective yield to maturity of 6.29%.

All outstanding notes and debentures are unsecured and rank equally with one another.

On June 26, 2012 we issued $500 million of 0.950% Senior Notes due 2015, $500 million of 1.500% Senior Notes due 2017, and $500 million of 2.600% Senior Notes due 2022.

On August 15, 2012 and August 27, 2012, we exchanged $1.72 billion of newly issued 3.803% Debentures due 2042 and $179 million of cash for $1.33 billion of several series of our outstanding debentures of varying interest rates and maturity dates. This exchange met the requirements to be accounted for as a debt modification.

On May 24, 2011, we issued $500 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.10%) due in 2012 and $750 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.17%) due in 2013. The interest rates for the Floating Rate Senior Notes will be reset quarterly. We also issued $750 million of 1.375% Senior Notes due in 2014, $1.25 billion of 3.900% Senior Notes due in 2021, and $1.25 billion of 5.200% Senior Notes due in 2041.

We may redeem the 1.375%, 5.700%, 3.900% and 5.200% notes and the 6.625%, 7.300%, 5.300%, 6.050%, 6.950% and

7.375% debentures in whole or in part at our option at any time at a redemption price equal to the greater of 100% of the principal amount or the sum of the present value of the remaining scheduled payments of principal and interest of the notes or debentures to be redeemed. We may redeem some or all of the 0.950% debentures and the 1.500% debentures at our option at any time, and some or all of the 2.600% debentures at any time prior to March 26, 2022 (three months prior to the maturity date of the 2022 debentures), in each case at a redemption price equal to the greater of 100% of the principal amount of the notes being redeemed or at the discounted present value of the notes, calculated in accordance with the terms of the relevant notes. We may redeem some or all of the 3.803% debentures at any time at a redemption price equal to the greater of 100% of the principal amount of the debentures being redeemed or at a make-whole price calculated in accordance with the terms of the debentures. The terms of other notes and debentures do not specify a redemption option prior to maturity.

Cat Financial's medium term notes are offered by prospectus and are issued through agents at fixed and floating rates. These notes have a weighted average interest rate of 3.2% with remaining maturities up to 10 years at December 31, 2012.

The aggregate amounts of maturities of long-term debt during each of the years 2013 through 2017, including amounts due within one year and classified as current, are:

	December 31,				
(Millions of dollars)	2013	2014	2015	2016	2017
Machinery and Power Systems	$ 1,113	$ 762	$ 507	$ 533	$ 505
Financial Products	5,991	6,559	4,648	2,027	2,693
	$ 7,104	$ 7,321	$ 5,155	$ 2,560	$ 3,198

Interest paid on short-term and long-term borrowings for 2012, 2011 and 2010 was $1,404 million, $1,208 million and $1,247 million, respectively.

Please refer to Note 17 and Table III for fair value information on long-term debt.

15. Credit commitments

	December 31, 2012		
(Millions of dollars)	**Consolidated**	**Machinery and Power Systems**	**Financial Products**
Credit lines available:			
Global credit facilities	**$ 10,000**	**$ 2,750**	**$ 7,250**
Other external	**5,125**	**728**	**4,397**
Total credit lines available	**15,125**	**3,478**	**11,647**
Less: Commercial paper outstanding	**(3,654)**	**—**	**(3,654)**
Less: Utilized credit	**(2,501)**	**(481)**	**(2,020)**
Available credit	**$ 8,970**	**$ 2,997**	**$ 5,973**

We have three global credit facilities with a syndicate of banks totaling $10.00 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to Machinery and Power Systems as of December 31, 2012 was $2.75 billion.

- The 364-day facility of $3.00 billion (of which $0.82 billion is available to Machinery and Power Systems) expires in September 2013.
- The 2010 four-year facility of $2.60 billion (of which $0.72 billion is available to Machinery and Power Systems) expires in September 2015.
- The 2011 five-year facility of $4.40 billion (of which $1.21 billion is available to Machinery and Power Systems) expires in September 2017.

Other consolidated credit lines with banks as of December 31, 2012 totaled $5.13 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our subsidiaries for local funding requirements. Caterpillar or Cat Financial may guarantee subsidiary borrowings under these lines.

At December 31, 2012, Caterpillar's consolidated net worth was $24.50 billion, which was above the $9.00 billion required under the Credit Facility. The consolidated net worth is defined as the consolidated stockholder's equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income (loss).

At December 31, 2012, Cat Financial's covenant interest coverage ratio was 1.70 to 1. This is above the 1.15 to 1 minimum ratio calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2012, Cat Financial's six-month covenant leverage ratio was 8.70 to 1 and year-end covenant leverage ratio was 8.74 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31 required by the Credit Facility.

In the event Caterpillar or Cat Financial does not meet one or more of their respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the bank group may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of Cat Financial's other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At December 31, 2012, there were no borrowings under the Credit Facility.

In 2010, we entered into a bridge facility commitment letter related to the planned acquisition of Bucyrus. The commitment letter provided for an aggregate principal amount of $8.6 billion under a one-year unsecured term loan credit facility (Bridge Facility). Also in 2010, we entered into a Bridge Loan Agreement that contains the negotiated terms and conditions originally contemplated in the commitment letter. The Bridge Loan Agreement was terminated on July 8, 2011, to coincide with the closing date of the Bucyrus acquisition. During 2011 we paid $18 million in customary fees and expenses, compared with total payments of $46 million in 2010.

16. Profit per share

Computations of profit per share:

(Dollars in millions except per share data)		**2012**		2011		2010
Profit for the period (A) [1]	**$**	**5,681**	$	4,928	$	2,700
Determination of shares (in millions):						
Weighted average number of common shares outstanding (B)		**652.6**		645.0		631.5
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price		**17.0**		21.1		18.9
Average common shares outstanding for fully diluted computation (C)		**669.6**		666.1		650.4
Profit per share of common stock:						
Assuming no dilution (A/B)	**$**	**8.71**	$	7.64	$	4.28
Assuming full dilution (A/C)	**$**	**8.48**	$	7.40	$	4.15
Shares outstanding as of December 31 (in millions)		**655.0**		647.5		638.8

[1] Profit attributable to common stockholders.

SARs and stock options to purchase 6,066,777, 2,902,533 and 5,228,763 common shares were outstanding in 2012, 2011 and 2010, respectively, but were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

17. Fair value disclosures

A. Fair value measurements

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- **Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty or Caterpillar) will not be fulfilled. For financial assets traded in an active market (Level 1 and certain Level 2), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (certain Level 2 and Level 3), our fair value calculations have been adjusted accordingly.

<u>Available-for-sale securities</u>
Our available-for-sale securities, primarily at Cat Insurance, include a mix of equity and debt instruments (see Note 11 for additional information). Fair values for our U.S. treasury bonds and equity securities are based upon valuations for identical instruments in active markets. Fair values for other government bonds, corporate bonds and mortgage-backed debt securities are based upon models that take into consideration such market-based factors as recent sales, risk-free yield curves and prices of similarly rated bonds.

<u>Derivative financial instruments</u>
The fair value of interest rate swap derivatives is primarily based on models that utilize the appropriate market-based forward swap curves and zero-coupon interest rates to determine discounted cash flows. The fair value of foreign currency and commodity forward, option and cross currency contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

<u>Guarantees</u>
The fair value of guarantees is based on our estimate of the premium a market participant would require to issue the same guarantee in a stand-alone arms-length transaction with an unrelated party. If quoted or observable market prices are not available, fair value is based upon internally developed models that utilize current market-based assumptions.

Assets and liabilities measured on a recurring basis at fair value, primarily related to Financial Products, included in Statement 3 as of December 31, 2012, 2011 and 2010 are summarized below:

(Millions of dollars)	December 31, 2012 Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	$ 10	$ —	$ —	$ 10
Other U.S. and non-U.S. government bonds	—	146	—	146
Corporate bonds				
Corporate bonds	—	664	—	664
Asset-backed securities	—	96	—	96
Mortgage-backed debt securities				
U.S. governmental agency	—	299	—	299
Residential	—	25	—	25
Commercial	—	127	—	127
Equity securities				
Large capitalization value	185	—	—	185
Smaller company growth	34	—	—	34
Total available-for-sale securities	229	1,357	—	1,586
Derivative financial instruments, net	—	154	—	154
Total Assets	$ 229	$ 1,511	$ —	$ 1,740
Liabilities				
Guarantees	$ —	$ —	$ 14	$ 14
Total Liabilities	$ —	$ —	$ 14	$ 14

(Millions of dollars)	December 31, 2011 Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	$ 10	$ —	$ —	$ 10
Other U.S. and non-U.S. government bonds	—	92	—	92
Corporate bonds				
Corporate bonds	—	572	—	572
Asset-backed securities	—	111	—	111
Mortgage-backed debt securities				
U.S. governmental agency	—	310	—	310
Residential	—	30	—	30
Commercial	—	145	—	145
Equity securities				
Large capitalization value	148	—	—	148
Smaller company growth	29	—	—	29
Total available-for-sale securities	187	1,260	—	1,447
Derivative financial instruments, net	—	145	—	145
Total Assets	$ 187	$ 1,405	$ —	$ 1,592
Liabilities				
Guarantees	$ —	$ —	$ 7	$ 7
Total Liabilities	$ —	$ —	$ 7	$ 7

	December 31, 2010			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	$ 12	$ —	$ —	$ 12
Other U.S. and non-U.S. government bonds	—	77	—	77
Corporate bonds				
Corporate bonds	—	511	—	511
Asset-backed securities	—	136	—	136
Mortgage-backed debt securities				
U.S. governmental agency	—	273	—	273
Residential	—	40	—	40
Commercial	—	168	—	168
Equity securities				
Large capitalization value	122	—	—	122
Smaller company growth	31	—	—	31
Total available-for-sale securities	165	1,205	—	1,370
Derivative financial instruments, net	—	267	—	267
Total Assets	$ 165	$ 1,472	$ —	$ 1,637
Liabilities				
Guarantees	$ —	$ —	$ 10	$ 10
Total Liabilities	$ —	$ —	$ 10	$ 10

Below are roll-forwards of liabilities measured at fair value using Level 3 inputs for the years ended December 31, 2012, 2011 and 2010. These instruments were valued using pricing models that, in management's judgment, reflect the assumptions of a marketplace participant.

(Millions of dollars)	Guarantees
Balance at December 31, 2009	$ 17
Valuation adjustment	(6)
Issuance of guarantees	7
Expiration of guarantees	(8)
Balance at December 31, 2010	$ 10
Issuance of guarantees	4
Expiration of guarantees	(7)
Balance at December 31, 2011	$ 7
Acquisitions	**6**
Issuance of guarantees	**7**
Expiration of guarantees	**(6)**
Balance at December 31, 2012	**$ 14**

There were no unrealized losses on guarantees recognized in earnings for the years ended December 31, 2012, 2011 or 2010 related to liabilities still held at December 31, 2012, 2011 or 2010, respectively.

In addition to the amounts above, Cat Financial impaired loans are subject to measurement at fair value on a nonrecurring basis. A loan is considered impaired when management determines that collection of contractual amounts due is not probable. In these cases, an allowance for credit losses may be established based primarily on the fair value of associated collateral. As the collateral's fair value is based on observable market prices and/or current appraised values, the impaired loans are classified as Level 2 measurements. Cat Financial had impaired loans with a fair value of $161 million, $141 million and $171 million for the years ended December 31, 2012, 2011 and 2010, respectively.

B. Fair values of financial instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair value measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments:

Cash and short-term investments
Carrying amount approximated fair value.

Restricted cash and short-term investments
Carrying amount approximated fair value. Restricted cash and short-term investments are included in Prepaid expenses and other current assets in Statement 3.

Finance receivables
Fair value was estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Wholesale inventory receivables
Fair value was estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Short-term borrowings
Carrying amount approximated fair value.

Long-term debt
Fair value for fixed and floating rate debt was estimated based on quoted market prices.

Please refer to the table below for the fair values of our financial instruments.

TABLE III—Fair Values of Financial Instruments

(Millions of dollars)	2012 Carrying Amount	2012 Fair Value	2011 Carrying Amount	2011 Fair Value	2010 Carrying Amount	2010 Fair Value	Fair Value Levels	Reference
Assets at December 31,								
Cash and short-term investments	**$ 5,490**	**$ 5,490**	$ 3,057	$ 3,057	$ 3,592	$ 3,592	1	Statement 3
Restricted cash and short-term investments	**53**	**53**	87	87	91	91	1	Statement 3
Available-for-sale securities	**1,586**	**1,586**	1,447	1,447	1,370	1,370	1 & 2	Notes 11 & 18
Finance receivables–net (excluding finance leases [1])	**15,404**	**15,359**	12,689	12,516	12,568	12,480	2	Note 6
Wholesale inventory receivables–net (excluding finance leases [1])	**1,674**	**1,609**	1,591	1,505	1,062	1,017	2	Note 6
Foreign currency contracts–net	**—**	**—**	—	—	63	63	2	Notes 3 & 18
Interest rate swaps–net	**219**	**219**	241	241	187	187	2	Notes 3 & 18
Commodity contracts–net	**1**	**1**	—	—	17	17	2	Notes 3 & 18
Liabilities at December 31,								
Short-term borrowings	**5,287**	**5,287**	3,988	3,988	4,056	4,056	1	Note 13
Long-term debt (including amounts due within one year):								
Machinery and Power Systems	**9,779**	**11,969**	8,973	10,737	5,000	5,968	2	Note 14
Financial Products	**25,077**	**26,063**	21,631	22,674	19,362	20,364	2	Note 14
Foreign currency contracts–net	**66**	**66**	89	89	—	—	2	Notes 3 & 18
Commodity contracts–net	**—**	**—**	7	7	—	—	2	Notes 3 & 18
Guarantees	**14**	**14**	7	7	10	10	3	Note 20

[1] Total excluded items have a net carrying value at December 31, 2012, 2011 and 2010 of $7,959 million, $7,324 million and $7,292 million, respectively.

18. Concentration of credit risk

Financial instruments with potential credit risk consist primarily of trade and finance receivables and short-term and long-term investments. Additionally, to a lesser extent, we have a potential credit risk associated with counterparties to derivative contracts.

Trade receivables are primarily short-term receivables from independently owned and operated dealers and customers which arise in the normal course of business. We perform regular credit evaluations of our dealers and customers. Collateral generally is not required, and the majority of our trade receivables are unsecured. We do, however, when deemed necessary, make use of various devices such as security agreements and letters of credit to protect our interests. No single dealer or customer represents a significant concentration of credit risk.

Finance receivables and wholesale inventory receivables primarily represent receivables under installment sales contracts, receivables arising from leasing transactions and notes receivable. We generally maintain a secured interest in the equipment financed. No single customer or dealer represents a significant concentration of credit risk.

Short-term and long-term investments are held with high quality institutions and, by policy, the amount of credit exposure to any one institution is limited. Long-term investments, primarily included in Other assets in Statement 3, are comprised primarily of available-for-sale securities at Cat Insurance.

For derivative contracts, collateral is generally not required of the counterparties or of our company. The company generally enters into International Swaps and Derivatives Association (ISDA) master netting agreements which permit the net settlement of amounts owed. Our exposure to credit loss in the event of nonperformance by the counterparties is limited to only those gains that we have recorded, but for which we have not yet received cash payment. The master netting agreements reduce the amount of loss the company would incur should the counterparties fail to meet their obligations. At December 31, 2012, 2011 and 2010, the maximum exposure to credit loss was $366 million, $443 million and $576 million, respectively, before the application of any master netting agreements. Please refer to Note 17 and Table III above for fair value information.

19. Operating leases

We lease certain computer and communications equipment, transportation equipment and other property through operating leases. Total rental expense for operating leases was $474 million, $429 million, and $359 million for 2012, 2011 and 2010, respectively.

Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are:

Years ended December 31, (Millions of dollars)						
2013	**2014**	**2015**	**2016**	**2017**	**Thereafter**	**Total**
$ 254	$ 193	$ 139	$ 104	$ 74	$ 239	$ 1,003

20. Guarantees and product warranty

We have provided an indemnity to a third-party insurance company for potential losses related to performance bonds issued on behalf of Caterpillar dealers. The bonds are issued to insure governmental agencies against nonperformance by certain dealers. We also provided guarantees to a third-party related to the performance of contractual obligations by certain Caterpillar dealers. The guarantees cover potential financial losses incurred by the third-party resulting from the dealers' nonperformance.

We provide loan guarantees to third-party lenders for financing associated with machinery purchased by customers. These guarantees have varying terms and are secured by the machinery. In addition, Cat Financial participates in standby letters of credit issued to third parties on behalf of their customers. These standby letters of credit have varying terms and beneficiaries and are secured by customer assets.

Cat Financial provided a limited indemnity to a third-party bank resulting from the assignment of certain leases to that bank. The indemnity was for the possibility that the insurers of these leases would become insolvent. The indemnity expired December 15, 2012.

We have provided guarantees to third-party lessors for certain properties leased by Cat Logistics Services, LLC, in which we sold a 65 percent equity interest in the third quarter of 2012. See Note 25 for further discussion on this divestiture. The guarantees are for the possibility that the third party logistics business would default on real estate lease payments. The guarantees were granted at lease inception, which was prior to the divestiture, and generally will expire at the end of the lease terms.

No loss has been experienced or is anticipated under any of these guarantees. At December 31, 2012, 2011 and 2010, the related liability was $14 million, $7 million and $10 million, respectively. The maximum potential amount of future payments (undiscounted and without reduction for any amounts that may possibly be recovered under recourse or collateralized provisions) we could be required to make under the guarantees at December 31 are as follows:

(Millions of dollars)	**2012**	2011	2010
Caterpillar dealer guarantees	**$ 180**	$ 140	$ 185
Customer guarantees	**167**	186	170
Limited indemnity	**—**	11	17
Third party logistics business guarantees	**176**	—	—
Other guarantees	**53**	28	48
Total guarantees	**$ 576**	$ 365	$ 420

Cat Financial provides guarantees to repurchase certain loans of Caterpillar dealers from a special-purpose corporation (SPC) that qualifies as a variable interest entity. The purpose of the SPC is to provide short-term working capital loans to Caterpillar dealers. This SPC issues commercial paper and uses the proceeds to fund its loan program. Cat Financial has a loan purchase agreement with the SPC that obligates Cat Financial to purchase certain loans that are not paid at maturity. Cat Financial receives a fee for providing this guarantee, which provides a source of liquidity for the SPC. Cat Financial is the primary beneficiary of the SPC as their guarantees result in Cat Financial having both the power to direct the activities that most significantly impact the SPC's economic performance and the obligation to absorb losses, and therefore Cat Financial has consolidated the financial statements of the SPC. As of December 31, 2012, 2011 and 2010, the SPC's assets of $927 million, $586 million and $365 million, respectively, are primarily comprised of loans to dealers, and the SPC's liabilities of $927 million, $586 million and $365 million, respectively, are primarily comprised of commercial paper. The assets of the SPC are not available to pay Cat Financial's creditors. Cat Financial may be obligated to perform under the guarantee if the SPC experiences losses. No loss has been experienced or is anticipated under this loan purchase agreement.

Cat Financial is party to agreements in the normal course of business with selected customers and Caterpillar dealers in which we commit to provide a set dollar amount of financing on a pre-approved basis. We also provide lines of credit to selected customers and Caterpillar dealers, of which a portion remains unused as of the end of the period. Commitments and lines of credit generally have fixed expiration dates or other termination clauses. It has been our experience that not all commitments and lines of credit will be used. Management applies the same credit policies when making commitments and granting lines of credit as it does for any other financing.

Cat Financial does not require collateral for these commitments/lines, but if credit is extended, collateral may be required upon funding. The amount of the unused commitments and lines of credit for dealers as of December 31, 2012, 2011 and 2010 was $10,863 million, $6,469 million and $6,408 million, respectively. The amount of the unused commitments and lines of credit for customers as of December 31, 2012, 2011 and 2010 was $4,690 million, $2,785 million and $2,613 million, respectively.

Our product warranty liability is determined by applying historical claim rate experience to the current field population and dealer inventory. Generally, historical claim rates are based on actual warranty experience for each product by machine model/engine size. Specific rates are developed for each product build month and are updated monthly based on actual warranty claim experience.

(Millions of dollars)	**2012**	2011	2010
Warranty liability, January 1	**$ 1,308**	$ 1,035	$ 1,049
Reduction in liability (payments)	**(920)**	(926)	(855)
Increase in liability (new warranties)	**1,089**	1,199	841
Warranty liability, December 31	**$ 1,477**	$ 1,308	$ 1,035

During 2011, the increase in liability (new warranties) included $182 million due to the purchase of Bucyrus.

21. Environmental and legal matters

The company is regulated by federal, state and international environmental laws governing our use, transport and disposal of substances and control of emissions. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to internal combustion engines. We have made, and will continue to make, significant research and development and capital expenditures to comply with these emissions standards.

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site and those costs can be reasonably estimated, the costs are accrued against our earnings. In formulating that estimate, we do not consider amounts expected to be recovered from insurance companies or others. The amount recorded for environmental remediation is not material and is included in Accrued expenses in Statement 3.

We cannot reasonably estimate costs at sites in the very early stages of remediation. Currently, we have a few sites in the very early stages of remediation, and there is no more than a remote chance that a material amount for remedial activities at any individual site, or at all sites in the aggregate, will be required.

We are also involved in unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability (including claimed asbestos and welding fumes exposure), contracts, employment issues, environmental matters or intellectual property rights.

The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. However, there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, we believe that these actions will not individually or in the aggregate have a material adverse effect on our consolidated results of operations, financial position or liquidity.

22. Segment information

A. Basis for segment information

In the first quarter of 2011, we implemented revised internal financial measurements in line with changes to our organizational structure that were announced during 2010. Our previous structure used a matrix organization comprised of multiple profit and cost center divisions. There were twenty-five operating segments, twelve of which were reportable segments. These segments were led by vice-presidents that were managed by Caterpillar's Executive Office (comprised of our CEO and Group Presidents), which served as our Chief Operating Decision Maker. As part of the strategy revision, Group Presidents were given accountability for a related set of end-to-end businesses that they manage, a significant change for the company. The CEO allocates resources and manages performance at the Group President level. As such, the CEO now serves as our Chief Operating Decision Maker and operating segments are primarily based on the Group President reporting structure.

Three of our operating segments, Construction Industries, Resource Industries and Power Systems, are led by Group Presidents. One operating segment, Financial Products, is led by a Group President who has responsibility for Corporate Services. Corporate Services is a cost center primarily responsible for the performance of certain support functions globally and to provide centralized services; it does not meet the definition of an operating segment. One Group President leads the All Other operating segment.

In 2012, a portion of goodwill assets, related to recent acquisitions, that was allocated to Machinery and Power Systems operating segments is now a methodology difference between segment and external reporting. The segment information for 2011 has been retrospectively adjusted to conform to the 2012 presentation. The segment information for 2010 was not affected by this methodology change.

B. Description of segments

We have five operating segments, of which four are reportable segments. Following is a brief description of our reportable segments and the business activities included in the All Other operating segment:

Construction Industries: A segment primarily responsible for supporting customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing, and sales and product support. The product portfolio includes backhoe loaders, small wheel loaders, small track-type tractors, skid steer loaders, multi-terrain loaders, mini excavators, compact wheel loaders, select work tools, small, medium and large track excavators, wheel excavators, medium wheel loaders, medium track-type tractors, track-type loaders, motor graders, pipelayers and related parts. In addition, Construction Industries has responsibility for Power Systems and components in Japan and an integrated manufacturing cost center that supports Machinery and Power Systems businesses. Inter-segment sales are a source of revenue for this segment.

Resource Industries: A segment primarily responsible for supporting customers using machinery in mining and quarrying applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes large track-type tractors, large mining trucks, underground mining equipment, tunnel boring equipment, large wheel loaders, off-highway trucks, articulated trucks, wheel tractor scrapers, wheel dozers, compactors, select work tools, forestry products, paving products, machinery components and electronics and control systems. In addition, Resource Industries manages areas that provide services to other parts of the company, including integrated manufacturing, research and development and coordination of the Caterpillar Production System. During the third quarter of 2011, the acquisition of Bucyrus was completed. This added the responsibility for business strategy, product design, product management and development, manufacturing, marketing and sales and product support for electric rope shovels, draglines, hydraulic shovels, drills, highwall miners and electric drive off-highway trucks to Resource Industries. In addition, segment profit includes Bucyrus acquisition-related costs and the impact from divestiture of a portion of the Bucyrus distribution business. During the second quarter of 2012, the acquisition of Siwei was completed. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in China. See Note 23 for information on these acquisitions. Inter-segment sales are a source of revenue for this segment.

Power Systems: A segment primarily responsible for supporting customers using reciprocating engines, turbines and related parts across industries serving electric power, industrial, petroleum and marine applications as well as rail-related businesses. Responsibilities include business strategy, product design, product management, development, manufacturing, marketing, sales and product support of reciprocating engine powered generator sets, integrated systems used in the electric power generation industry, reciprocating engines and integrated systems and solutions for the marine and petroleum industries; reciprocating engines supplied to the industrial industry as well as Caterpillar machinery; the business strategy, product design, product management, development, manufacturing, marketing, sales and product support of turbines and turbine-related services; the development, manufacturing, remanufacturing, maintenance, leasing and service of diesel-electric locomotives and components and other rail-related products and services. Inter-segment sales are a source of revenue for this segment.

Financial Products Segment: Provides financing to customers and dealers for the purchase and lease of Caterpillar and other equipment, as well as some financing for Caterpillar sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment.

All Other: Primarily includes activities such as: the remanufacturing of Cat engines and components and remanufacturing services for other companies as well as the business strategy, product management, development, manufacturing, marketing and product support of undercarriage, specialty products, hardened bar stock components and ground engaging tools primarily for Caterpillar products; logistics services; the product management, development, marketing, sales and product support of on-highway vocational trucks for North America (U.S. and Canada only); distribution services responsible for dealer development and administration, dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts; and the 50/50 joint venture with Navistar (NC^2) until it became a wholly owned subsidiary of Navistar effective September 29, 2011. On July 31, 2012, we sold a majority interest in Caterpillar's third party logistics business. Inter-segment sales are a source of revenue for this segment. Results for the All Other operating segment are included as a reconciling item between reportable segments and consolidated external reporting.

C. Segment measurement and reconciliations

There are several methodology differences between our segment reporting and our external reporting. The following is a list of the more significant methodology differences:

- Machinery and Power Systems segment net assets generally include inventories, receivables, property, plant and equipment, goodwill, intangibles and accounts payable. Liabilities other than accounts payable are generally managed at the corporate level and are not included in segment operations. Financial Products Segment assets generally include all categories of assets.

- Segment inventories and cost of sales are valued using a current cost methodology.

- Goodwill allocated to segments is amortized using a fixed amount based on a 20 year useful life. This methodology difference only impacts segment assets; no goodwill amortization expense is included in segment profit.

- The present value of future lease payments for certain Machinery and Power Systems operating leases is included in segment assets. The estimated financing component of the lease payments is excluded.

- Currency exposures for Machinery and Power Systems are generally managed at the corporate level and the effects of changes in exchange rates on results of operations within the year are not included in segment profit. The net difference created in the translation of revenues and costs between exchange rates used for U.S. GAAP reporting and exchange rates used for segment reporting are recorded as a methodology difference.

- Postretirement benefit expenses are split; segments are generally responsible for service and prior service costs, with the remaining elements of net periodic benefit cost included as a methodology difference.

- Machinery and Power Systems segment profit is determined on a pretax basis and excludes interest expense, gains and losses on interest rate swaps and other income/expense items. Financial Products Segment profit is determined on a pretax basis and includes other income/expense items.

Reconciling items are created based on accounting differences between segment reporting and our consolidated external reporting. Please refer to pages A-82 to A-86 for financial information regarding significant reconciling items. Most of our reconciling items are self-explanatory given the above explanations. For the reconciliation of profit, we have grouped the reconciling items as follows:

- **Corporate costs:** These costs are related to corporate requirements and strategies that are considered to be for the benefit of the entire organization.

- **Methodology differences:** See previous discussion of significant accounting differences between segment reporting and consolidated external reporting.

- **Timing:** Timing differences in the recognition of costs between segment reporting and consolidated external reporting.

Table IV — Segment Information
(Millions of dollars)

Reportable Segments

	External sales and revenues	Inter-segment sales and revenues	Total sales and revenues	Depreciation and amortization	Segment profit	Segment assets at December 31	Capital expenditures
2012							
Construction Industries	**$ 19,334**	**$ 470**	**$ 19,804**	**$ 565**	**$ 1,789**	**$ 10,393**	**$ 1,045**
Resource Industries	**21,158**	**1,117**	**22,275**	**694**	**4,318**	**13,455**	**1,143**
Power Systems	**21,122**	**2,407**	**23,529**	**604**	**3,434**	**9,323**	**960**
Machinery and Power Systems	**$ 61,614**	**$ 3,994**	**$ 65,608**	**$ 1,863**	**$ 9,541**	**$ 33,171**	**$ 3,148**
Financial Products Segment	**3,090**	**—**	**3,090**	**708**	**763**	**36,563**	**1,660**
Total	**$ 64,704**	**$ 3,994**	**$ 68,698**	**$ 2,571**	**$ 10,304**	**$ 69,734**	**$ 4,808**
2011							
Construction Industries	$ 19,667	$ 575	$ 20,242	$ 526	$ 2,056	$ 7,942	$ 915
Resource Industries	15,629	1,162	16,791	463	3,334	12,292	717
Power Systems	20,114	2,339	22,453	544	3,053	8,748	834
Machinery and Power Systems	$ 55,410	$ 4,076	$ 59,486	$ 1,533	$ 8,443	$ 28,982	$ 2,466
Financial Products Segment	3,003	—	3,003	710	587	31,747	1,191
Total	$ 58,413	$ 4,076	$ 62,489	$ 2,243	$ 9,030	$ 60,729	$ 3,657
2010							
Construction Industries	$ 13,572	$ 674	$ 14,246	$ 515	$ 783	$ 6,927	$ 576
Resource Industries	8,667	894	9,561	281	1,789	3,892	339
Power Systems	15,537	1,684	17,221	502	2,288	8,321	567
Machinery and Power Systems	$ 37,776	$ 3,252	$ 41,028	$ 1,298	$ 4,860	$ 19,140	$ 1,482
Financial Products Segment	2,946	—	2,946	715	429	30,346	960
Total	$ 40,722	$ 3,252	$ 43,974	$ 2,013	$ 5,289	$ 49,486	$ 2,442

Reconciliation of Sales and Revenues:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2012				
Total external sales and revenues from reportable segments	**$ 61,614**	**$ 3,090**	$ —	**$ 64,704**
All other operating segment	**1,501**	**—**	—	**1,501**
Other	**(47)**	**70**	**(353)** [1]	**(330)**
Total sales and revenues	**$ 63,068**	**$ 3,160**	**$ (353)**	**$ 65,875**
2011				
Total external sales and revenues from reportable segments	$ 55,410	$ 3,003	$ —	$ 58,413
All other operating segment	2,021	—	—	2,021
Other	(39)	54	(311) [1]	(296)
Total sales and revenues	$ 57,392	$ 3,057	$ (311)	$ 60,138
2010				
Total external sales and revenues from reportable segments	$ 37,776	$ 2,946	$ —	$ 40,722
All other operating segment	2,156	—	—	2,156
Other	(65)	40	(265) [1]	(290)
Total sales and revenues	$ 39,867	$ 2,986	$ (265)	$ 42,588

[1] Elimination of Financial Products revenues from Machinery and Power Systems.

Reconciliation of consolidated profit before taxes:			
(Millions of dollars)	**Machinery and Power Systems**	**Financial Products**	**Consolidated Total**
2012			
Total profit from reportable segments	**$ 9,541**	**$ 763**	**$ 10,304**
All other operating segment	**1,014**	**—**	**1,014**
Cost centers	**17**	**—**	**17**
Corporate costs	**(1,517)**	**—**	**(1,517)**
Timing	**(298)**	**—**	**(298)**
Methodology differences:			
Inventory/cost of sales	**43**	**—**	**43**
Postretirement benefit expense	**(696)**	**—**	**(696)**
Financing costs	**(474)**	**—**	**(474)**
Equity in profit of unconsolidated affiliated companies	**(14)**	**—**	**(14)**
Currency	**108**	**—**	**108**
Interest rate swap	**2**	**—**	**2**
Other income/expense methodology differences	**(251)**	**—**	**(251)**
Other methodology differences	**(19)**	**17**	**(2)**
Total consolidated profit before taxes	**$ 7,456**	**$ 780**	**$ 8,236**
2011			
Total profit from reportable segments	$ 8,443	$ 587	$ 9,030
All other operating segment	837	—	837
Cost centers	14	—	14
Corporate costs	(1,174)	—	(1,174)
Timing	(203)	—	(203)
Methodology differences:			
Inventory/cost of sales	21	—	21
Postretirement benefit expense	(670)	—	(670)
Financing costs	(408)	—	(408)
Equity in profit of unconsolidated affiliated companies	24	—	24
Currency	(315)	—	(315)
Interest rate swap	(149)	—	(149)
Other income/expense methodology differences	(273)	—	(273)
Other methodology differences	(42)	33	(9)
Total consolidated profit before taxes	$ 6,105	$ 620	$ 6,725
2010			
Total profit from reportable segments	$ 4,860	$ 429	$ 5,289
All other operating segment	720	—	720
Cost centers	(11)	—	(11)
Corporate costs	(987)	—	(987)
Timing	(185)	—	(185)
Methodology differences:			
Inventory/cost of sales	(13)	—	(13)
Postretirement benefit expense	(640)	—	(640)
Financing costs	(314)	—	(314)
Equity in profit of unconsolidated affiliated companies	24	—	24
Currency	6	—	6
Interest rate swap	(10)	—	(10)
Other income/expense methodology differences	(131)	—	(131)
Other methodology differences	(16)	18	2
Total consolidated profit before taxes	$ 3,303	$ 447	$ 3,750

Reconciliation of Assets:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2012				
Total assets from reportable segments	**$ 33,171**	**$ 36,563**	**$ —**	**$ 69,734**
All other operating segment	**1,499**	**—**	**—**	**1,499**
Items not included in segment assets:				
Cash and short-term investments	**3,306**	**—**	**—**	**3,306**
Intercompany receivables	**303**	**—**	**(303)**	**—**
Investment in Financial Products	**4,433**	**—**	**(4,433)**	**—**
Deferred income taxes	**3,926**	**—**	**(516)**	**3,410**
Goodwill, intangible assets and other assets	**3,813**	**—**	**—**	**3,813**
Operating lease methodology difference	**(329)**	**—**	**—**	**(329)**
Liabilities included in segment assets	**11,293**	**—**	**—**	**11,293**
Inventory methodology differences	**(2,949)**	**—**	**—**	**(2,949)**
Other	**(182)**	**(107)**	**(132)**	**(421)**
Total assets	**$ 58,284**	**$ 36,456**	**$ (5,384)**	**$ 89,356**
2011				
Total assets from reportable segments	$ 28,982	$ 31,747	$ —	$ 60,729
All other operating segment	2,035	—	—	2,035
Items not included in segment assets:				
Cash and short-term investments	1,829	—	—	1,829
Intercompany receivables	75	—	(75)	—
Investment in Financial Products	4,035	—	(4,035)	—
Deferred income taxes	4,109	—	(533)	3,576
Goodwill, intangible assets and other assets	4,461	—	—	4,461
Operating lease methodology difference	(511)	—	—	(511)
Liabilities included in segment assets	12,088	—	—	12,088
Inventory methodology differences	(2,786)	—	—	(2,786)
Other	362	(194)	(143)	25
Total assets	$ 54,679	$ 31,553	$ (4,786)	$ 81,446
2010				
Total assets from reportable segments	$ 19,140	$ 30,346	$ —	$ 49,486
All other operating segment	2,472	—	—	2,472
Items not included in segment assets:				
Cash and short-term investments	1,825	—	—	1,825
Intercompany receivables	618	—	(618)	—
Investment in Financial Products	4,275	—	(4,275)	—
Deferred income taxes	3,745	—	(519)	3,226
Goodwill, intangible assets and other assets	1,511	—	—	1,511
Operating lease methodology difference	(567)	—	—	(567)
Liabilities included in segment assets	8,758	—	—	8,758
Inventory methodology differences	(2,913)	—	—	(2,913)
Other	627	(233)	(172)	222
Total assets	$ 39,491	$ 30,113	$ (5,584)	$ 64,020

Reconciliation of Depreciation and amortization:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidated Total
2012			
Total depreciation and amortization from reportable segments	**$ 1,863**	**$ 708**	**$ 2,571**
Items not included in segment depreciation and amortization:			
All other operating segment	**168**	**—**	**168**
Cost centers	**89**	**—**	**89**
Other	**(38)**	**23**	**(15)**
Total depreciation and amortization	**$ 2,082**	**$ 731**	**$ 2,813**
2011			
Total depreciation and amortization from reportable segments	$ 1,533	$ 710	$ 2,243
Items not included in segment depreciation and amortization:			
All other operating segment	172	—	172
Cost centers	77	—	77
Other	20	15	35
Total depreciation and amortization	$ 1,802	$ 725	$ 2,527
2010			
Total depreciation and amortization from reportable segments	$ 1,298	$ 715	$ 2,013
Items not included in segment depreciation and amortization:			
All other operating segment	194	—	194
Cost centers	97	—	97
Other	(16)	8	(8)
Total depreciation and amortization	$ 1,573	$ 723	$ 2,296

Reconciliation of Capital expenditures:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2012				
Total capital expenditures from reportable segments	**$ 3,148**	**$ 1,660**	**$ —**	**$ 4,808**
Items not included in segment capital expenditures:				
All other operating segment	**359**	**—**	**—**	**359**
Cost centers	**175**	**—**	**—**	**175**
Timing	**(71)**	**—**	**—**	**(71)**
Other	**(176)**	**136**	**(155)**	**(195)**
Total capital expenditures	**$ 3,435**	**$ 1,796**	**$ (155)**	**$ 5,076**
2011				
Total capital expenditures from reportable segments	$ 2,466	$ 1,191	$ —	$ 3,657
Items not included in segment capital expenditures:				
All other operating segment	343	—	—	343
Cost centers	146	—	—	146
Timing	(211)	—	—	(211)
Other	(98)	163	(76)	(11)
Total capital expenditures	$ 2,646	$ 1,354	$ (76)	$ 3,924
2010				
Total capital expenditures from reportable segments	$ 1,482	$ 960	$ —	$ 2,442
Items not included in segment capital expenditures:				
All other operating segment	285	—	—	285
Cost centers	105	—	—	105
Timing	(180)	—	—	(180)
Other	(29)	32	(69)	(66)
Total capital expenditures	$ 1,663	$ 992	$ (69)	$ 2,586

Enterprise-wide Disclosures:

Information about Geographic Areas:

	External sales and revenues [1]			Property, plant and equipment - net December 31,		
(Millions of dollars)	**2012**	2011	2010	**2012**	2011	2010
Inside United States	**$ 20,305**	$ 18,004	$ 13,674	**$ 8,573**	$ 7,388	$ 6,427
Outside United States	**45,570** [2]	42,134	28,914	**7,888**	7,007	6,112 [3]
Total	**$ 65,875**	$ 60,138	$ 42,588	**$ 16,461**	$ 14,395	$ 12,539

[1] Sales of machinery and power systems are based on dealer or customer location. Revenues from services provided are based on where service is rendered.

[2] The only country with greater than 10 percent of external sales and revenues for any of the periods presented, other than the United States, is Australia with $6,822 million as of December 31, 2012.

[3] The only country with greater than 10 percent of total property, plant and equipment - net for any of the periods presented, other than the United States, is Japan with $1,266 million as of December 31, 2010.

23. Acquisitions

Black Horse Joint Venture

In December 2012, Caterpillar and Ariel Corporation (Ariel) contributed $70 million each to obtain a 50 percent equity interest in a newly formed company, Black Horse LLC (Black Horse). Immediately upon formation, Black Horse acquired ProSource, a pump manufacturer headquartered in Houston, Texas. The acquisition of ProSource, which designs and manufactures reciprocating pressure pumps, enables Black Horse to serve the well service market. Black Horse will leverage Caterpillar and Ariel engineering and manufacturing expertise to expand ProSource's existing product line to better serve global oil and gas customers. Frac pumps sold through the combined venture will be branded and sold under the Caterpillar name and will be distributed through the Caterpillar dealer network. Our investment in Black Horse, accounted for by the equity method, is included in Investments in unconsolidated affiliated companies in Statement 3.

ERA Mining Machinery Limited (Siwei)

During the second quarter of 2012, Caterpillar, through its wholly-owned subsidiary Caterpillar (Luxembourg) Investment Co. S.A., completed a tender offer to acquire the issued shares of ERA Mining Machinery Limited (Siwei), including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd. Substantially all of the issued shares of Siwei, a public company listed on the Hong Kong Exchange, were acquired at the end of May 2012. In October 2012, the remaining shares of Siwei common stock were acquired for approximately $7 million in cash. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in mainland China and is known for its expertise in manufacturing mining roof support equipment. The acquisition supports Caterpillar's long-term commitment to invest in China in order to support our growing base of Chinese customers and will further expand our underground mining business both inside and outside of China.

The tender offer allowed Siwei shareholders to choose between two types of consideration in exchange for their shares. The alternatives were either cash consideration of HK$0.88 or a HK$1.00 loan note issued by Caterpillar (Luxembourg) Investment Co. S.A. to the former shareholders of Siwei that provided, subject to its terms, for the holder to receive on redemption a minimum of HK$0.75 up to a maximum of HK$1.15 depending on Siwei's consolidated gross profit for 2012 and 2013. Approximately 4 billion Siwei shares were tendered for the cash alternative and approximately 1.6 billion Siwei shares were tendered for the loan note alternative. The preliminary purchase price of approximately $677 million was comprised of net cash paid of approximately $444 million ($475 million in cash paid for shares and to cancel share options less cash acquired of $31 million), the fair value of the loan notes of $152 million, approximately $168 million of assumed third-party short term borrowings and notes payable, a loan and interest payable to Caterpillar from Siwei of $51 million, less restricted cash acquired of approximately $138 million. The noncontrolling interest for the outstanding shares not tendered was approximately $7 million.

The transaction was financed with available cash and included the issuance of loan notes to certain former shareholders of Siwei, which have a debt component and a portion that is contingent consideration. The $152 million fair value represents the minimum redemption amount of the debt component payable in April 2013. The fair value assigned to the contingent consideration portion that is conditionally payable in April 2013 or April 2014 is not material. The contingent consideration will be remeasured each reporting period at its estimated fair value with any adjustment included in Other operating (income) expenses in Statement 1. As of December 31, 2012 there was no adjustment to the contingent consideration.

Tangible assets as of the acquisition date and after giving effect to the adjustments described below were $598 million, recorded at their fair values, and primarily included cash of $31 million, restricted cash of $138 million, receivables of $184 million, inventory of $77 million and property, plant and equipment of $94 million. Finite-lived intangible assets acquired of $112 million were primarily related to customer relationships and also included trade names. The finite-lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 14 years. Liabilities assumed as of the acquisition date and after giving effect to the adjustments described below were $626 million, recorded at their fair values, and primarily included accounts payable of $352 million, third-party short term borrowings and notes payable of $168 million and accrued expenses of $37 million. Additionally, deferred tax liabilities were $25 million. Goodwill of $625 million, substantially all of which is non-deductible for income tax purposes, represented the excess of the consideration transferred over the net assets recognized and represented the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Factors that contributed to a purchase price resulting in the recognition of goodwill include expected cost savings primarily from increased purchasing power for raw materials, improved working capital management, expanded underground mining equipment sales opportunities in China and internationally, along with the acquired assembled workforce. These values represent a preliminary allocation of the purchase price subject to finalization of post-closing procedures. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Resource Industries segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. Due to the identified accounting misconduct that occurred before the acquisition, measurement period adjustments were made to the fair value of the acquired assets and assumed liabilities during the fourth quarter of 2012. The fair values presented above reflect these changes, which are primarily comprised of a decrease in finite-lived intangible assets of $82 million, a decrease in receivables of $29 million, a decrease in inventory of $17 million and a net increase in liabilities of $23 million, resulting in an increase in goodwill of $149 million.

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which is a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a $580 million goodwill impairment charge, which resulted in goodwill of $45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

Caterpillar Tohoku Ltd.

In March 2012, we acquired 100 percent of the stock of Caterpillar Tohoku Ltd. (Cat Tohoku). Cat Tohoku was an independently owned and operated dealership providing sales, rental, service and after market support for Caterpillar machines and engines in the northeastern part of Japan. The purchase price, net of $18 million of acquired cash, was approximately $206 million. The purchase price included the assumption of $77 million in third-party debt, as well as $64 million net trade payables due to Caterpillar. We paid approximately $59 million at closing, $22 million in July 2012, and recognized a payable of $3 million million for estimated consideration due in March 2013. The acquisition of Cat Tohoku supports Caterpillar's efforts to restructure its distribution network in Japan.

The transaction was financed with available cash. Tangible assets as of the acquisition date were $252 million and primarily included cash of $18 million, receivables of $34 million, inventory of $26 million, and property, plant and equipment of $157 million. Finite-lived intangible assets acquired were $8 million. Liabilities assumed as of the acquisition date were $135 million, recorded at their fair values, and primarily included debt of $77 million and accounts payable of $39 million. Goodwill of $22 million, which is deductible for income tax purposes, represents the excess of cost over the fair value of net tangible assets acquired. These values represent a preliminary allocation of the purchase price subject to finalization of post-closing procedures. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Construction Industries segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

MWM Holding GmbH (MWM)

On October 31, 2011, we acquired 100 percent of the equity in privately held MWM Holding GmbH (MWM). Headquartered in Mannheim, Germany, MWM is a global supplier of sustainable, natural gas and alternative-fuel engines. With the acquisition of MWM, Caterpillar expects to expand customer options for sustainable power generation solutions. The purchase price, net of $94 million of acquired cash, was approximately $774 million (€574 million).

The transaction was financed with available cash. Tangible assets as of the acquisition date were $535 million, recorded at their fair values, and primarily included cash of $94 million, receivables of $96 million, inventories of $205 million and property, plant and equipment of $108 million. Finite-lived intangible assets acquired of $221 million were primarily related to customer relationships and also included intellectual property and trade names. The finite lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 10 years. Liabilities assumed as of the acquisition date were $284 million, recorded at their fair values, and primarily included accounts payable of $77 million, net deferred tax liabilities of $67 million and advance payments of $43 million. Goodwill of $396 million, approximately $90 million of which is deductible for income tax purposes, represents the excess of cost over the fair value of the net tangible and intangible assets acquired. Factors that contributed to a purchase price resulting in the recognition of goodwill include MWM's strategic fit into our product and services portfolio, aftermarket support opportunities and the acquired assembled workforce. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

Pyroban Group Limited

In August 2011, we acquired 100 percent of the stock of Pyroban Group Limited (Pyroban) for approximately $69 million. Pyroban is a leading provider of explosion protection safety solutions to the oil, gas, industrial and material handling markets headquartered in the United Kingdom with additional locations in the Netherlands, France, Singapore and China. We expect this acquisition will allow us to grow our existing position in the oil and gas industry and provide further differentiation versus competition.

The transaction was financed with available cash. As of the acquisition date, net tangible assets acquired and liabilities assumed of $5 million were recorded at their fair values. Finite-lived intangible assets acquired of $41 million included customer relationships and trademarks are being amortized on a straight-line basis over a weighted-average amortization period of approximately 15 years. Goodwill of $23 million, non-deductible for income tax purposes, represents the excess of cost over the fair value of net tangible and finite-lived intangible assets acquired. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

Bucyrus International, Inc.

On July 8, 2011, we completed our acquisition of Bucyrus International, Inc. (Bucyrus). Bucyrus is a designer, manufacturer and marketer of mining equipment for the surface and underground mining industries. The total purchase price was approximately $8.8 billion, consisting of $7.4 billion for the purchase of all outstanding shares of Bucyrus common stock at $92 per share and $1.6 billion of assumed Bucyrus debt, substantially all of which was repaid subsequent to closing, net of $0.2 billion of acquired cash.

We funded the acquisition using available cash, commercial paper borrowings and approximately $4.5 billion of long-term debt issued in May 2011. On May 24, 2011, we issued $500 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.10%) due in 2012 and $750 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.17%) due in 2013. The interest rates for the Floating Rate Senior Notes will be reset quarterly. We also issued $750 million of 1.375% Senior Notes due in 2014, $1.25 billion of 3.900% Senior Notes due in 2021, and $1.25 billion of 5.200% Senior Notes due in 2041. The Notes are unsecured obligations of Caterpillar and rank equally with all other senior unsecured indebtedness.

In December 2011 and continuing into 2012, we completed divestitures of portions of the Bucyrus distribution business. The following disclosures do not reflect the impact of these divestitures (see Note 25 for additional discussion).

Bucyrus contributed the following to sales and to profit before taxes (inclusive of deal-related and integration costs):

(Millions of dollars)	**Year Ended December 31, 2012**	**July 8, 2011 to December 31, 2011**
Sales	$ 4,758	$ 2,524
Profit (loss) before taxes	$ 115	$ (403)

The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Resource Industries segment in Note 22. For the year ended December 31, 2011, we recorded $373 million in costs related to the acquisition of Bucyrus. These acquisition related costs include consulting, legal and advisory fees, severance costs and financing costs.

During the three months ended December 31, 2011, we adjusted the initial allocation of the purchase price which reduced goodwill by $647 million, the net result of purchase accounting adjustments to the fair value of acquired assets and assumed liabilities. During 2012, we finalized the allocation of the purchase price to identifiable assets and liabilities, reducing the amount allocated to goodwill from our December 31, 2011 preliminary allocation by an additional $28 million. These adjustments primarily included a reduction to goodwill to reflect the tax consequences of the expected reversal of differences in the U.S. GAAP and tax basis of assets and liabilities.

The following table summarizes our initial and final allocation of the assets acquired and liabilities assumed as of the acquisition date at estimated fair value.

	July 8, 2011	
(Millions of dollars)	**Initial**	**Final**
Assets		
Cash	$ 203	$ 204
Receivables - trade and other	693	705
Prepaid expenses	154	174
Inventories	2,305	2,223
Property, plant and equipment - net	692	694
Intangible assets	3,901	3,901
Goodwill	5,263	4,588
Other assets	48	141
Liabilities		
Short-term borrowings	24	24
Long-term debt due within one year	16	16
Accounts payable	444	465
Accrued expenses	405	433
Customer advances	668	668
Other current liabilities	426	76
Long-term debt due after one year	1,514	1,528
Noncurrent deferred income tax liabilities	1,874	1,449
Other liabilities	434	517
Net assets acquired	$ 7,454	$ 7,454

The following table is a summary of the fair value estimates of the acquired identifiable intangible assets, weighted–average useful lives, and balance of accumulated amortization as of December 31, 2012 and 2011:

(Millions of dollars)			**Accumulated amortization**	
	Fair Value	**Weighted-average useful life (in years)**	**2012**	**2011**
Customer relationships	$ 2,337	15	$ 231	$ 75
Intellectual property	1,489	12	182	58
Other	75	4	29	10
Total	$ 3,901	14	$ 442	$ 143

The identifiable intangible assets recorded as a result of the acquisition have been amortized from the acquisition date. Amortization expenses related to intangible assets were $299 million and $143 million in 2012 and 2011, respectively. Estimated aggregate amortization expense for the five succeeding years and thereafter is as follows:

(Millions of dollars)					
2013	2014	2015	2016	2017	Thereafter
$ 299	$ 299	$ 290	$ 280	$ 280	$ 2,011

Goodwill in the amount of $4,588 million was recorded for the acquisition of Bucyrus. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Approximately $500 million of the goodwill is deductible for tax purposes. Goodwill largely consists of expected synergies resulting from the acquisition. Key areas of expected cost savings include elimination of redundant selling, general and administrative expenses and increased purchasing power for raw materials and supplies. We also anticipate the acquisition will produce growth synergies as a result of the combined businesses' broader product portfolio in the mining industry.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

The unaudited pro forma results presented below include the effects of the Bucyrus acquisition as if it had occurred as of January 1, 2010. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as the amortization associated with estimates for the acquired intangible assets, fair value adjustments for inventory, contracts and the impact of acquisition financing. The 2011 supplemental pro forma earnings excluded $373 million of acquisition related costs, including consulting, legal and advisory fees, severance costs and financing expense prior to debt issuance. Also, the 2011 supplemental pro forma earnings were adjusted to exclude $303 million of nonrecurring expense related to the fair value adjustment to acquisition-date inventory and $25 million acceleration of Bucyrus stock compensation expense. The 2010 supplemental pro forma earnings were adjusted to include acquisition related costs and fair value adjustments to acquisition-date inventory.

The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been completed on the dates indicated.

	Years ended December 31,	
(Dollars in millions except per share data)	2011	2010
Total Sales and revenues	$ 62,281	$ 46,239
Profit	$ 5,401	$ 2,385
Profit per common share	$ 8.37	$ 3.78
Profit per common share – diluted	$ 8.11	$ 3.67

Balfour Beatty's Trackwork Business

In May 2011, we acquired 100 percent of the assets and certain liabilities of the United Kingdom trackwork business from Balfour Beatty Rail Limited for approximately $60 million. The trackwork division specializes in the design and manufacture of special trackwork and associated products for the United Kingdom and international rail markets. The acquisition supports our strategic initiative to expand the scope and product range of our rail business.

The transaction was financed with available cash. Tangible assets as of the acquisition date were $82 million, recorded at their fair values, and included receivables of $18 million, inventory of $12 million, and property, plant and equipment of $52 million. Liabilities assumed as of the acquisition date were $22 million, recorded at their fair values, and primarily included accounts payable of $10 million and accrued expenses of $10 million. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

Electro-Motive Diesel, Inc.

In August 2010, we acquired 100 percent of the equity in privately held Electro-Motive Diesel, Inc. (EMD) for approximately $901 million, consisting of $928 million paid at closing less a final net working capital adjustment of $27 million received in the fourth quarter of 2010. Headquartered in LaGrange, Illinois with additional manufacturing facilities in Canada and Mexico, EMD designs, manufactures and sells diesel-electric locomotives for commercial railroad applications and sells its products to customers throughout the world. EMD has a significant field population in North America and throughout the world supported by an aftermarket business offering customers replacement parts, maintenance solutions, and a range of value-added services. EMD is also a global provider of diesel engines for marine propulsion, offshore and land-based oil well drilling rigs, and stationary power generation. The acquisition supports our strategic plan to grow our presence in the global rail industry. We expect the EMD acquisition to enable us to provide rail and transit customers a range of locomotive, engine and emissions solutions, as well as aftermarket product and parts support and a full line of rail-related services and solutions.

The transaction was financed with available cash. Tangible assets as of the acquisition date were $890 million, recorded at their fair values, and primarily included receivables of $186 million, inventories of $549 million and property, plant and equipment of $131 million. Finite-lived intangible assets acquired of $329 million were primarily related to customer relationships and also included intellectual property and trade names. The finite-lived intangible assets are being amortized on a straight-line basis over a weighted-average amortization period of approximately 15 years. An additional intangible asset acquired of $18 million, related to in-process research and development, is considered indefinite-lived until the completion or abandonment of the development activities. Liabilities assumed as of the acquisition date were $518 million, recorded at their fair values, and primarily included accounts payable of $124 million and accrued expenses of $161 million. Additionally, net deferred tax liabilities were $104 million. Goodwill of $286 million, substantially all of which is non-deductible for income tax purposes, represents the excess of cost over the fair value of the net tangible and intangible assets acquired. Factors that contributed to a purchase price resulting in the recognition of goodwill include EMD's strategic fit into our product and services portfolio, aftermarket support opportunities and the acquired assembled workforce. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

FCM Rail Ltd.

In May 2010, we acquired 100 percent of the equity in privately held FCM Rail Ltd. (FCM) for approximately $97 million, including the assumption of $59 million in debt. We paid $32 million at closing and post-closing adjustments of $1 million in October 2010 and $5 million in May 2012. FCM is one of the largest lessors of maintenance-of-way (MOW) equipment in the United States, and is located in Fenton, Michigan. This acquisition strengthens Progress Rail's position in the MOW industry by expanding its service offerings.

The transaction was financed with available cash. Tangible assets as of the acquisition date were $93 million, recorded at their fair values, and primarily consisted of property, plant and equipment. Finite-lived intangible assets acquired of $10 million related to customer relationships are being amortized on a straight-line basis over 15 years. Liabilities assumed as of the acquisition date were $82 million, recorded at their fair values, and included $59 million of assumed debt. Goodwill of $17 million, non-deductible for income tax purposes, represents the excess of cost over the fair value of net tangible and finite-lived intangible assets acquired. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

GE Transportation's Inspection Products Business

In March 2010, we acquired the Inspection Products business from GE Transportation's Intelligent Control Systems division for approximately $46 million, which includes $1 million paid for post-closing adjustments. The acquired business has operations located primarily in the United States, Germany and Italy that design, manufacture and sell hot wheel and hot box detectors, data acquisition systems, draggers and other related inspection products for the global freight and passenger rail industries. The acquisition supports our strategic initiative to expand the scope and product range of our rail signaling business and will provide a foundation for further global expansion of this business.

The transaction was financed with available cash. As of the acquisition date, tangible assets acquired of $12 million and liabilities assumed of $9 million were recorded at their fair values. Finite-lived intangible assets acquired of $28 million related to customer relationships and intellectual property are being amortized on a straight-line basis over a weighted-average amortization period of approximately 13 years. Goodwill of $15 million, approximately $8 million of which is deductible for income tax purposes, represents the excess of cost over the fair value of the net tangible and finite-lived intangible assets acquired. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Power Systems segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

JCS Company, Ltd.

In March 2010, we acquired 100 percent of the equity in privately held JCS Company Ltd. (JCS) for approximately $34 million, consisting of $32 million paid at closing and an additional $2 million post-closing adjustment paid in June 2010. Based in Pyongtaek, South Korea, JCS is a leading manufacturer of centrifugally cast metal face seals used in many of the idlers and rollers contained in our undercarriage components. JCS is also a large supplier of seals to external customers in Asia and presents the opportunity to expand our customer base. The purchase of this business provides Caterpillar access to proprietary technology and expertise, which we will be able to replicate across our own seal production processes.

The transaction was financed with available cash. As of the acquisition date, tangible assets acquired of $22 million and liabilities assumed of $8 million were recorded at their fair values. Finite-lived intangible assets acquired of $12 million related to intellectual property and customer relationships are being amortized on a straight-line basis over a weighted-average amortization period of approximately 9 years. Goodwill of $8 million, non-deductible for income tax purposes, represents the excess of cost over the fair value of net tangible and finite-lived intangible assets acquired. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and reported in the All Other operating segment in Note 22. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

24. Redeemable Noncontrolling Interest – Caterpillar Japan Ltd.

On August 1, 2008, Shin Caterpillar Mitsubishi Ltd. (SCM) completed the first phase of a share redemption plan whereby SCM redeemed half of Mitsubishi Heavy Industries' (MHI's) shares in SCM. This resulted in Caterpillar owning 67 percent of the outstanding shares of SCM and MHI owning the remaining 33 percent. As part of the share redemption, SCM was renamed Caterpillar Japan Ltd. (Cat Japan) and we consolidated its financial statements. On April 2, 2012, we redeemed the remaining 33 percent interest at its carrying amount, resulting in Caterpillar becoming the sole owner of Cat Japan. Caterpillar paid $444 million (36.5 billion Japanese Yen) to acquire the remaining equity interest held in Cat Japan by MHI.

25. Divestitures and Assets held for sale

Bucyrus Distribution Business Divestitures

In conjunction with our acquisition of Bucyrus in July 2011, we announced our intention to sell the Bucyrus distribution business to Caterpillar dealers that support mining customers around the world in a series of individual transactions. Bucyrus predominantly employed a direct to end customer model to sell and support products. The intention is for all Bucyrus products to be sold and serviced by Caterpillar dealers, consistent with our long-held distribution strategy. These transitions are occurring in phases based on the mining business opportunity within each dealer territory.

As portions of the Bucyrus distribution business are sold or classified as held for sale, they will not qualify as discontinued operations because Caterpillar expects significant continuing direct cash flows from the Caterpillar dealers after the divestitures. The gain or loss on disposal, along with the continuing operations of these disposal groups, will be reported in the Resource Industries segment. Goodwill will be allocated to each disposal group using the relative fair value method. The value of the customer relationship intangibles related to each portion of the Bucyrus distribution business to be sold will be included in the disposal groups. The disposal groups will be recorded at the lower of their carrying value or fair value less cost to sell. In 2012, we recorded a goodwill impairment for $27 million related to a disposal group being sold to one of the Caterpillar dealers. Fair value was determined based upon the negotiated sales price. The impairment was recorded in Other operating (income) expenses and included in the Resource Industries segment. The portions of the distribution business that were sold were not material to our results of operations, financial position or cash flow.

In 2012, we completed 12 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of $1,481 million. The majority of these transactions are subject to certain working capital adjustments. For the full year 2012, after-tax profit was unfavorably impacted by $28 million as a result of the Bucyrus distribution divestiture activities. This is comprised of $310 million of income (included in Other operating (income) expenses) related to the sales transactions, offset by costs incurred related to the Bucyrus distribution divestiture activities of $177 million (included in Selling, general and administrative expenses) and income tax of $161 million.

Assets sold in 2012 included customer relationship intangibles of $256 million, other assets of $254 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of $405 million related to the divested portions of the Bucyrus distribution business.

As part of these divestitures, Cat Financial provided $739 million of financing to five of the Caterpillar dealers. These loans are included in Receivables – finance and Long-term receivables – finance in Statement 3. Additionally, one of the dealers paid $5 million of its $20 million purchase price at closing. The remaining $15 million is due in the fourth quarter of 2013 and is included in Receivables – trade and other in Statement 3.

In December 2011, we completed one sale transaction whereby we sold a portion of the Bucyrus distribution business to a Caterpillar dealer for $337 million, which includes a $23 million working capital adjustment paid in the third quarter of 2012. After-tax profit was favorably impacted by $9 million in 2011 as a result of the Bucyrus distribution business divestiture activities. This is comprised of $96 million of income (included in Other operating (income) expenses) primarily related to the December 2011 sale transaction, offset by costs incurred related to the Bucyrus distribution business divestiture activities of $32 million (included in Selling, general and administrative expenses) and income tax of $55 million. Assets sold included customer relationship intangibles of $63 million, other assets of $53 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of $101 million.

As of December 31, 2012, two divestiture transactions were classified as held for sale and are expected to close in 2013. Current assets held for sale were included in Prepaid expenses and other current assets and non-current assets held for sale were included in Other assets in Statement 3.

The major classes of assets held for sale for a portion of the Bucyrus distribution business were as follows:

	December 31,	
(Millions of dollars)	**2012**	2011
Receivables – trade and other	**$ —**	$ 25
Inventories	**30**	109
Current assets held for sale	**$ 30**	$ 134
Property, plant and equipment – net	**$ —**	$ 28
Intangible assets	**32**	186
Goodwill	**52**	296
Non-current assets held for sale	**$ 84**	$ 510

Third Party Logistics Business Divestiture

On July 31, 2012, Platinum Equity acquired a 65 percent equity interest in Caterpillar Logistics Services LLC, the third party logistics division of our wholly owned subsidiary, Caterpillar Logistics Inc., for $541 million subject to certain working capital adjustments. The purchase price of $541 million was comprised of a $122 million equity contribution from Platinum Equity to, and third party debt raised by, Caterpillar Logistics Services LLC. The sale of the third party logistics business supports Caterpillar's increased focus on the continuing growth opportunities in its core businesses. Under the terms of the agreement, Caterpillar retained a 35 percent equity interest.

As a result of the divestiture, we recorded a pretax gain of $281 million (included in Other operating (income) expenses). In addition, we recognized $8 million of incremental incentive compensation expense. The fair value of our retained noncontrolling interest was $66 million, as determined by the $122 million equity contribution from Platinum Equity, and was included in Investments in unconsolidated affiliated companies in Statement 3. The disposal did not qualify as discontinued operations because Caterpillar expects significant continuing involvement through its noncontrolling interest. The financial impact of the disposal was reported in the All Other operating segment. Future results for our remaining interest will be recorded in Equity in profit (loss) of unconsolidated affiliated companies and will be reported in the All Other operating segment.

The controlling financial interest in Caterpillar Logistics Services LLC was not material to our results of operations, financial position or cash flow.

The major classes of assets and liabilities, previously classified as held for sale, that were disposed of as part of this divestiture are summarized in the following table:

(Millions of dollars)	July 31, 2012
Cash and short-term investments	$ 8
Receivables – trade and other	204
Prepaid expenses and other current assets	5
Inventories	8
Current assets	**$ 225**
Property, plant and equipment – net	$ 163
Intangible assets	1
Other assets	59
Non-current assets	**$ 223**
Accounts payable	$ 18
Accrued expenses	17
Accrued wages, salaries and employee benefits	15
Current liabilities	**$ 50**
Liability for postemployment benefits	$ 58
Other liabilities	40
Long-term liabilities	**$ 98**

Carter Machinery

In March 2011, we sold 100 percent of the equity in Carter Machinery Company Inc. for $364 million. Carter Machinery is a Caterpillar dealership headquartered in Salem, Virginia, and has operations and stores covering Virginia and nine counties in southeast West Virginia. The current senior management of Carter Machinery, which led the buy-out of Carter Machinery from Caterpillar, remained in place. A retired Caterpillar Vice President is now CEO and principal owner of Carter Machinery. Caterpillar had owned Carter Machinery since 1988. Carter Machinery was the only dealership in the United States that was not independently owned. Continued Caterpillar ownership did not align with our comprehensive business strategy, resulting in the sale.

As part of the divestiture, Cat Financial provided $348 million of financing to the buyer. The loan is included in Receivables – finance and Long-term receivables – finance in Statement 3. We recorded a pre-tax gain of $24 million included in Other operating (income) expenses in Statement 1 and was reported in the All Other operating segment. The sale did not qualify as discontinued operations because Caterpillar has significant continuing direct cash flows with Carter Machinery after the divestiture. The sale of Carter Machinery was not material to our results of operations, financial position or cash flow.

26. Employee separation charges

Separation charges for 2012, 2011 and 2010 were $94 million, $112 million and $33 million, respectively, and were recognized in Other operating (income) expenses in Statement 1. The separation charges in 2012 were primarily related to the closure of the Electro-Motive Diesel facility located in London, Ontario and separation programs in Europe. The separation charges in 2011 were primarily related to the acquisition of Bucyrus. The separation charges in 2010 were primarily related to the streamlining of our corporate structure in 2010.

Our accounting for separations was dependent upon how the particular program was designed. For voluntary programs, eligible separation costs were recognized at the time of employee acceptance. For involuntary programs, eligible costs were recognized when management had approved the program, the affected employees had been properly notified and the costs were estimable.

In 2012, the majority of separation charges were assigned primarily to the Power Systems segment. The majority of separation charges were assigned primarily to Resource Industries in 2011. The majority of separation charges in 2010, including cash severance payments, pension and other postretirement benefit costs and stock-based compensation costs, were not assigned to operating segments.

The following table summarizes the 2010, 2011 and 2012 separation activity:

(Millions of dollars)	**Total**
Liability balance at December 31, 2009	$ 49
Increase in liability (separation charges)	33
Reduction in liability (payments and other adjustments)	(60)
Liability balance at December 31, 2010	$ 22
Increase in liability (separation charges)	112
Reduction in liability (payments and other adjustments)	(44)
Liability balance at December 31, 2011	$ 90
Increase in liability (separation charges)	**94**
Reduction in liability (payments and other adjustments)	**(155)**
Liability balance at December 31, 2012	**$ 29**

The remaining liability balances as of December 31, 2012 represent costs for employees that have either not yet separated from the Company or their full severance has not yet been paid. The majority of these remaining costs are expected to be paid in 2013.

27. Selected quarterly financial results (unaudited)

(Dollars in millions except per share data)	2012 Quarter [3] 1st	2nd	3rd	4th
Sales and revenues	**$ 15,981**	**$ 17,374**	**$ 16,445**	**$ 16,075**
Less: Revenues	**(693)**	**(690)**	**(706)**	**(718)**
Sales	**15,288**	**16,684**	**15,739**	**15,357**
Cost of goods sold	**11,237**	**12,280**	**11,639**	**11,899**
Gross margin	**4,051**	**4,404**	**4,100**	**3,458**
Profit [1, 4]	**$ 1,586**	**$ 1,699**	**$ 1,699**	**$ 697**
Profit per common share [4]	**$ 2.44**	**$ 2.60**	**$ 2.60**	**$ 1.07**
Profit per common share–diluted [2, 4]	**$ 2.37**	**$ 2.54**	**$ 2.54**	**$ 1.04**

	2011 Quarter [3] 1st	2nd	3rd	4th
Sales and revenues	$ 12,949	$ 14,230	$ 15,716	$ 17,243
Less: Revenues	(672)	(695)	(693)	(686)
Sales	12,277	13,535	15,023	16,557
Cost of goods sold	9,057	10,303	11,455	12,763
Gross margin	3,220	3,232	3,568	3,794
Profit [1]	$ 1,225	$ 1,015	$ 1,141	$ 1,547
Profit per common share	$ 1.91	$ 1.57	$ 1.76	$ 2.39
Profit per common share–diluted [2]	$ 1.84	$ 1.52	$ 1.71	$ 2.32

1 Profit attributable to common stockholders.
2 Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.
3 See Note 23 - Acquisitions and Note 25 - Divestitures and Assets held for sale for additional information.
4 The fourth quarter 2012 includes a goodwill impairment charge related to Siwei of $580 million.

Five-year Financial Summary
(Dollars in millions except per share data)

	2012	2011	2010	2009	2008
Years ended December 31,					
Sales and revenues	**$ 65,875**	$ 60,138	$ 42,588	$ 32,396	$ 51,324
Percent inside the United States	**31%**	30%	32%	31%	33%
Percent outside the United States	**69%**	70%	68%	69%	67%
Sales	**$ 63,068**	$ 57,392	$ 39,867	$ 29,540	$ 48,044
Revenues	**$ 2,807**	$ 2,746	$ 2,721	$ 2,856	$ 3,280
Profit [4]	**$ 5,681**	$ 4,928	$ 2,700	$ 895	$ 3,557
Profit per common share [1]	**$ 8.71**	$ 7.64	$ 4.28	$ 1.45	$ 5.83
Profit per common share–diluted [2]	**$ 8.48**	$ 7.40	$ 4.15	$ 1.43	$ 5.66
Dividends declared per share of common stock	**$ 2.020**	$ 1.820	$ 1.740	$ 1.680	$ 1.620
Return on average common stockholders' equity [3, 5]	**37.2%**	41.4%	27.4%	11.9%	46.8%
Capital expenditures:					
Property, plant and equipment	**$ 3,350**	$ 2,515	$ 1,575	$ 1,504	$ 2,320
Equipment leased to others	**$ 1,726**	$ 1,409	$ 1,011	$ 968	$ 1,566
Depreciation and amortization	**$ 2,813**	$ 2,527	$ 2,296	$ 2,336	$ 1,980
Research and development expenses	**$ 2,466**	$ 2,297	$ 1,905	$ 1,421	$ 1,728
As a percent of sales and revenues	**3.7%**	3.8%	4.5%	4.4%	3.4%
Wages, salaries and employee benefits	**$ 11,756**	$ 10,994	$ 9,187	$ 7,416	$ 9,076
Average number of employees	**127,758**	113,620	98,554	99,359	106,518
December 31,					
Total assets	**$ 89,356**	$ 81,446	$ 64,020	$ 60,038	$ 67,782
Long-term debt due after one year:					
Consolidated	**$ 27,752**	$ 24,944	$ 20,437	$ 21,847	$ 22,834
Machinery and Power Systems	**$ 8,666**	$ 8,415	$ 4,505	$ 5,652	$ 5,736
Financial Products	**$ 19,086**	$ 16,529	$ 15,932	$ 16,195	$ 17,098
Total debt:					
Consolidated	**$ 40,143**	$ 34,592	$ 28,418	$ 31,631	$ 35,535
Machinery and Power Systems	**$ 10,415**	$ 9,066	$ 5,204	$ 6,387	$ 7,824
Financial Products	**$ 29,728**	$ 25,526	$ 23,214	$ 25,244	$ 27,711

1 Computed on weighted-average number of shares outstanding.
2 Computed on weighted-average number of shares outstanding diluted by assumed exercise of stock-based compensation awards, using the treasury stock method.
3 Represents profit divided by average stockholders' equity (beginning of year stockholders' equity plus end of year stockholders' equity divided by two).
4 Profit attributable to common stockholders.
5 Effective January 1, 2009, we changed the manner in which we accounted for noncontrolling interests. Prior periods have been revised, as applicable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our 2012 sales and revenues were $65.875 billion, an increase of 10 percent from $60.138 billion in 2011. Profit in 2012 was $5.681 billion, an increase of 15 percent from $4.928 billion in 2011. The 2012 profit per share of $8.48 was up 15 percent from $7.40 in 2011.

Fourth-quarter 2012 sales and revenues were $16.075 billion, down $1.168 billion from $17.243 billion in the fourth quarter of 2011. The impact of changes in dealer new machine inventories lowered sales by about $1.4 billion as dealers reduced inventories about $600 million in the fourth quarter of 2012, compared with an increase of about $800 million in the fourth quarter of 2011.

Fourth-quarter 2012 profit was $697 million compared with $1.547 billion in the fourth quarter of 2011. Profit was $1.04 per share in the fourth quarter of 2012 compared with profit per share of $2.32 in the fourth quarter of 2011. Fourth-quarter 2012 profit was negatively impacted by a goodwill impairment charge of $580 million, or $0.87 per share, related to ***Siwei***. Lower sales and revenues and the cost impact from sharply lower production and the $2 billion decline in Caterpillar inventory also had a negative impact on fourth-quarter profit. Those impacts were partially offset by a $300 million positive impact related to the settlement of prior-year tax returns.

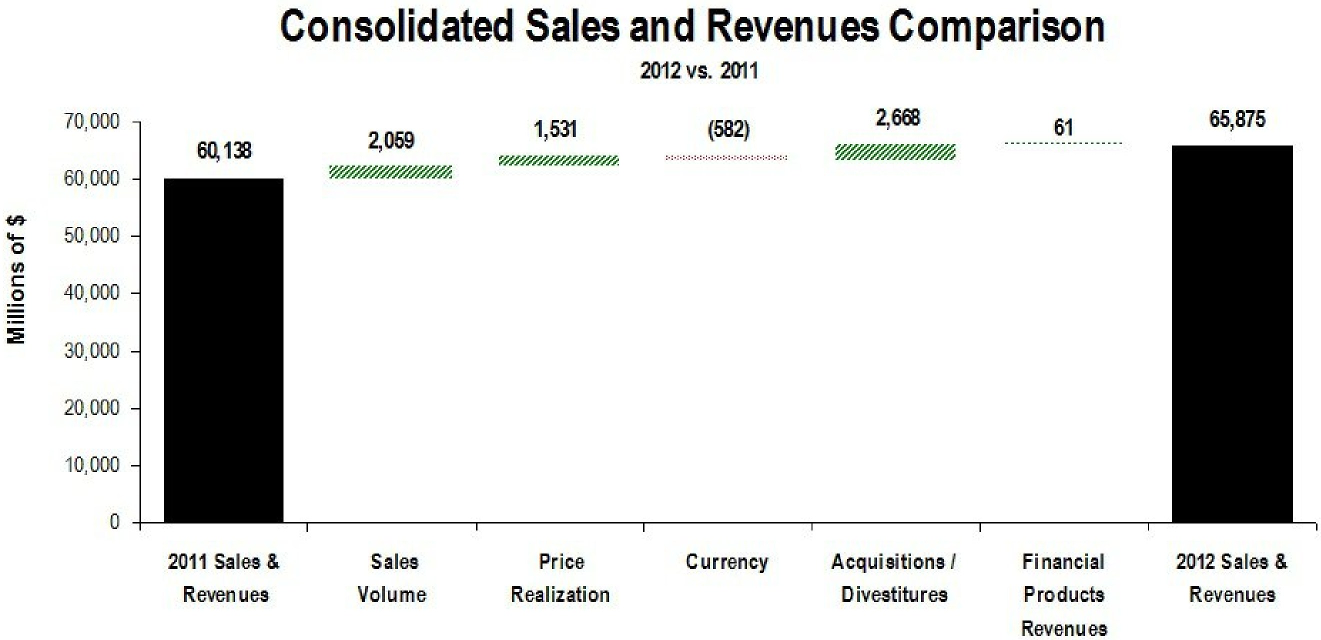
Highlights for 2012 include:

- 2012 sales and revenues of $65.875 billion and profit per share of $8.48 were both all-time records.
- Inventory was significantly reduced during the fourth quarter of 2012, down about $2 billion from the third quarter of 2012.
- ***Machinery and Power Systems (M&PS)*** operating cash flow was $4.198 billion in 2012, compared with $7.972 billion in 2011.
- M&PS ***debt-to-capital ratio*** was 37.4 percent, down from 42.7 percent a year earlier.

*Glossary of terms included on pages A-121 to A-122; first occurrence of terms shown in bold italics.

2012 COMPARED WITH 2011

CONSOLIDATED SALES AND REVENUES

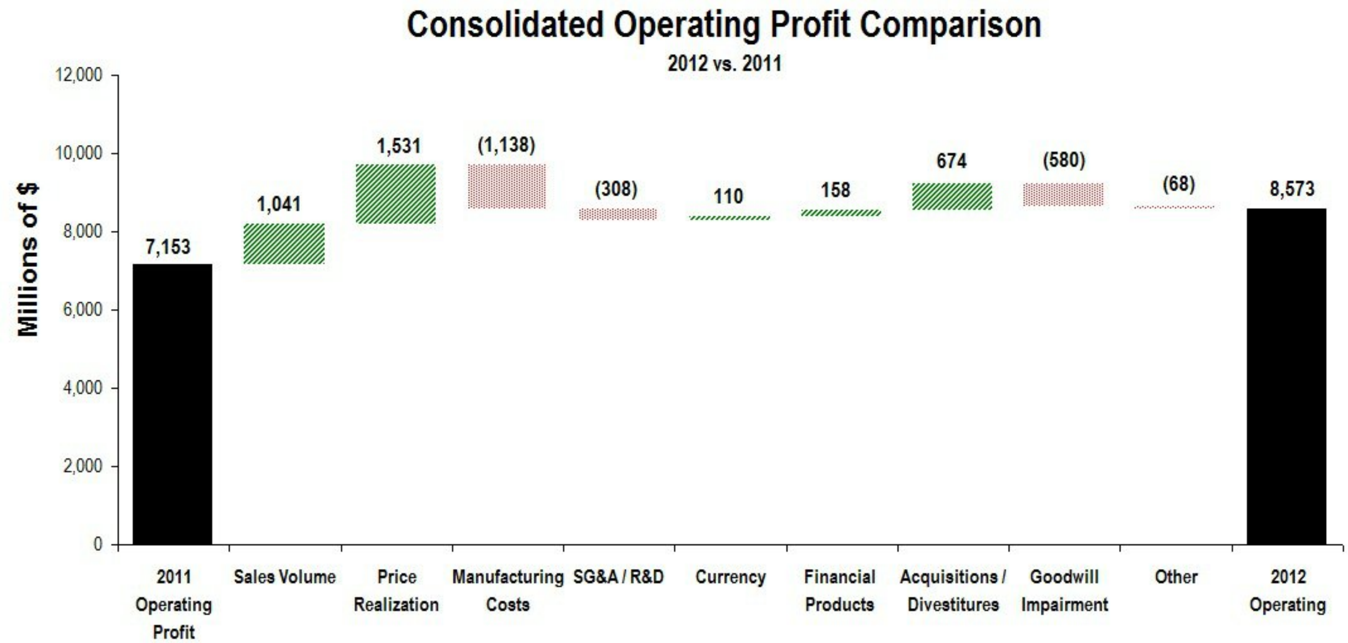


The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between 2011 (at left) and 2012 (at right). Items favorably impacting sales and revenues appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting sales and revenues appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were $65.875 billion in 2012, an increase of $5.737 billion, or 10 percent, from 2011. When reviewing the change in sales and revenues, we focus on the following perspectives:

- Reason for the change: The net impact of acquisitions and divestitures added $2.668 billion, ***sales volume*** improved $2.059 billion, ***price realization*** was favorable $1.531 billion and Financial Products revenues were up $61 million. ***Currency*** partially offset these increases by $582 million. While sales of both new equipment and aftermarket parts increased, the more significant increase was new equipment.
- Sales by geographic region: Excluding acquisitions and divestitures, sales increased in all geographic regions except ***Latin America***, with the most significant improvement in North America. The sales increase in North America was driven by improvements in the United States. Within Asia/Pacific, increases in Australia and other parts of Asia/Pacific more than offset a decrease in China. Within ***EAME***, increased sales in Africa, the Middle East and CIS were partially offset by lower sales in Europe.
- Segment: Excluding acquisitions and divestitures, the sales increase was primarily due to ***Resource Industries***, with sales up 24 percent from 2011. Sales for both ***Construction Industries*** and ***Power Systems*** were about flat.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between 2011 (at left) and 2012 (at right). Items favorably impacting operating profit appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting operating profit appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees. The bar entitled Other includes ***consolidating adjustments*** and ***Machinery and Power Systems other operating (income) expenses.***

Operating profit in 2012 was $8.573 billion compared with $7.153 billion in 2011. The increase was primarily the result of improved price realization and higher sales volume, which included the impact of a favorable mix of products. Acquisitions and divestitures favorably impacted operating profit by $674 million, primarily related to Bucyrus and the sale of a majority interest in Caterpillar's third party logistics business.

The improvements were partially offset by higher ***manufacturing costs***, a goodwill impairment charge related to Siwei and increased selling, general and administrative (SG&A) and research and development (R&D) expenses. Manufacturing costs were up $1.138 billion primarily due to capacity expansion programs, inefficiencies driven by lower production and declining inventory in the fourth quarter of 2012 and increased wages and benefits and freight costs. These increases were partially offset by lower incentive compensation expense. SG&A and R&D expenses increased $308 million primarily due to growth-related initiatives, increased costs to support product programs and wage and benefit inflation, partially offset by lower incentive compensation expense.

Short-term incentive compensation was about $825 million for 2012 compared with $1.2 billion in 2011.

The amount of incremental operating profit we earn on incremental sales and revenues is an important performance metric. Sales and revenues increased $5.737 billion from 2011, and operating profit increased $1.420 billion. The resulting incremental operating profit rate is 25 percent. Excluding acquisitions and divestitures, incremental operating profit was about 43 percent. Excluding acquisitions, divestitures and currency impacts, incremental margin was about 33 percent.

Other Profit/Loss Items

- **Interest expense excluding Financial Products** increased $71 million from 2011, due to long-term debt issued in 2011 relating to the acquisition of Bucyrus and underwriting expense related to our debt exchange in the third quarter of 2012.
- **Other income/expense** was income of $130 million compared with expense of $32 million in 2011. The change was primarily due to the absence of losses on interest rate swaps and credit facility fees associated with the debt issuance for the Bucyrus acquisition in 2011, partially offset by the unfavorable impact of currency gains and losses.

- **The provision for income taxes** for 2012 reflects an effective tax rate of 30.5 percent compared with 26.5 percent for 2011, excluding the items discussed below. The increase from 26.5 percent to 30.5 percent is primarily due to changes in our geographic mix of profits from a tax perspective and the expiration of the U.S. research and development tax credit. While the American Taxpayer Relief Act of 2012 extended this credit, the related benefit will be reported in 2013 due to the law's enactment in January of 2013.

  The 2012 tax provision includes a benefit of $300 million from a decrease in tax and interest reserves due to a settlement reached with the Internal Revenue Service related to 2000 to 2006 U.S. tax returns. Approximately $200 million of this benefit is related to tax and $100 million is related to interest. This was offset by a negative impact of $318 million from goodwill not deductible for tax purposes related to the Siwei goodwill impairment and the divestiture of portions of the Bucyrus distribution business. This compared to a $63 million net benefit in 2011 due to repatriation of non-U.S. earnings and a release of a valuation allowance offset by an increase in prior year unrecognized tax benefits and a negative impact from nondeductible goodwill primarily related to the divestiture of a portion of the Bucyrus distribution business.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
2012										
Construction Industries[1]	$19,334	(2)%	$ 7,101	19 %	$ 2,650	(13)%	$ 4,633	(3)%	$ 4,950	(16)%
Resource Industries[2]	21,158	35 %	6,037	22 %	3,662	29 %	4,374	36 %	7,085	54 %
Power Systems[3]	21,122	5 %	8,720	5 %	2,191	(7)%	6,043	5 %	4,168	14 %
All Other Segment[4]	1,501	(26)%	777	(20)%	65	(37)%	395	(32)%	264	(27)%
Corporate Items and Eliminations	(47)		(50)		1		1		1	
Machinery & Power Systems Sales	63,068	10 %	22,585	12 %	8,569	3 %	15,446	8 %	16,468	14 %
Financial Products Segment	3,090	3 %	1,675	(1)%	397	10 %	408	(7)%	610	18 %
Corporate Items and Eliminations	(283)		(181)		(30)		(27)		(45)	
Financial Products Revenues	2,807	2 %	1,494	(1)%	367	11 %	381	(7)%	565	16 %
Consolidated Sales and Revenues	$65,875	10 %	$ 24,079	11 %	$ 8,936	3 %	$15,827	7 %	$17,033	14 %
2011										
Construction Industries[1]	$19,667		$ 5,985		$ 3,045		$ 4,768		$ 5,869	
Resource Industries[2]	15,629		4,963		2,831		3,228		4,607	
Power Systems[3]	20,114		8,331		2,363		5,752		3,668	
All Other Segment[4]	2,021		970		103		585		363	
Corporate Items and Eliminations	(39)		(32)		(1)		(4)		(2)	
Machinery & Power Systems Sales	57,392		20,217		8,341		14,329		14,505	
Financial Products Segment	3,003		1,687		361		438		517	
Corporate Items and Eliminations	(257)		(171)		(29)		(28)		(29)	
Financial Products Revenues	2,746		1,516		332		410		488	
Consolidated Sales and Revenues	$60,138		$ 21,733		$ 8,673		$14,739		$14,993	

1 Does not include inter-segment sales of $470 million and $575 million in 2012 and 2011, respectively.

2 Does not include inter-segment sales of $1,117 million and $1,162 million in 2012 and 2011, respectively.

3 Does not include inter-segment sales of $2,407 million and $2,339 million in 2012 and 2011, respectively.

4 Does not include inter-segment sales of $3,492 million and $3,413 million in 2012 and 2011, respectively.

Sales and Revenues by Segment

(Millions of dollars)	2011	Sales Volume	Price Realization	Currency	Acquisitions/ Divestitures	Other	2012	$ Change	% Change
Construction Industries	$ 19,667	$ (301)	$ 264	$ (296)	$ —	$ —	$ 19,334	$ (333)	(2)%
Resource Industries	15,629	2,414	850	(71)	2,336	—	21,158	5,529	35 %
Power Systems	20,114	251	342	(194)	609	—	21,122	1,008	5 %
All Other Segment	2,021	(224)	—	(19)	(277)	—	1,501	(520)	(26)%
Corporate Items and Eliminations	(39)	(81)	75	(2)	—	—	(47)	(8)	
Machinery & Power Systems Sales	57,392	2,059	1,531	(582)	2,668	—	63,068	5,676	10 %
Financial Products Segment	3,003	—	—	—	—	87	3,090	87	3 %
Corporate Items and Eliminations	(257)	—	—	—	—	(26)	(283)	(26)	
Financial Products Revenues	2,746	—	—	—	—	61	2,807	61	2 %
Consolidated Sales and Revenues	$ 60,138	$ 2,059	$ 1,531	$ (582)	$ 2,668	$ 61	$ 65,875	$ 5,737	10 %

Operating Profit by Segment

(Millions of dollars)	2012	2011	$ Change	% Change
Construction Industries	$ 1,789	$ 2,056	$ (267)	(13)%
Resource Industries	4,318	3,334	984	30 %
Power Systems	3,434	3,053	381	12 %
All Other Segment	1,014	837	177	21 %
Corporate Items and Eliminations	(2,441)	(2,457)	16	
Machinery & Power Systems	8,114	6,823	1,291	19 %
Financial Products Segment	763	587	176	30 %
Corporate Items and Eliminations	(22)	(4)	(18)	
Financial Products	741	583	158	27 %
Consolidating Adjustments	(282)	(253)	(29)	
Consolidated Operating Profit	$ 8,573	$ 7,153	$ 1,420	20 %

Construction Industries

Construction Industries' sales were $19.334 billion in 2012, a decrease of $333 million, or 2 percent, from 2011. Sales decreased in all geographic regions except North America. New equipment sales declined and sales of aftermarket parts were about flat.

Construction Industries' sales were lower in Asia/Pacific, where a large decrease in China more than offset increases in Japan and other Asia/Pacific countries. China's austerity policies caused machine demand to peak in the first half of 2011, making the first half of 2011 in China a strong sales period.

Lower sales in Latin America were a result of changes in dealer inventory, as dealer inventory increased in 2011 and declined in 2012.

Higher sales in North America were driven by increased dealer deliveries to end users resulting from improvements in construction activity.

Construction Industries' profit was $1.789 billion in 2012 compared with $2.056 billion in 2011. Currency was unfavorable primarily because segment profit for 2012 was based on fixed exchange rates set at the beginning of 2012, while segment profit for 2011 was based on fixed exchange rates set at the beginning of 2011. Excluding the impacts of currency, Construction Industries' profit was about flat. Higher manufacturing costs were about offset by favorable price realization.

Resource Industries

Resource Industries' sales were $21.158 billion in 2012, an increase of $5.529 billion, or 35 percent, from 2011. The sales increase was a result of higher volume in all regions of the world, the acquisition of Bucyrus and favorable price realization. New equipment sales accounted for the majority of the increase, while sales for aftermarket parts improved slightly.

Over the past two years we have added capacity for mining products to better align production with expected demand. As a result of the increase in production capability, coupled with our existing mining order backlog, sales were higher than 2011. While sales were up in 2012 compared with 2011, new orders declined significantly. Slow global growth and lower commodity prices resulted in some reductions, delays and cancellation of orders for mining products.

Bucyrus, which was acquired on July 8, 2011, had sales in 2012 of $4.758 billion, with $1.283 billion in North America, $660 million in Latin America, $915 million in EAME and $1.900 billion in Asia/Pacific.

Resource Industries' profit was $4.318 billion in 2012 compared with $3.334 billion in 2011.

Resource Industries' profit increased primarily due to higher sales volume, improved price realization and the impact of Bucyrus. These improvements were partially offset by higher manufacturing costs primarily driven by higher production volume and a goodwill impairment charge related to Siwei of $580 million.

Power Systems

Power Systems' sales were $21.122 billion in 2012, an increase of $1.008 billion, or 5 percent, from 2011. The improvement was a result of the MWM Holding GmbH (MWM) acquisition, improved price realization and increased volume, partially offset by the impact of currency. Excluding acquisitions, sales were up in Asia/Pacific and North America and were down in Latin America and EAME.

Excluding acquisitions, demand for energy resulted in higher sales of engines and turbines for petroleum applications in Asia/Pacific. Sales of our rail products and services, primarily locomotives, increased due to higher demand. These increases were partially offset by lower sales for industrial and electric power generation due to lower end-user demand.

Power Systems' profit was $3.434 billion in 2012 compared with $3.053 billion in 2011. The improvement was primarily due to favorable price realization and higher sales volume, which included the impact of a favorable mix of products. The improvements were partially offset by higher manufacturing costs and SG&A and R&D expenses.

MWM, acquired during the fourth quarter of 2011, added sales of $609 million, primarily in EAME, and increased segment profit by $53 million.

Financial Products Segment

Financial Products' revenues were $3.090 billion, an increase of $87 million, or 3 percent, from 2011. The increase was primarily due to the favorable impact from higher average ***earning assets*** and an increase in Cat Insurance revenues. These increases were partially offset by the unfavorable impact from lower average financing rates on new and existing finance receivables and operating leases and an unfavorable impact from returned or repossessed equipment.

Financial Products' profit of $763 million was up $176 million from 2011. The increase was primarily due to an $89 million favorable impact from higher average earning assets and an $87 million favorable impact from lower claims experience at Cat Insurance. These increases were partially offset by a $33 million unfavorable impact from returned or repossessed equipment.

During 2012, Cat Financial's overall portfolio quality reflected continued improvement. At the end of 2012, past dues at Cat Financial were 2.26 percent compared with 2.80 percent at the end of the third quarter of 2012 and 2.89 percent at the end of 2011. Write-offs, net of recoveries, were $102 million for the full-year 2012, down from $158 million for 2011.

As of December 31, 2012, Cat Financial's allowance for credit losses totaled $426 million or 1.49 percent of net finance receivables, compared with $369 million or 1.47 percent of net finance receivables at year-end 2011.

All Other Segment

All Other segment includes groups that provide services such as component manufacturing, remanufacturing and logistics. The increase in profit from 2011 was due to the gain from the third-quarter 2012 sale of a majority interest in our third party logistics business.

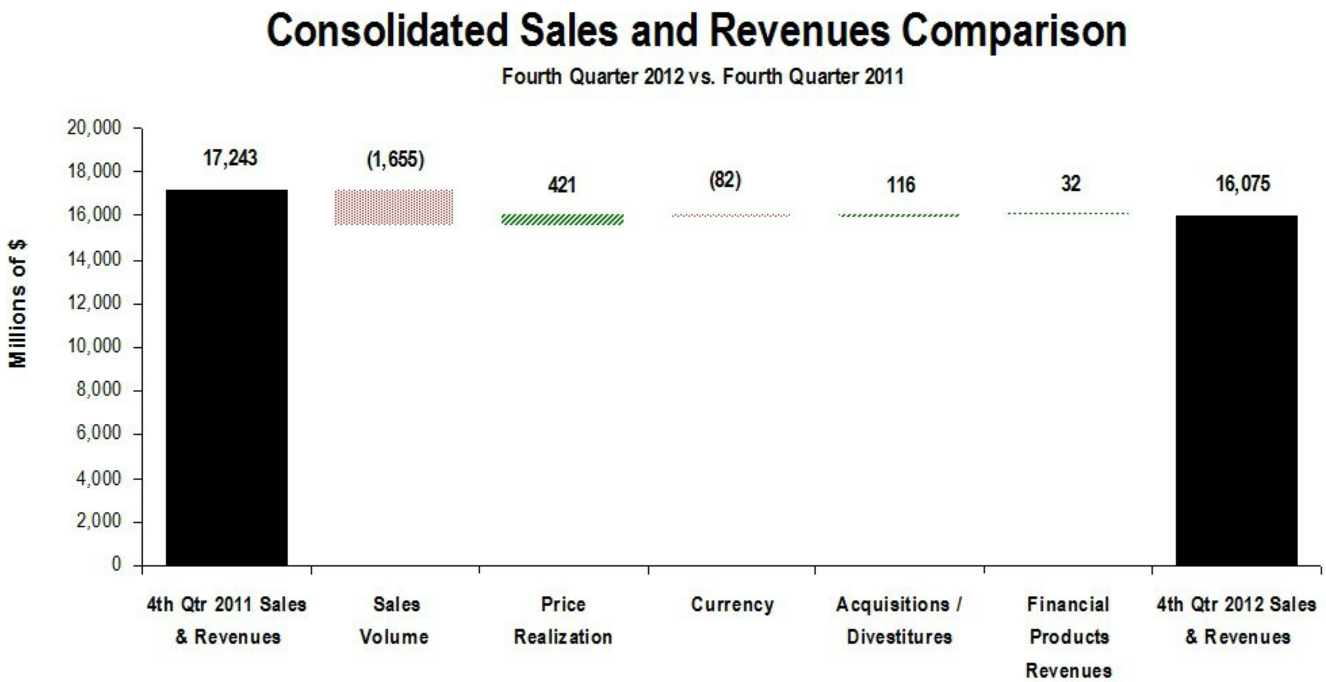
Corporate Items and Eliminations

Expense for corporate items and eliminations was $2.463 billion in 2012, about flat with 2011. Corporate items and eliminations include: corporate-level expenses; timing differences, as some expenses are reported in segment profit on a cash basis; retirement benefit costs other than service cost; currency differences, as segment profit is reported using annual fixed exchange rates; and inter-segment eliminations.

Corporate-level expenses and expense from timing and other methodology differences increased compared to 2011. These items were about offset by favorable currency differences. Segment profit for 2012 is based on fixed exchange rates set at the beginning of 2012, while segment profit for 2011 is based on fixed exchange rates set at the beginning of 2011. The difference in actual exchange rates compared with fixed exchange rates is included in corporate items and eliminations and is not reflected in segment profit.

FOURTH QUARTER 2012 COMPARED WITH FOURTH QUARTER 2011

CONSOLIDATED SALES AND REVENUES

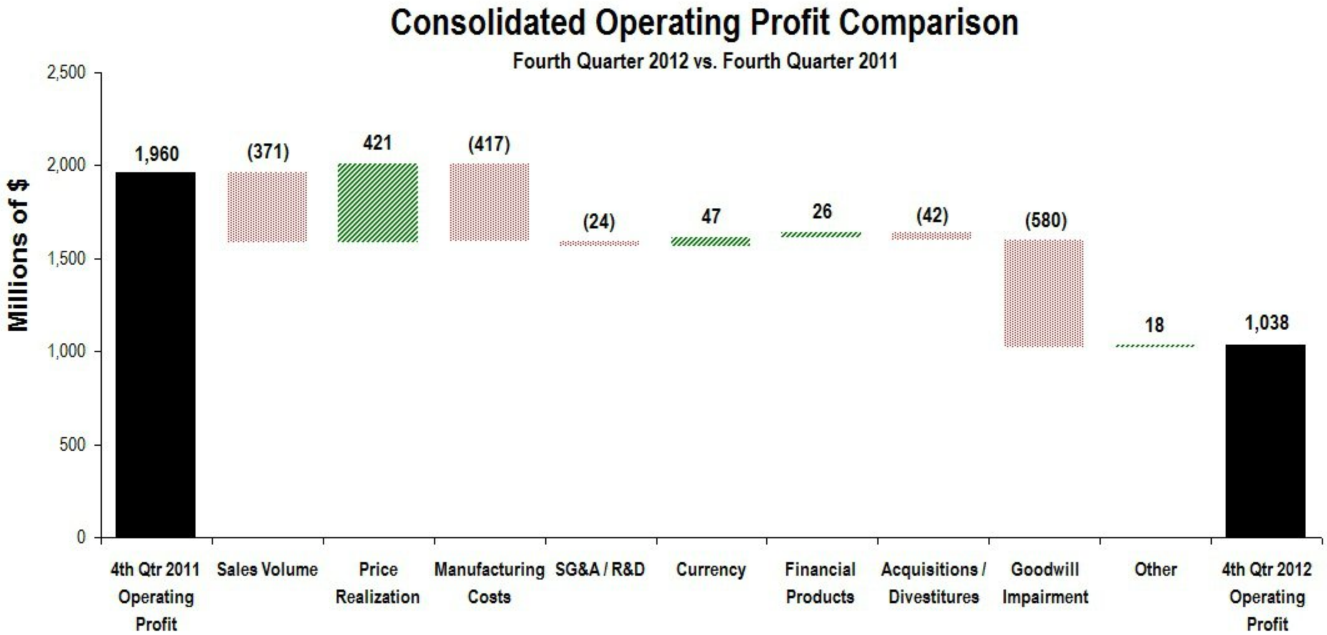


The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between the fourth quarter of 2011 (at left) and the fourth quarter of 2012 (at right). Items favorably impacting sales and revenues appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting sales and revenues appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were $16.075 billion in the fourth quarter of 2012, a decrease of $1.168 billion, or 7 percent, from the fourth quarter of 2011. When reviewing the change in sales and revenues, we focus on the following perspectives:

- Reason for the change: Sales volume decreased $1.655 billion, and the impact of currency was unfavorable $82 million. The majority of the sales volume decrease was related to changes in dealer new machine inventories. These decreases were partially offset by increased price realization of $421 million and the favorable net impact of acquisitions and divestitures of $116 million. Financial Products revenues were $32 million higher.
- Sales by geographic region: Excluding acquisitions and divestitures, sales decreased in all geographic regions except Latin America, with the most significant decrease in North America. Within Asia/Pacific, decreases in China and other parts of Asia/Pacific more than offset sales increases in Australia and Japan. Within EAME, lower sales in Europe and CIS were partially offset by increased sales in the Middle East and Africa.
- Segment: The decrease in sales was primarily due to Construction Industries, with sales down 25 percent. Excluding acquisitions and divestitures, Resource Industries' sales improved 16 percent, and Power Systems' sales decreased 9 percent. Financial Products' revenues were up 5 percent.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between the fourth quarter of 2011 (at left) and the fourth quarter of 2012 (at right). Items favorably impacting operating profit appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting operating profit appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees. The bar entitled Other includes consolidating adjustments and Machinery and Power Systems other operating (income) expenses.

Operating profit for the fourth quarter of 2012 was $1.038 billion, a decline of $922 million from the fourth quarter of 2011. The most significant item was the goodwill impairment charge related to Siwei of $580 million. The remaining $342 million decline was primarily the result of higher manufacturing costs and lower sales volume (which includes the impact of a favorable mix of products), partially offset by favorable price realization. Manufacturing costs were unfavorable primarily due to inefficiencies driven by lower production and declining inventory in the fourth quarter of 2012.

Other Profit/Loss Items

- **Interest expense excluding Financial Products** increased $8 million from the fourth quarter of 2011.
- **Other income/expense** was expense of $11 million compared with income of $125 million in the fourth quarter of 2011. The decrease was due to the unfavorable impact of currency gains and losses.
- **The provision for income taxes** in the fourth quarter of 2012 reflects an effective tax rate of 30.5 percent compared with 26.5 percent for the fourth quarter of 2011, excluding the items discussed in the next paragraph. The increase from 26.5 percent to 30.5 percent is primarily due to changes in our geographic mix of profits from a tax perspective and the expiration of the U.S. research and development tax credit. While the American Taxpayer Relief Act of 2012 extended this credit, the related benefit will be reported in 2013 due to the law's enactment in January of 2013.

  The 2012 fourth-quarter tax provision includes a benefit of $300 million from a decrease in tax and interest reserves due to a settlement reached with the Internal Revenue Service related to 2000 through 2006 U.S. tax returns. Approximately $200 million of this benefit is related to tax and $100 million is related to interest. This was offset by a negative impact of $237 million from goodwill not deductible for tax purposes related to the Siwei goodwill impairment and the divestiture of portions of the Bucyrus distribution business. This compared to a $108 net benefit in the fourth quarter of 2011 due to a decrease in the estimated annual effective tax rate along with a release of a valuation allowance offset by a negative impact from nondeductible goodwill primarily related to the divestiture of a portion of the Bucyrus distribution business.
- **Profit/loss attributable to noncontrolling interests** favorably impacted profit by $12 million compared with the fourth quarter of 2011.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
Fourth Quarter 2012										
Construction Industries[1]	$ 4,028	(25)%	$ 1,445	(17)%	$ 600	(23)%	$ 882	(28)%	$ 1,101	(32)%
Resource Industries[2]	5,776	14 %	1,467	(13)%	1,095	42 %	1,266	32 %	1,948	20 %
Power Systems[3]	5,307	(6)%	1,994	(9)%	539	(25)%	1,628	(4)%	1,146	9 %
All Other Segment[4]	255	(49)%	153	(35)%	16	(38)%	48	(67)%	38	(58)%
Corporate Items and Eliminations	(9)		(12)		1		1		1	
Machinery & Power Systems Sales	15,357	(7)%	5,047	(14)%	2,251	(2)%	3,825	(5)%	4,234	(3)%
Financial Products Segment	789	5 %	422	2 %	103	10 %	104	(5)%	160	19 %
Corporate Items and Eliminations	(71)		(41)		(8)		(6)		(16)	
Financial Products Revenues	718	5 %	381	2 %	95	9 %	98	1 %	144	13 %
Consolidated Sales and Revenues	$16,075	(7)%	$ 5,428	(13)%	$ 2,346	(2)%	$ 3,923	(5)%	$ 4,378	(3)%
Fourth Quarter 2011										
Construction Industries[1]	$ 5,355		$ 1,743		$ 777		$ 1,222		$ 1,613	
Resource Industries[2]	5,056		1,694		771		962		1,629	
Power Systems[3]	5,672		2,203		722		1,693		1,054	
All Other Segment[4]	496		235		26		145		90	
Corporate Items and Eliminations	(22)		(15)		(1)		(4)		(2)	
Machinery & Power Systems Sales	16,557		5,860		2,295		4,018		4,384	
Financial Products Segment	752		413		94		110		135	
Corporate Items and Eliminations	(66)		(38)		(7)		(13)		(8)	
Financial Products Revenues	686		375		87		97		127	
Consolidated Sales and Revenues	$17,243		$ 6,235		$ 2,382		$ 4,115		$ 4,511	

1 Does not include inter-segment sales of $115 million and $142 million in the fourth quarter 2012 and 2011, respectively.

2 Does not include inter-segment sales of $208 million and $314 million in the fourth quarter 2012 and 2011, respectively.

3 Does not include inter-segment sales of $455 million and $644 million in the fourth quarter 2012 and 2011, respectively.

4 Does not include inter-segment sales of $773 million and $865 million in the fourth quarter 2012 and 2011, respectively.

Sales and Revenues by Segment

(Millions of dollars)	Fourth Quarter 2011	Sales Volume	Price Realization	Currency	Acquisitions/ Divestitures	Other	Fourth Quarter 2012	$ Change	% Change
Construction Industries	$ 5,355	$ (1,306)	$ 32	$ (53)	$ —	$ —	$ 4,028	$ (1,327)	(25)%
Resource Industries	5,056	301	267	1	151	—	5,776	720	14 %
Power Systems	5,672	(559)	94	(27)	127	—	5,307	(365)	(6)%
All Other Segment	496	(78)	1	(2)	(162)	—	255	(241)	(49)%
Corporate Items and Eliminations	(22)	(13)	27	(1)	—	—	(9)	13	
Machinery & Power Systems Sales	16,557	(1,655)	421	(82)	116	—	15,357	(1,200)	(7)%
Financial Products Segment	752	—	—	—	—	37	789	37	5 %
Corporate Items and Eliminations	(66)	—	—	—	—	(5)	(71)	(5)	
Financial Products Revenues	686	—	—	—	—	32	718	32	5 %
Consolidated Sales and Revenues	$ 17,243	$ (1,655)	$ 421	$ (82)	$ 116	$ 32	$ 16,075	$ (1,168)	(7)%

Operating Profit by Segment

(Millions of dollars)	Fourth Quarter 2012	Fourth Quarter 2011	$ Change	% Change
Construction Industries	$ 26	$ 534	$ (508)	(95)%
Resource Industries	611	997	(386)	(39)%
Power Systems	697	823	(126)	(15)%
All Other Segment	126	236	(110)	(47)%
Corporate Items and Eliminations	(534)	(721)	187	
Machinery & Power Systems	926	1,869	(943)	(50)%
Financial Products Segment	180	134	46	34 %
Corporate Items and Eliminations	2	22	(20)	
Financial Products	182	156	26	17 %
Consolidating Adjustments	(70)	(65)	(5)	
Consolidated Operating Profit	$ 1,038	$ 1,960	$ (922)	(47)%

Construction Industries

Construction Industries' sales were $4.028 billion in the fourth quarter of 2012, a decrease of $1.327 billion, or 25 percent, from the fourth quarter of 2011. Sales decreased in all geographic regions of the world, driven by dealers reducing new machine inventory levels in the fourth quarter of 2012 compared with dealers increasing inventory levels in the fourth quarter of 2011. Dealer-reported new machine inventory decreased about $950 million during the fourth quarter of 2012 compared with an increase of about $525 million during the fourth quarter of 2011. Dealer deliveries to end users were about the same as the fourth quarter of 2011.

Construction Industries' profit was $26 million in the fourth quarter of 2012 compared with $534 million in the fourth quarter of 2011. The decrease in profit was primarily due to lower sales volume and increased manufacturing costs from inefficiencies driven by lower production and declining inventory in the fourth quarter of 2012.

Resource Industries

Resource Industries' sales were $5.776 billion in the fourth quarter of 2012, an increase of $720 million, or 14 percent, from the fourth quarter of 2011. The sales increase was due to higher volume, improved price realization and an increase in Bucyrus sales of $102 million. New equipment sales increased, while sales for aftermarket parts declined. Sales increased in every region of the world except North America, where declining coal production contributed to lower sales.

As a result of increased production capability, coupled with our existing mining order backlog, sales were higher than the fourth quarter of 2011. However, new orders were well below the fourth quarter of 2011.

Resource Industries' profit was $611 million in the fourth quarter of 2012 compared with $997 million in the fourth quarter of 2011. The decrease was a result of the goodwill impairment charge related to Siwei of $580 million.

Excluding the impairment charge, segment profit improved as a result of favorable price realization and higher sales volume, which included a favorable mix of products. This was partially offset by higher manufacturing costs primarily due to inefficiencies driven by lower production and declining inventory in the fourth quarter of 2012.

Power Systems

Power Systems' sales were $5.307 billion in the fourth quarter of 2012, a decrease of $365 million, or 6 percent, from the fourth quarter of 2011. The decrease was the result of lower sales volume, partially offset by the acquisition of MWM and improved price realization.

Sales decreased in all regions except Asia/Pacific. Excluding acquisitions, sales for petroleum, industrial and electric power applications were lower. Most of the decline was a result of dealers reducing their inventory levels in 2012 compared with dealers increasing inventory levels in 2011. Rail-related sales also declined.

Power Systems' profit was $697 million in the fourth quarter of 2012 compared with $823 million in the fourth quarter of 2011. The decrease was primarily due to lower sales volume (which includes the impact of a favorable mix of products), partially offset by favorable price realization.

MWM, acquired during the fourth quarter of 2011, added sales of $127 million, primarily in EAME, and increased segment profit by $26 million.

Financial Products Segment

Financial Products' revenues were $789 million, an increase of $37 million, or 5 percent, from the fourth quarter of 2011. The increase was primarily due to the favorable impact from higher average earning assets, partially offset by the unfavorable impact from lower average financing rates on new and existing finance receivables and operating leases.

Financial Products' profit was $180 million in the fourth quarter of 2012, compared with $134 million in the fourth quarter of 2011. The increase was primarily due to a $34 million favorable impact from lower claims experience at Cat Insurance and a $32 million favorable impact from higher average earning assets. These increases were partially offset by a $17 million increase in the provision for credit losses at Cat Financial.

All Other Segment

All Other Segment includes groups that provide services such as component manufacturing, remanufacturing and logistics.

The decrease in sales was primarily due to the absence of our third party logistics business, which was sold in the third quarter of 2012.

The decrease in profit was primarily driven by lower production volume and the absence of our third party logistics business.

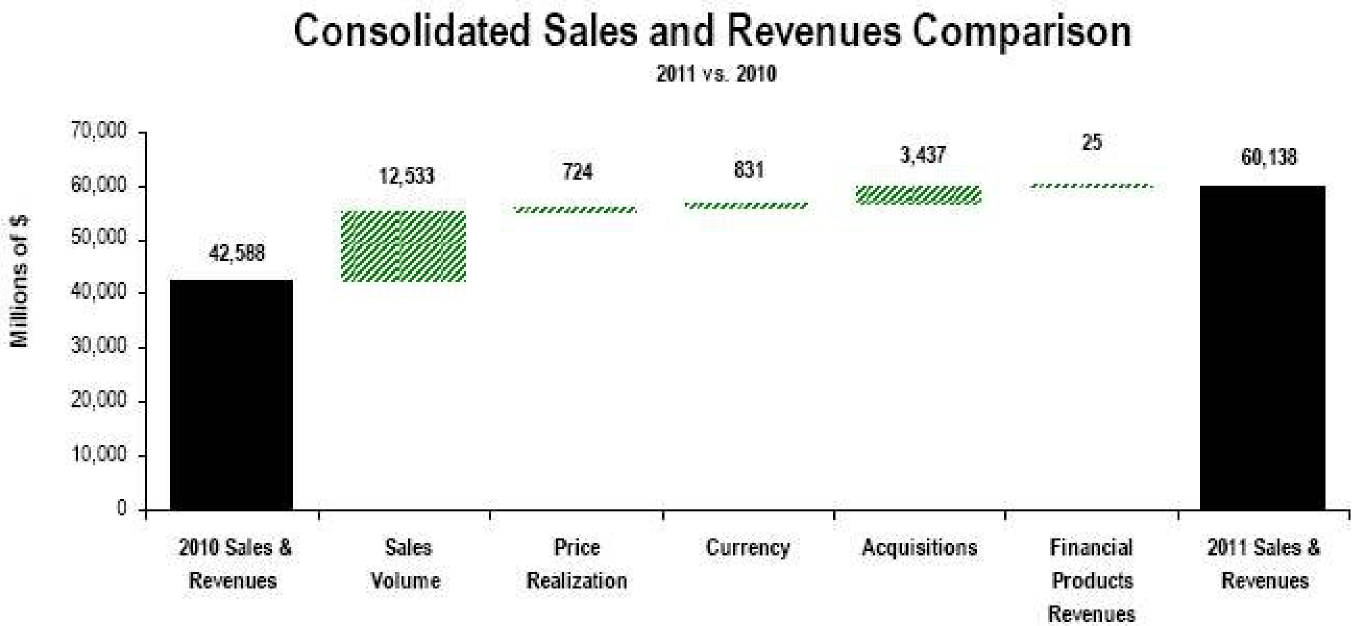
Corporate Items and Eliminations

Expense for corporate items and eliminations was $532 million in the fourth quarter of 2012, a decrease of $167 million from the fourth quarter of 2011. Corporate items and eliminations include: corporate-level expenses; timing differences, as some expenses are reported in segment profit on a cash basis; retirement benefit costs other than service cost; currency differences, as segment profit is reported using annual fixed exchange rates; and inter-segment eliminations.

The decrease in expense from the fourth quarter of 2011 was primarily due to the favorable impact of currency and timing differences, partially offset by increased corporate costs. Segment profit for 2012 is based on fixed exchange rates set at the beginning of 2012, while segment profit for 2011 is based on fixed exchange rates set at the beginning of 2011. The difference in actual exchange rates compared with fixed exchange rates is included in corporate items and eliminations and is not reflected in segment profit.

2011 COMPARED WITH 2010

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between 2010 (at left) and 2011 (at right). Items favorably impacting sales and revenues appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting sales and revenues appear as downward stair steps with dollar amounts reflected in parentheses above each bar. The bar entitled Sales Volume includes the sales impact of the divestiture of Carter Machinery Company, Inc. (Carter). Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were $60.138 billion in 2011, an increase of $17.550 billion, or 41 percent, from 2010.

The improvement was largely a result of $12.533 billion higher sales volume. While sales for both new equipment and after-market parts improved, the more significant increase was for new equipment. Currency impacts added $831 million in sales, and price realization improved $724 million. Sales for Bucyrus, which was acquired during the third quarter of 2011, were $2.524 billion; and EMD, which was acquired during the third quarter of 2010, added sales of $861 million. MWM, acquired during the fourth quarter of 2011, added sales of $52 million. Financial Products revenues increased slightly.

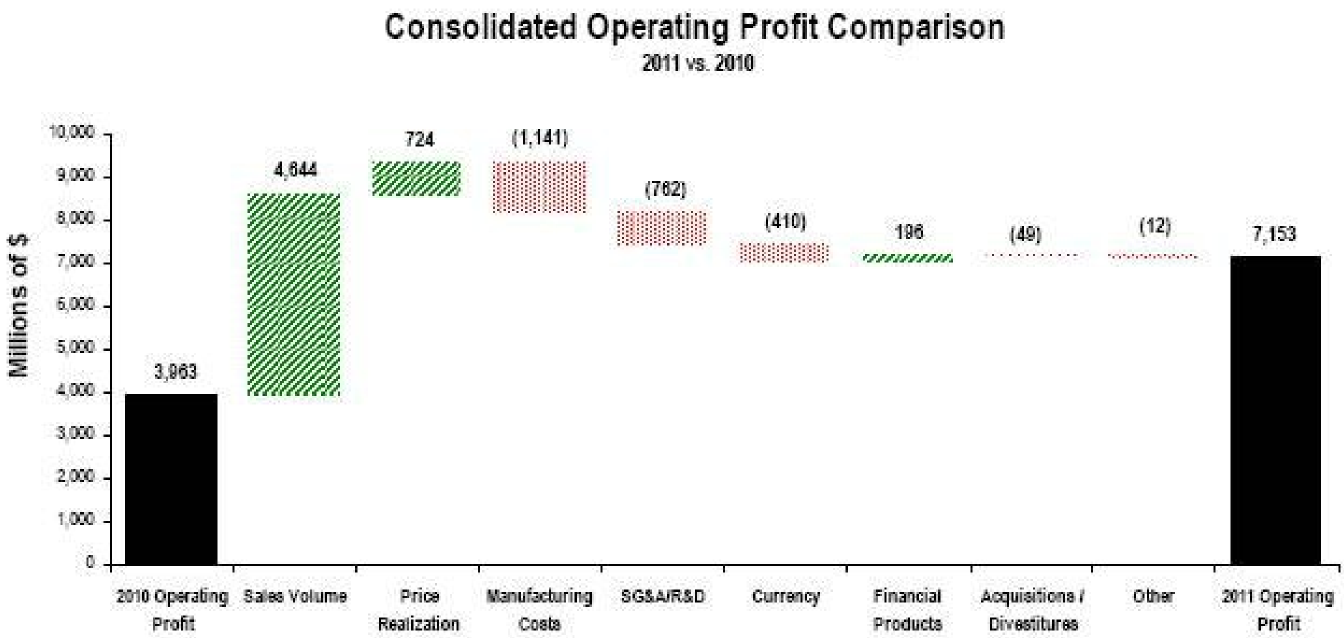
The improvement in sales volume occurred across the world in all geographic regions and in nearly all segments. The volume increase was primarily the result of higher end user demand. In addition, dealers added about $2.5 billion to new machine inventories in 2011 compared with about $900 million in 2010. The increase in dealer inventory in 2011 occurred in all regions, most significantly in Asia/Pacific. Dealer-reported inventory in months of supply was higher than the end of 2010 but similar to the historical average.

Growth in the global economy improved demand for commodities, and commodity prices remained attractive for investment. This was positive for mining in all regions of the world.

Construction activity continued to grow in most developing countries. In developed countries, despite a continued weak level of construction activity, sales increased. The increase was primarily a result of customers upgrading machine fleets by replacing older equipment and dealers refreshing equipment in their rental fleets.

Worldwide demand for energy at price levels that encourage continued investment resulted in higher sales of engines and turbines for petroleum applications. Sales for electric power applications continued to improve as a result of worldwide economic growth. Sales of our industrial engines and rail products and services also increased.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between 2010 (at left) and 2011 (at right). Items favorably impacting operating profit appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting operating profit appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees. The bar entitled Other includes consolidating adjustments and Machinery and Power Systems other operating (income) expenses.

Operating profit in 2011 was $7.153 billion compared with $3.963 billion in 2010. The improvement was primarily the result of higher sales volume and improved price realization. The improvements were partially offset by higher manufacturing costs, higher SG&A and R&D expenses and the negative impact of currency.

Manufacturing costs were up $1.141 billion, primarily due to higher period costs, material and freight costs. The increase in period costs was due to higher production volume, capacity expansion programs and increased incentive compensation. Material and freight costs were up from 2010. The increase in material was primarily due to higher steel costs.

SG&A and R&D expenses increased $762 million primarily due to higher volume, increased costs to support product programs and increased incentive compensation.

Currency had a $410 million unfavorable impact on operating profit as the benefit from $831 million on sales was more than offset by a negative $1.241 billion impact on costs. The unfavorable currency impact was primarily due to the Japanese yen.

Financial Products' operating profit improved by $196 million.

Operating profit was negatively impacted by $32 million related to Bucyrus, and EMD negatively impacted operating profit by $16 million.

Short-term incentive compensation was about $1.2 billion for 2011 compared to about $770 million in 2010.

We believe the amount of incremental operating profit we earn on incremental sales and revenues is an important performance metric. Sales and revenues increased $17.550 billion from 2010 to 2011, and operating profit increased $3.190 billion. The resulting incremental operating profit rate is 18 percent. Excluding the acquisition of Bucyrus, EMD and MWM, incremental margin was about 23 percent. Excluding the acquisition of Bucyrus, EMD and MWM and currency impacts, incremental margin was approximately 27 percent.

OTHER PROFIT/LOSS ITEMS

- **Interest expense excluding Financial Products** increased $53 million from 2010 due to debt issued to complete the acquisition of Bucyrus.

- **Other income/expense** was expense of $32 million compared with income of $130 million in 2010. The unfavorable change was primarily a result of losses on interest rate swaps put in place in anticipation of issuing debt for the acquisition of Bucyrus.
- **The provision for income taxes** for 2011 reflects an effective tax rate of 26.5 percent compared with 25 percent for 2010, excluding the items discussed below. The 2011 effective tax rate is higher than 2010 primarily due to changes in our geographic mix of profits from a tax perspective.

  The provision for income taxes for 2011 also includes net benefits of $63 million due to repatriation of non-U.S. earnings and a release of a valuation allowance offset by an increase in prior year unrecognized tax benefits and a negative impact from nondeductible goodwill primarily related to the divestiture of a portion of the Bucyrus distribution business. This compares to a net charge of $30 million in 2010.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
2011										
Construction Industries[1]	$19,667	45 %	$ 5,985	46 %	$ 3,045	49 %	$ 4,768	62 %	$ 5,869	31 %
Resource Industries[2]	15,629	80 %	4,963	73 %	2,831	56 %	3,228	86 %	4,607	104 %
Power Systems[3]	20,114	29 %	8,331	31 %	2,363	24 %	5,752	31 %	3,668	28 %
All Other Segment [4]	2,021	(6)%	970	(20)%	103	(5)%	585	9 %	363	20 %
Corporate Items and Eliminations	(39)		(32)		(1)		(4)		(2)	
Machinery & Power Systems Sales	57,392	44 %	20,217	39 %	8,341	42 %	14,329	49 %	14,505	47 %
Financial Products Segment	3,003	2 %	1,687	(5)%	361	17 %	438	3 %	517	18 %
Corporate Items and Eliminations	(257)		(171)		(29)		(28)		(29)	
Financial Products Revenues	2,746	1 %	1,516	(4)%	332	12 %	410	(4)%	488	15 %
Consolidated Sales and Revenues	$60,138	41 %	$ 21,733	35 %	$ 8,673	41 %	$14,739	47 %	$14,993	45 %
2010										
Construction Industries[1]	$13,572		$ 4,108		$ 2,048		$ 2,941		$ 4,475	
Resource Industries[2]	8,667		2,866		1,809		1,737		2,255	
Power Systems[3]	15,537		6,376		1,900		4,393		2,868	
All Other Segment[4]	2,156		1,208		108		538		302	
Corporate Items and Eliminations	(65)		(36)		(8)		(14)		(7)	
Machinery & Power Systems Sales	39,867		14,522		5,857		9,595		9,893	
Financial Products Segment	2,946		1,773		308		427		438	
Corporate Items and Eliminations	(225)		(202)		(11)		—		(12)	
Financial Products Revenues	2,721		1,571		297		427		426	
Consolidated Sales and Revenues	$42,588		$ 16,093		$ 6,154		$10,022		$10,319	

1 Does not include inter-segment sales of $575 million and $674 million in 2011 and 2010, respectively.
2 Does not include inter-segment sales of $1,162 million and $894 million in 2011 and 2010, respectively.
3 Does not include inter-segment sales of $2,339 million and $1,684 million in 2011 and 2010, respectively.
4 Does not include inter-segment sales of $3,413 million and $2,808 million in 2011 and 2010, respectively.

Sales and Revenues by Segment

(Millions of dollars)	2010	Sales Volume	Price Realization	Currency	Acquisitions	Other	2011	$ Change	% Change
Construction Industries	$ 13,572	$ 5,379	$ 243	$ 473	$ —	$ —	$ 19,667	$ 6,095	45 %
Resource Industries	8,667	4,115	224	99	2,524	—	15,629	6,962	80 %
Power Systems	15,537	3,193	256	215	913	—	20,114	4,577	29 %
All Other Segment	2,156	(184)	5	44	—	—	2,021	(135)	(6)%
Corporate Items and Eliminations	(65)	30	(4)	—	—	—	(39)	26	
Machinery & Power Systems Sales	39,867	12,533	724	831	3,437	—	57,392	17,525	44 %
Financial Products Segment	2,946	—	—	—	—	57	3,003	57	2 %
Corporate Items and Eliminations	(225)	—	—	—	—	(32)	(257)	(32)	
Financial Products Revenues	2,721	—	—	—	—	25	2,746	25	1 %
Consolidated Sales and Revenues	$ 42,588	$12,533	$ 724	$ 831	$ 3,437	$ 25	$ 60,138	$ 17,550	41 %

Operating Profit by Segment

(Millions of dollars)	2011	2010	$ Change	% Change
Construction Industries	$ 2,056	$ 783	$ 1,273	163%
Resource Industries	3,334	1,789	1,545	86%
Power Systems	3,053	2,288	765	33%
All Other Segment	837	720	117	16%
Corporate Items and Eliminations	(2,457)	(1,793)	(664)	
Machinery & Power Systems	6,823	3,787	3,036	80%
Financial Products Segment	587	429	158	37%
Corporate Items and Eliminations	(4)	(42)	38	
Financial Products	583	387	196	51%
Consolidating Adjustments	(253)	(211)	(42)	
Consolidated Operating Profit	$ 7,153	$ 3,963	$ 3,190	80%

Construction Industries

Construction Industries' sales were $19.667 billion in 2011, an increase of $6.095 billion, or 45 percent, from 2010. The improvement in sales was a result of higher sales volume in all geographic regions and across all major products. While sales for both new equipment and after-market parts improved, the more significant increase was for new equipment. In addition to volume, sales were higher as a result of currency impacts from a weaker U.S. dollar, and price realization improved.

Continuing economic growth in most developing countries resulted in higher sales overall. New machine sales were above or near record levels across much of the developing world. While demand for product was strong, the supply of many excavator models, which are key products for construction across the world, was limited by our capacity for the majority of the year.

In most developed countries, sales increased significantly despite relatively weak construction activity. The improvement in sales was largely driven by the need for customers to upgrade machine fleets by replacing older equipment and from dealers refreshing equipment in their rental fleets. Despite the increase from 2010, sales of new machines to customers in developed countries remain significantly below previous peak levels. The size of rental fleets increased slightly from post-recession lows, but the average age remained near the historical high.

Construction Industries' profit was $2.056 billion in 2011 compared with $783 million in 2010. The improvement was primarily due to higher sales volume and improved price realization. The benefit from higher sales was partially offset by increases in period manufacturing and freight costs. The period manufacturing cost increase is primarily due to higher production volume, start-up costs associated with global capacity expansion and increased incentive compensation. SG&A and R&D expenses were about flat.

Resource Industries

Resource Industries' sales were $15.629 billion in 2011, an increase of $6.962 billion, or 80 percent, from 2010. The sales increase was a result of higher volume and the acquisition of Bucyrus during the third quarter of 2011. While sales for both new equipment and after-market parts improved, the more significant increase was for new equipment.

Growth in the global economy increased demand for commodities and kept commodity prices at levels that encouraged investment, supporting higher sales of equipment for mining.

Since the acquisition closed on July 8, 2011, Bucyrus sales were $2.524 billion, with $610 million in North America, $429 million in Latin America, $516 million in EAME and $969 million in Asia/Pacific.

Resource Industries' profit was $3.334 billion in 2011 compared with $1.789 billion in 2010. The impact of Bucyrus lowered segment profit by $32 million and included substantial deal-related and integration costs.

Excluding Bucyrus, Resource Industries' profit increased $1.577 billion, primarily due to higher sales volume and price realization. The improvement was partially offset by higher manufacturing and R&D costs. The manufacturing cost increase was primarily due to higher period costs related to increased production volume and increased material and freight costs.

Power Systems

Power Systems' sales were $20.114 billion in 2011, an increase of $4.577 billion, or 29 percent, from 2010. Most of the improvement was a result of higher sales volume and the acquisition of EMD. Sales were up in all geographic regions.

Worldwide demand for energy at price levels that encourage continued investment resulted in higher demand for engines and turbines for petroleum applications. Electric power continued to improve as a result of worldwide economic growth. Sales of our industrial engines and rail products and services also increased. Sales for marine applications were slightly higher than 2010.

Power Systems' profit was $3.053 billion in 2011 compared with $2.288 billion in 2010. The improvement was primarily due to higher sales volume, which included the impact of an unfavorable mix of products, and improved price realization. The improvements were partially offset by higher manufacturing costs and SG&A and R&D expenses. The increased manufacturing costs were primarily driven by higher volume, while freight, incentive compensation and material costs also increased. SG&A and R&D expenses were higher due to increased incentive compensation, costs to support product programs and growth-related costs.

Sales for EMD, which was acquired during the third quarter of 2010, increased $861 million, and segment profit related to EMD decreased $7 million.

Financial Products Segment

Financial Products' revenues were $3.003 billion, an increase of $57 million, or 2 percent, from 2010. The increase was primarily due to a favorable impact from higher average earning assets, a favorable change from returned or repossessed equipment and higher miscellaneous net revenues, partially offset by an unfavorable impact from lower interest rates on new and existing finance receivables and a decrease in Cat Insurance revenues.

Financial Products' profit of $587 million was up $158 million from 2010. The increase was primarily due to a $52 million favorable impact from higher average earning assets, a $49 million favorable impact from higher net yield on average earning assets, a $49 million favorable change from returned or repossessed equipment and a $37 million decrease in provision expense at Cat Financial. These increases were partially offset by a $52 million increase in SG&A expenses (excluding provision expense at Cat Financial).

During 2011, Cat Financial's overall portfolio quality reflected continued improvement. At the end of 2011, past dues at Cat Financial were 2.89 percent, a decrease from 3.54 percent at the end of the third quarter of 2011, and 3.87 percent at the end of 2010. Write-offs, net of recoveries, were $158 million for the full-year 2011, down from $237 million for 2010.

As of December 31, 2011, Cat Financial's allowance for credit losses totaled $369 million, or 1.47 percent of net finance receivables, compared with $363 million, or 1.57 percent of net finance receivables, at year-end 2010.

Corporate Items and Eliminations

Expense for corporate items and eliminations was $2.461 billion in 2011, an increase of $626 million from 2010. Corporate items and eliminations include corporate-level expenses; timing differences, as some expenses are reported in segment profit on a cash basis; retirement benefit costs other than service cost; currency differences, as segment profit is reported using annual fixed exchange rates; and inter-segment eliminations.

Segment profit for 2011 is based on fixed exchange rates set at the beginning of 2011, while segment profit for 2010 is based on fixed exchange rates set at the beginning of 2010. The difference in actual exchange rates compared with fixed exchange rates is included in corporate items and eliminations and is not reflected in segment profit. The increased expense for corporate items and eliminations was primarily due to currency differences not allocated to segments, as 2011 actual exchange rates were unfavorable compared with 2011 fixed exchange rates, and higher corporate-level expenses.

ACQUISITIONS AND DIVESTITURES

ERA Mining Machinery Limited (Siwei)

During the second quarter of 2012, Caterpillar, through its wholly-owned subsidiary Caterpillar (Luxembourg) Investment Co. S.A., completed a tender offer to acquire the issued shares of ERA Mining Machinery Limited (Siwei), including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd. Substantially all of the issued shares of Siwei, a public company listed on the Hong Kong Exchange, were acquired at the end of May 2012. In October 2012, the remaining shares of Siwei common stock were acquired for approximately $7 million in cash. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in mainland China and is known for its expertise in manufacturing mining roof support equipment. The acquisition supports Caterpillar's long-term commitment to invest in China in order to support our growing base of Chinese customers and will further expand our underground mining business both inside and outside of China.

The tender offer allowed Siwei shareholders to choose between two types of consideration in exchange for their shares. The alternatives were either cash consideration of HK$0.88 or a HK$1.00 loan note issued by Caterpillar (Luxembourg) Investment Co. S.A. to the former shareholders of Siwei that provided, subject to its terms, for the holder to receive on redemption a minimum of HK$0.75 up to a maximum of HK$1.15 depending on Siwei's consolidated gross profit for 2012 and 2013. Approximately 4 billion Siwei shares were tendered for the cash alternative and approximately 1.6 billion Siwei shares were tendered for the loan note alternative. The preliminary purchase price of approximately $677 million was comprised of net cash paid of approximately $444 million ($475 million in cash paid for shares and to cancel share options less cash acquired of $31 million), the fair value of the loan notes of $152 million, approximately $168 million of assumed third-party short term borrowings and notes payable, a loan and interest payable to Caterpillar from Siwei of $51 million, less restricted cash acquired of approximately $138 million. The noncontrolling interest for the outstanding shares not tendered was approximately $7 million.

The transaction was financed with available cash and included the issuance of loan notes to certain former shareholders of Siwei, which have a debt component and a portion that is contingent consideration. The $152 million fair value represents the minimum redemption amount of the debt component payable in April 2013. The fair value assigned to the contingent consideration portion that is conditionally payable in April 2013 or April 2014 is not material. The contingent consideration will be remeasured each reporting period at its estimated fair value with any adjustment included in Other operating (income) expenses. As of December 31, 2012 there was no adjustment to the contingent consideration.

Tangible assets as of the acquisition date and after giving effect to the adjustments described below were $598 million, recorded at their fair values, and primarily included cash of $31 million, restricted cash of $138 million, receivables of $184 million, inventory of $77 million and property, plant and equipment of $94 million. Finite-lived intangible assets acquired of $112 million were primarily related to customer relationships and also included trade names. The finite-lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 14 years. Liabilities assumed as of the acquisition date and after giving effect to the adjustments described below were $626 million, recorded at their fair values, and primarily included accounts payable of $352 million, third-party short term borrowings and notes payable of $168 million and accrued expenses of $37 million. Additionally, deferred tax liabilities were $25 million. Goodwill of $625 million, substantially all of which is non-deductible for income tax purposes, represented the excess of the consideration transferred over the net assets recognized and represented the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Factors that contributed to a purchase price resulting in the recognition of goodwill include expected cost savings primarily from increased purchasing power for raw materials, improved working capital management, expanded underground mining equipment sales opportunities in China and internationally, along with the acquired assembled workforce. These values represent a preliminary allocation of the purchase price subject to finalization of post-closing procedures. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Resource Industries segment. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. Due to the identified accounting misconduct that occurred before the acquisition, measurement period adjustments were made to the fair value of the acquired assets and assumed liabilities during the fourth quarter of 2012. The fair values presented above reflect these changes, which are primarily comprised of a decrease in finite-lived intangible assets of $82 million, a decrease in receivables of $29 million, a decrease in inventory of $17 million and a net increase in liabilities of $23 million, resulting in an increase in goodwill of $149 million.

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which is a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a $580 million goodwill impairment charge, which resulted in goodwill of $45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

MWM Holding GmbH (MWM)

On October 31, 2011, we acquired 100 percent of the equity in privately held MWM Holding GmbH (MWM). Headquartered in Mannheim, Germany, MWM is a global supplier of sustainable, natural gas and alternative-fuel engines. With the acquisition of MWM, Caterpillar expects to expand customer options for sustainable power generation solutions. The purchase price, net of $94 million of acquired cash, was approximately $774 million (€574 million).

The transaction was financed with available cash. Tangible assets as of the acquisition date were $535 million, recorded at their fair values, and primarily included cash of $94 million, receivables of $96 million, inventories of $205 million and property, plant and equipment of $108 million. Finite-lived intangible assets acquired of $221 million were primarily related to customer relationships and also included intellectual property and trade names. The finite lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 10 years. Liabilities assumed as of the acquisition date were $284 million, recorded at their fair values, and primarily included accounts payable of $77 million, net deferred tax liabilities of $67 million and advance payments of $43 million. Goodwill of $396 million, approximately $90 million of which is deductible for income tax purposes, represents the excess of cost over the fair value of the net tangible and intangible assets acquired. Factors that contributed to a purchase price resulting in the recognition of goodwill include MWM's strategic fit into our product and services portfolio, aftermarket support opportunities and the acquired assembled workforce. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Power Systems segment. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

Bucyrus International, Inc.

On July 8, 2011, we completed our acquisition of Bucyrus International, Inc. (Bucyrus). Bucyrus is a designer, manufacturer and marketer of mining equipment for the surface and underground mining industries. The total purchase price was approximately $8.8 billion, consisting of $7.4 billion for the purchase of all outstanding shares of Bucyrus common stock at $92 per share and $1.6 billion of assumed Bucyrus debt, substantially all of which was repaid subsequent to closing, net of $0.2 billion of acquired cash.

We funded the acquisition using available cash, commercial paper borrowings and approximately $4.5 billion of long-term debt issued in May 2011. On May 24, 2011, we issued $500 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.10%) due in 2012 and $750 million of Floating Rate Senior Notes (Three-month USD LIBOR plus 0.17%) due in 2013. The interest rates for the Floating Rate Senior Notes will be reset quarterly. We also issued $750 million of 1.375% Senior Notes due in 2014, $1.25 billion of 3.900% Senior Notes due in 2021, and $1.25 billion of 5.200% Senior Notes due in 2041. The Notes are unsecured obligations of Caterpillar and rank equally with all other senior unsecured indebtedness.

Bucyrus contributed the following to sales and to profit before taxes (inclusive of deal-related and integration costs):

(Millions of dollars)	Year Ended December 31, 2012	July 8, 2011 to December 31, 2011
Sales	$ 4,758	$ 2,524
Profit (loss) before taxes	$ 115	$ (403)

The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Resource Industries segment. For the year ended December 31, 2011, we recorded $373 million in costs related to the acquisition of Bucyrus. These acquisition related costs include consulting, legal and advisory fees, severance costs and financing costs.

During the three months ended December 31, 2011, we adjusted the initial allocation of the purchase price which reduced goodwill by $647 million, the net result of purchase accounting adjustments to the fair value of acquired assets and assumed liabilities. During 2012, we finalized the allocation of the purchase price to identifiable assets and liabilities, reducing the amount allocated to goodwill from our December 31, 2011 preliminary allocation by an additional $28 million. These adjustments primarily included a reduction to goodwill to reflect the tax consequences of the expected reversal of differences in the U.S. GAAP and tax basis of assets and liabilities.

The following table summarizes our initial and final allocation of the assets acquired and liabilities assumed as of the acquisition date at estimated fair value.

	July 8, 2011	
(Millions of dollars)	**Initial**	**Final**
Assets		
Cash	$ 203	$ 204
Receivables - trade and other	693	705
Prepaid expenses	154	174
Inventories	2,305	2,223
Property, plant and equipment - net	692	694
Intangible assets	3,901	3,901
Goodwill	5,263	4,588
Other assets	48	141
Liabilities		
Short-term borrowings	24	24
Long-term debt due within one year	16	16
Accounts payable	444	465
Accrued expenses	405	433
Customer advances	668	668
Other current liabilities	426	76
Long-term debt due after one year	1,514	1,528
Noncurrent deferred income tax liabilities	1,874	1,449
Other liabilities	434	517
Net assets acquired	$ 7,454	$ 7,454

The following table is a summary of the fair value estimates of the acquired identifiable intangible assets, weighted–average useful lives, and balance of accumulated amortization as of December 31, 2012 and 2011:

(Millions of dollars)			Accumulated amortization	
	Fair Value	Weighted-average useful life (in years)	2012	2011
Customer relationships	$ 2,337	15	$ 231	$ 75
Intellectual property	1,489	12	182	58
Other	75	4	29	10
Total	$ 3,901	14	$ 442	$ 143

The identifiable intangible assets recorded as a result of the acquisition have been amortized from the acquisition date. Amortization expenses related to intangible assets were $299 million and $143 million in 2012 and 2011, respectively. Estimated aggregate amortization expense for the five succeeding years and thereafter is as follows:

(Millions of dollars)					
2013	2014	2015	2016	2017	Thereafter
$ 299	$ 299	$ 290	$ 280	$ 280	$ 2,011

Goodwill in the amount of $4,588 million was recorded for the acquisition of Bucyrus. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Approximately $500 million of the goodwill is deductible for tax purposes. Goodwill largely consists of expected synergies resulting from the acquisition. Key areas of expected cost savings include elimination of redundant selling, general and administrative expenses and increased purchasing power for raw materials and supplies. We also anticipate the acquisition will produce growth synergies as a result of the combined businesses' broader product portfolio in the mining industry.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

The unaudited pro forma results presented below include the effects of the Bucyrus acquisition as if it had occurred as of January 1, 2010. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as the amortization associated with estimates for the acquired intangible assets, fair value adjustments for inventory, contracts and the impact of acquisition financing. The 2011 supplemental pro forma earnings excluded $373 million of acquisition related costs, including consulting, legal and advisory fees, severance costs and financing expense prior to debt issuance. Also, the 2011 supplemental pro forma earnings were adjusted to exclude $303 million of nonrecurring expense related to the fair value adjustment to acquisition-date inventory and $25 million acceleration of Bucyrus stock compensation expense. The 2010 supplemental pro forma earnings were adjusted to include acquisition related costs and fair value adjustments to acquisition-date inventory.

The pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been completed on the dates indicated.

	Years ended December 31,	
(Dollars in millions except per share data)	2011	2010
Total Sales and revenues	$ 62,281	$ 46,239
Profit	$ 5,401	$ 2,385
Profit per common share	$ 8.37	$ 3.78
Profit per common share – diluted	$ 8.11	$ 3.67

Bucyrus Distribution Business Divestitures

In conjunction with our acquisition of Bucyrus in July 2011, we announced our intention to sell the Bucyrus distribution business to Caterpillar dealers that support mining customers around the world in a series of individual transactions. Bucyrus predominantly employed a direct to end customer model to sell and support products. The intention is for all Bucyrus products to be sold and serviced by Caterpillar dealers, consistent with our long-held distribution strategy. These transitions are occurring in phases based on the mining business opportunity within each dealer territory.

As portions of the Bucyrus distribution business are sold or classified as held for sale, they will not qualify as discontinued operations because Caterpillar expects significant continuing direct cash flows from the Caterpillar dealers after the divestitures. The gain or loss on disposal, along with the continuing operations of these disposal groups, will be reported in the Resource Industries segment. Goodwill will be allocated to each disposal group using the relative fair value method. The value of the customer relationship intangibles related to each portion of the Bucyrus distribution business to be sold will be included in the disposal groups. The disposal groups will be recorded at the lower of their carrying value or fair value less cost to sell. In 2012, we recorded a goodwill impairment for $27 million related to a disposal group being sold to one of the Caterpillar dealers. Fair value was determined based upon the negotiated sales price. The impairment was recorded in Other operating (income) expenses and included in the Resource Industries segment. The portions of the distribution business that were sold were not material to our results of operations, financial position or cash flow.

In 2012, we completed 12 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of $1,481 million. The majority of these transactions are subject to certain working capital adjustments. For the full year 2012, after-tax profit was unfavorably impacted by $28 million as a result of the Bucyrus distribution divestiture activities. This is comprised of $310 million of income (included in Other operating (income) expenses) related to the sales transactions, offset by costs incurred related to the Bucyrus distribution divestiture activities of $177 million (included in Selling, general and administrative expenses) and income tax of $161 million.

Assets sold in 2012 included customer relationship intangibles of $256 million, other assets of $254 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of $405 million related to the divested portions of the Bucyrus distribution business.

As part of these divestitures, Cat Financial provided $739 million of financing to five of the Caterpillar dealers. These loans are included in Receivables – finance and Long-term receivables – finance. Additionally, one of the dealers paid $5 million of its $20 million purchase price at closing. The remaining $15 million is due in the fourth quarter of 2013 and is included in Receivables – trade and other.

In December 2011, we completed one sale transaction whereby we sold a portion of the Bucyrus distribution business to a Caterpillar dealer for $337 million, which includes a $23 million working capital adjustment paid in the third quarter of 2012. After-tax profit was favorably impacted by $9 million in 2011 as a result of the Bucyrus distribution business divestiture activities. This is comprised of $96 million of income (included in Other operating (income) expenses) primarily related to the December 2011 sale transaction, offset by costs incurred related to the Bucyrus distribution business divestiture activities of $32 million (included in Selling, general and administrative expenses) and income tax of $55 million. Assets sold included customer relationship intangibles of $63 million, other assets of $53 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of $101 million.

Impact of Bucyrus on Profit

(Millions of dollars)

Impact Excluding Divestitures Gain/(Loss)	Fourth Quarter 2012	Fourth Quarter 2011	Full Year 2012	Full Year 2011
Sales	$ 1,491	$ 1,389	$ 4,758	$ 2,524
Cost of goods sold	(1,269)	(1,140)	(3,716)	(2,159)
SG&A	(161)	(161)	(635)	(351)
R&D	(40)	(14)	(153)	(26)
Other operating income (costs)	5	(7)	3	(84)
Operating profit (loss)	26	67	257	(96)
Interest expense	(28)	(35)	(130)	(79)
Other income (expense)	(9)	(1)	(12)	(228)
Profit (loss) before tax	(11)	31	115	(403)
Income tax (provision)/benefit	5	(3)	(40)	133
Profit (loss) after tax of consolidated companies	(6)	28	75	(270)
Profit (loss) attributable to non-controlling interest	—	(1)	(1)	(1)
Profit/(loss)	$ (6)	$ 27	$ 74	$ (271)
Distribution Business Divestiture Gain/(Loss)				
SG&A	$ (44)	$ (17)	$ (177)	$ (32)
Other operating income (costs)	124	96	310	96
Impact on operating profit	80	79	133	64
Income tax (provision)/benefit	(62)	(61)	(161)	(55)
Profit/(loss)	$ 18	$ 18	$ (28)	$ 9

Fourth quarter 2012 operating profit was unfavorably impacted by $58 million to correct for an overstatement of inventory resulting from previously recorded profit on inter-company sales. This error favorably impacted 2011 operating profit by $24 million and first quarter 2012 operating profit by $34 million. These amounts are not material to the financial statements of any affected period.

Third Party Logistics Business Divestiture

On July 31, 2012, Platinum Equity acquired a 65 percent equity interest in Caterpillar Logistics Services LLC, the third party logistics division of our wholly owned subsidiary, Caterpillar Logistics Inc., for $541 million subject to certain working capital adjustments. The purchase price of $541 million was comprised of a $122 million equity contribution from Platinum Equity to, and third party debt raised by, Caterpillar Logistics Services LLC. The sale of the third party logistics business supports Caterpillar's increased focus on the continuing growth opportunities in its core businesses. Under the terms of the agreement, Caterpillar retained a 35 percent equity interest.

As a result of the divestiture, we recorded a pretax gain of $281 million (included in Other operating (income) expenses). In addition, we recognized $8 million of incremental incentive compensation expense. The fair value of our retained noncontrolling interest was $66 million, as determined by the $122 million equity contribution from Platinum Equity, and was included in Investments in unconsolidated affiliated companies. The disposal did not qualify as discontinued operations because Caterpillar expects significant continuing involvement through its noncontrolling interest. The financial impact of the disposal was reported in the All Other operating segment. Future results for our remaining interest will be recorded in Equity in profit (loss) of unconsolidated affiliated companies and will be reported in the All Other operating segment.

The controlling financial interest in Caterpillar Logistics Services LLC was not material to our results of operations, financial position or cash flow.

GLOSSARY OF TERMS

1. **All Other Segment** - Primarily includes activities such as: the remanufacturing of Cat engines and components and remanufacturing services for other companies as well as the product management, development, manufacturing, marketing and product support of undercarriage, specialty products, hardened bar stock components and ground engaging tools primarily for Caterpillar products; logistics services; the product management, development, marketing, sales and product support of on-highway vocational trucks for North America (U.S. & Canada only); distribution services responsible for dealer development and administration, dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts; and the 50/50 joint venture with Navistar (NC2) until it became a wholly owned subsidiary of Navistar effective September 29, 2011. On July 31, 2012, we sold a majority interest in Caterpillar's third party logistics business.

2. **Consolidating Adjustments** - Eliminations of transactions between Machinery and Power Systems and Financial Products.

3. **Construction Industries** - A segment responsible for small and core construction machines. Responsibility includes business strategy, product design, product management and development, manufacturing, marketing, and sales and product support. The product portfolio includes backhoe loaders, small wheel loaders, small track-type tractors, skid steer loaders, multi-terrain loaders, mini excavators, compact wheel loaders, select work tools, small, medium and large track excavators, wheel excavators, medium wheel loaders, medium track-type tractors, track-type loaders, motor graders and pipe layers. In addition, Construction Industries has responsibility for Power Systems and components in Japan and an integrated manufacturing cost center that supports Machinery and Power Systems businesses.

4. **Currency** - With respect to sales and revenues, currency represents the translation impact on sales resulting from changes in foreign currency exchange rates versus the U.S. dollar. With respect to operating profit, currency represents the net translation impact on sales and operating costs resulting from changes in foreign currency exchange rates versus the U.S. dollar. Currency includes the impact on sales and operating profit for the Machinery and Power Systems lines of business only; currency impacts on Financial Products revenues and operating profit are included in the Financial Products portions of the respective analyses. With respect to other income/expense, currency represents the effects of forward, option and cross currency contracts entered into by the company to reduce the risk of fluctuations in exchange rates and the net effect of changes in foreign currency exchange rates on our foreign currency assets and liabilities for consolidated results.

5. **Debt-to-Capital Ratio** - A key measure of financial strength used by both management and our credit rating agencies. The metric is a ratio of Machinery and Power Systems debt (short-term borrowings plus long-term debt) and redeemable noncontrolling interest to the sum of Machinery and Power Systems debt, redeemable noncontrolling interest and stockholders' equity.

6. **EAME** - A geographic region including Europe, Africa, the Middle East and the Commonwealth of Independent States (CIS).

7. **Earning Assets** - Assets consisting primarily of total finance receivables net of unearned income, plus equipment on operating leases, less accumulated depreciation at Cat Financial.

8. **Financial Products Segment** - Provides financing to customers and dealers for the purchase and lease of Caterpillar and other equipment, as well as some financing for Caterpillar sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment.

9. **Latin America** - Geographic region including Central and South American countries and Mexico.

10. **Machinery and Power Systems (M&PS)** - Represents the aggregate total of Construction Industries, Resource Industries, Power Systems, and All Other Segment and related corporate items and eliminations.

11. **Machinery and Power Systems Other Operating (Income) Expenses** - Comprised primarily of gains/losses on disposal of long-lived assets, long-lived asset impairment charges, pension curtailment charges and employee redundancy costs.

12. **Manufacturing Costs** - Manufacturing costs exclude the impacts of currency and represent the volume-adjusted change for variable costs and the absolute dollar change for period manufacturing costs. Variable manufacturing costs are defined as having a direct relationship with the volume of production. This includes material costs, direct labor and other costs that vary directly with production volume such as freight, power to operate machines and supplies that are consumed in the manufacturing

process. Period manufacturing costs support production but are defined as generally not having a direct relationship to short-term changes in volume. Examples include machinery and equipment repair, depreciation on manufacturing assets, facility support, procurement, factory scheduling, manufacturing planning and operations management.

13. **Power Systems** - A segment responsible for the product management, development, manufacturing, marketing, sales and product support of reciprocating engine powered generator sets, integrated systems used in the electric power generation industry, reciprocating engines and integrated systems and solutions for the marine and petroleum industries; reciprocating engines supplied to the industrial industry as well as Caterpillar machinery; the product management, development, manufacturing, marketing, sales and product support of turbines and turbine-related services; the development, manufacturing, remanufacturing, maintenance, leasing and service of diesel-electric locomotives and components and other rail-related products and services.

14. **Price Realization** - The impact of net price changes excluding currency and new product introductions. Consolidated price realization includes the impact of changes in the relative weighting of sales between geographic regions.

15. **Resource Industries** - A segment responsible for business strategy, product design, product management and development, manufacturing, marketing and sales and product support for large track-type tractors, large mining trucks, underground mining equipment, tunnel boring equipment, large wheel loaders, off-highway trucks, articulated trucks, wheel tractor scrapers, wheel dozers, compactors, select work tools, forestry products, paving products, machinery components and electronics and control systems. In addition, Resource Industries manages areas that provide services to other parts of the company, including integrated manufacturing, research and development and coordination of the Caterpillar Production System. During the third quarter of 2011, the acquisition of Bucyrus International, Inc. was completed. This added the responsibility for business strategy, product design, product management and development, manufacturing, marketing and sales and product support for electric rope shovels, draglines, hydraulic shovels, drills, highwall miners and electric drive off-highway trucks to Resource Industries. In addition, Resource Industries segment profit includes Bucyrus acquisition-related costs and the impact from divestiture of portions of the Bucyrus distribution business.

16. **Sales Volume** - With respect to sales and revenues, sales volume represents the impact of changes in the quantities sold for Machinery and Power Systems as well as the incremental revenue impact of new product introductions, including emissions-related product updates. With respect to operating profit, sales volume represents the impact of changes in the quantities sold for Machinery and Power Systems combined with product mix as well as the net operating profit impact of new product introductions, including emissions-related product updates. Product mix represents the net operating profit impact of changes in the relative weighting of Machinery and Power Systems sales with respect to total sales.

17. **Siwei** - ERA Mining Machinery Limited (ERA), including its wholly-owned subsidiary Zhengzhou Siwei Mechanical & Electrical Manufacturing Co., Ltd., which was acquired during the second quarter of 2012. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in China and is included in our Resource Industries segment.

LIQUIDITY AND CAPITAL RESOURCES

Sources of funds

We generate significant capital resources from operating activities, which are the primary source of funding for our Machinery and Power Systems operations. Funding for these businesses is also provided by commercial paper and long-term debt issuances. Financial Products operations are funded primarily from commercial paper, term debt issuances and collections from their existing portfolio. Throughout 2012, we experienced favorable liquidity conditions globally in both our Machinery and Power Systems and Financial Products operations. On a consolidated basis, we ended 2012 with $5.49 billion of cash, a increase of $2.43 billion from year-end 2011. Our cash balances are held in numerous locations throughout the world. We expect to meet our U.S. funding needs without repatriating undistributed profits that are indefinitely reinvested outside the United States.

Consolidated operating cash flow for 2012 was $5.24 billion down from $7.01 billion in 2011. The decrease was primarily due to unfavorable changes in accounts payable. Accounts payable in 2011 increased significantly due to higher material purchases for continued increases in production. During the second half of 2012, a decline in material purchases to support inventory reduction, resulted in lower accounts payable. In addition, tax payments, pension contributions and short-term incentive compensation payments were higher in 2012. Partially offsetting these items were less significant increases in inventory and receivables in 2012 as compared to 2011, as fourth-quarter 2012 production and sales were lower than the fourth quarter of 2011. In addition, full year profit was higher in 2012 as compared to 2011. See further discussion of operating cash flow under Machinery and Power Systems and Financial Products.

Total debt as of December 31, 2012, was $40.14 billion, an increase of $5.55 billion from year-end 2011. Debt related to Machinery and Power Systems increased $1.35 billion in 2012, primarily due to the issuance of $1.50 billion of long-term debt in June 2012. Debt related to Financial Products increased $4.2 billion primarily at Cat Financial, reflecting increasing portfolio balances and a higher cash position.

We have three global credit facilities with a syndicate of banks totaling $10.00 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to Machinery and Power Systems as of December 31, 2012 was $2.75 billion.

- The 364-day facility of $3.00 billion (of which $0.82 billion is available to Machinery and Power Systems) expires in September 2013.
- The 2010 four-year facility of $2.60 billion (of which $0.72 billion is available to Machinery and Power Systems) expires in September 2015.
- The 2011 five-year facility of $4.40 billion (of which $1.21 billion is available to Machinery and Power Systems) expires in September 2017.

At December 31, 2012, Caterpillar's consolidated net worth was $24.50 billion, which was above the $9.00 billion required under the Credit Facility. The consolidated net worth is defined as the consolidated stockholder's equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income (loss).

At December 31, 2012, Cat Financial's covenant interest coverage ratio was 1.70 to 1. This is above the 1.15 to 1 minimum ratio calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2012, Cat Financial's six-month covenant leverage ratio was 8.70 to 1 and year-end covenant leverage ratio was 8.74 to 1. This is below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31, required by the Credit Facility.

In the event Caterpillar or Cat Financial does not meet one or more of their respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the bank group may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of Cat Financial's other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable, may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At December 31, 2012, there were no borrowings under the Credit Facility.

Our total credit commitments as of December 31, 2012 were:

	December 31, 2012		
(Millions of dollars)	Consolidated	Machinery and Power Systems	Financial Products
Credit lines available:			
Global credit facilities	**$ 10,000**	**$ 2,750**	**$ 7,250**
Other external	**5,125**	**728**	**4,397**
Total credit lines available	**15,125**	**3,478**	**11,647**
Less: Commercial paper outstanding	**(3,654)**	**—**	**(3,654)**
Less: Utilized credit	**(2,501)**	**(481)**	**(2,020)**
Available credit	**$ 8,970**	**$ 2,997**	**$ 5,973**

Other consolidated credit lines with banks as of December 31, 2012 totaled $5.13 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our subsidiaries for local funding requirements. Caterpillar or Cat Financial may guarantee subsidiary borrowings under these lines.

In the event that Caterpillar or Cat Financial, or any of their debt securities, experiences a credit rating downgrade, it would likely result in an increase in our borrowing costs and make access to certain credit markets more difficult. In the event economic conditions deteriorate such that access to debt markets becomes unavailable, our Machinery and Power Systems operations would rely on cash flow from operations, use of existing cash balances, borrowings from Cat Financial and access to our Credit Facility. Our Financial Products operations would rely on cash flow from its existing portfolio, utilization of existing cash balances, access to our Credit Facility and other credit line facilities of Cat Financial and potential borrowings from Caterpillar. In addition, we maintain a support agreement with Cat Financial, which requires Caterpillar to remain the sole owner of Cat Financial and may, under certain circumstances, require Caterpillar to make payments to Cat Financial should Cat Financial fail to maintain certain financial ratios.

Machinery and Power Systems

Net cash provided by operating activities was $4.20 billion in 2012, compared with $7.97 billion in 2011. The decrease was primarily due to unfavorable changes in accounts payable. Accounts payable in 2011 increased significantly due to higher material purchases for continued increases in production. During the second half of 2012, a decline in material purchases to support inventory reduction, resulted in lower accounts payable. In addition, tax payments, pension contributions and short-term incentive compensation payments were higher in 2012. Partially offsetting these items was a less significant increase in inventory in 2012 as compared to 2011.

Net cash used for investing activities in 2012 was $1.87 billion compared with net cash used for investing activities of $9.33 billion in 2011. The change was primarily due to the use of cash for the Bucyrus and MWM acquisitions in 2011. Cash proceeds from divestitures were significantly higher in 2012 due to the sale of portions of the Bucyrus distribution business and the sale of a majority interest in our third party logistics business. Partially offsetting these items was higher capital expenditures and the absence of the 2011 loan repayments from Cat Financial.

Net cash used for financing activities in 2012 was $0.77 billion compared with net cash provided by financing activities of $1.49 billion in 2011. The change was primarily the result of lower net inflows related to the issuance and repayment of long term debt, redemption of the remaining 33 percent interest of Cat Japan in the second quarter of 2012, and the accelerated payment of the fourth quarter 2012 dividend.

Our priorities for the use of cash are maintaining a strong financial position that helps maintain our credit rating, providing capital to support growth, appropriately funding employee benefit plans, paying dividends and repurchasing common stock with excess cash.

Strong financial position — A key measure of Machinery and Power Systems' financial strength used by both management and our credit rating agencies is Machinery and Power Systems' debt-to-capital ratio. Debt-to-capital is defined as short-term borrowings, long-term debt due within one year, redeemable noncontrolling interest and long-term debt due after one year (debt) divided by the sum of debt (including redeemable noncontrolling interest) and stockholders' equity. Debt also includes borrowings from Financial Products. The debt-to-capital ratio for Machinery and Power Systems was 37.4 percent at December 31, 2012, within our target range of 30 to 45 percent, compared with 42.7 percent at December 31, 2011. An increase in stockholder's equity, driven primarily by profit employed in the business, decreased the debt-to-capital ratio by 7 percentage points, which was slightly offset by an increase in the debt-to-capital ratio of 2 percentage points driven by higher debt levels primarily due to the $1.5 billion long-term debt issued in June 2012.

Capital to support growth — Capital expenditures during 2012 were $3.44 billion, an increase of $789 million compared with 2011. We expect capital expenditures for 2013 to be slightly below 2012 levels.

Appropriately funded employee benefit plans — During 2012, we made contributions of $580 million to our U.S. defined benefit pension plans and $446 million to our non-U.S. pension plans. We made contributions of $212 million to our U.S. defined benefit pension plans and $234 million to our non-U.S. pension plans in 2011. We expect to make approximately $480 million of required contributions in 2013.

Paying dividends — Dividends paid totaled $1.62 billion in 2012. There were two dividend payments made in the fourth quarter of 2012 as we accelerated the fourth quarter dividend payment of $340 million from January 2013 to December 2012. Each quarter, our Board of Directors reviews the company's dividend for the applicable quarter. The Board evaluates the financial condition of the company and considers the economic outlook, corporate cash flow, the company's liquidity needs, and the health and stability of global credit markets to determine whether to maintain or change the quarterly dividend.

Common stock repurchases — Pursuant to the February 2007 Board-authorized stock repurchase program, $3.8 billion of the $7.5 billion authorized was spent through 2008. In December 2011, the Board of Directors extended the authorization for the $7.5 billion stock repurchase program through December 31, 2015. We have not repurchased stock under the program since 2008. Basic shares outstanding as of December 31, 2012 were 655 million.

Financial Products

Financial Products operating cash flow was $1.32 billion in 2012, compared with $1.12 billion in 2011. Net cash used for investing activities in 2012 was $4.52 billion, compared with $2.95 billion in 2011. The change was primarily due to more net cash used for finance receivables and expenditures for equipment leased to others due to increased growth in Cat Financial's portfolio. Net cash provided by financing activities in 2012 was $4.24 billion, compared with $1.24 billion in 2011. The change was primarily related to higher funding requirements, an increase in Cat Financial's cash position and the impact of net intercompany borrowings.

Dividends paid per common share

Quarter	2012	2011	2010
First	**$ .460**	$ .440	$ .420
Second	**.460**	.440	.420
Third	**.520**	.460	.440
Fourth [1]	**1.040**	.460	.440
	$ 2.480	$ 1.800	$ 1.720

[1] There were two dividend payments of $0.52 per share in the fourth quarter of 2012 due to the acceleration of the fourth quarter dividend payment from January 2013 to December 2012.

Contractual obligations

The company has committed cash outflow related to long-term debt, operating lease agreements, postretirement obligations, purchase obligations, interest on long-term debt and other long-term contractual obligations. Minimum payments for these obligations are:

(Millions of dollars)	2013	2014	2015	2016	2017	After 2017	Total
Long-term debt:							
Machinery and Power Systems (excluding capital leases)	$ 1,098	$ 752	$ 500	$ 515	$ 501	$ 6,325	$ 9,691
Machinery and Power Systems-capital leases	15	10	7	18	4	34	88
Financial Products	5,991	6,559	4,648	2,027	2,693	3,159	25,077
Total long-term debt	7,104	7,321	5,155	2,560	3,198	9,518	34,856
Operating leases	254	193	139	104	74	239	1,003
Postretirement obligations[1]	665	790	1,300	1,350	1,330	4,250	9,685
Purchase obligations:							
Accounts payable[2]	6,753	—	—	—	—	—	6,753
Purchase orders[3]	8,667	1	—	—	—	—	8,668
Other contractual obligations[4]	578	545	540	312	197	249	2,421
Total purchase obligations	15,998	546	540	312	197	249	17,842
Interest on long-term debt[5]	1,048	837	691	636	550	4,622	8,384
Other long-term obligations[6]	268	228	180	112	100	382	1,270
Total contractual obligations	$ 25,337	$ 9,915	$ 8,005	$ 5,074	$ 5,449	$ 19,260	$ 73,040

1 Amounts represent expected contributions to our pension and other postretirement benefit plans through 2022, offset by expected Medicare Part D subsidy receipts.
2 Amount represents invoices received and recorded as liabilities in 2012, but scheduled for payment in 2013. These represent short-term obligations made in the ordinary course of business.
3 Amount represents contractual obligations for material and services on order at December 31, 2012 but not yet delivered. These represent short-term obligations made in the ordinary course of business.
4 Amounts represent long-term commitments entered into with key suppliers for minimum purchases quantities.
5 Amounts represent estimated contractual interest payments on long-term debt, including capital lease interest payments.
6 Amounts represent contractual obligations primarily related to logistics services agreements with the third party logistics business in which Caterpillar sold a majority interest in during 2012, software license contracts, IT consulting contracts and outsourcing contracts for benefit plan administration and software system support.

The total amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, was $715 million at December 31, 2012. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of settlements, these obligations are not included in the table above. We do not expect to make a tax payment related to these obligations within the next year that would significantly impact liquidity.

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 values for goodwill impairment tests, impairment of available-for-sale securities, warranty liability, stock-based compensation, reserves for product liability and insurance losses, postretirement benefits, post-sale discounts, credit losses and income taxes. We have incorporated many years of data into the determination of each of these estimates and we have not historically experienced significant adjustments. These assumptions are reviewed at least annually with the Audit Committee of the Board of Directors. Following are the methods and assumptions used in determining our estimates and an indication of the risks inherent in each.

Residual values for leased assets – The residual values for Cat Financial's leased assets, which are based upon the estimated wholesale market value of leased equipment at the time of the expiration of the lease, are based on a careful analysis of historical wholesale market sales prices, projected forward on a level trend line without consideration for inflation or possible future pricing action. At the inception of the lease, residual values are derived from consideration of the following critical factors: market size and demand, any known significant market/product trends, total expected hours of usage, machine configuration, application, location, model changes, quantities and past re-marketing experience, third-party residual guarantees and contractual customer purchase options. Many of these factors are gathered in an application survey that is completed prior to quotation. The lease agreement also clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Remarketing sales staff works closely with customers and dealers to manage the sale of lease returns and the recovery of residual exposure.

During the term of the leases, residual amounts are monitored. If estimated market values reflect a non-temporary impairment due to economic factors, obsolescence or other adverse circumstances, the residuals are adjusted to the lower estimated values by a charge to earnings. For equipment on operating leases, the charge is recognized through depreciation expense. For finance leases, it is recognized through a reduction of finance revenue.

Fair values for goodwill impairment tests – We test goodwill for impairment annually, at the reporting unit level, and whenever events or circumstances make it likely that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell all or a portion of a reporting unit. We perform our annual goodwill impairment test as of October 1 and monitor for interim triggering events on an ongoing basis.

Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the two-step process, the first step requires us to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The impairment test process requires valuation of the respective reporting unit, which we primarily determine using an income approach based on a discounted five year forecasted cash flow with a year-five residual value. The residual value is computed using the constant growth method, which values the forecasted cash flows in perpetuity. The income approach is supported by a reconciliation of our calculated fair value for Caterpillar to the company's market capitalization. The assumptions about future cash flows and growth rates are based on each reporting unit's long-term forecast and are subject to review and approval by senior management. The discount rate is a risk-adjusted weighted average cost of capital, which we believe approximates the rate from a market participant's perspective. The estimated fair value could be impacted by changes in market conditions, interest rates, growth rates, tax rates, costs, pricing and capital expenditures.

The 2012 impairment tests, completed in the fourth quarter, indicated the fair value of each of our reporting units was above its respective carrying value, including goodwill, with the exception of our Siwei reporting unit. The Siwei impairment test was performed as of November 30 after it came to our attention in the month of November that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. We determined the carrying value of Siwei exceeded its fair value at the measurement date, requiring step two in the impairment test process. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a $580 million goodwill impairment charge, which resulted in goodwill of $45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

Annual impairment tests, completed in the fourth quarter of 2011 and 2010, indicated the fair value of each reporting unit was above its respective carrying value, including goodwill. Caterpillar's market capitalization has remained significantly above the net book value of the Company.

A prolonged economic downturn resulting in lower long-term growth rates and reduced long-term profitability may reduce the fair value of our reporting units. Industry specific events or circumstances that have a negative impact to the valuation assumptions may also reduce the fair value of our reporting units. Should such events occur and it becomes more likely than not that a reporting unit's fair value has fallen below its carrying value, we will perform an interim goodwill impairment test(s), in addition to the annual impairment test. Future impairment tests may result in a goodwill impairment, depending on the outcome of both step one and step two of the impairment review process. A goodwill impairment would be reported as a non-cash charge to earnings.

Impairment of available-for-sale securities – Available-for-sale securities, primarily at Cat Insurance, are reviewed at least quarterly to identify fair values below cost which may indicate that a security is impaired and should be written down to fair value.

For debt securities, once a security's fair value is below cost we utilize data gathered by investment managers, external sources and internal research to monitor the performance of the security to determine whether an other-than-temporary impairment has occurred. These reviews, which include an analysis of whether it is more likely than not that we will be required to sell the security before its anticipated recovery, consist of both quantitative and qualitative analysis and require a degree of management judgment. Securities in a loss position are monitored and assessed at least quarterly based on severity and timing of loss and may be deemed other-than-temporarily impaired at any time. Once a security's fair value has been 20 percent or more below its original cost for six consecutive months, the security will be other-than-temporarily impaired unless there are sufficient facts and circumstances supporting otherwise.

For equity securities in a loss position, determining whether a security is other-than-temporarily impaired requires an analysis of that security's historical sector return as well as the volatility of that return. This information is utilized to estimate a security's future fair value and to assess whether the security has the ability to recover to its original cost over a reasonable period of time. Both historical annualized sector returns and the volatility of those returns are considered over a two year period to arrive at these estimates.

For both debt and equity securities, qualitative factors are also considered in determining whether a security is other-than-temporarily impaired. These include reviews of the following: significant changes in the regulatory, economic or technological environment of the investee, significant changes in the general market condition of either the geographic area or the industry in which the investee operates, and length of time and the extent to which the fair value has been less than cost. These qualitative factors are subjective and require a degree of management judgment.

Warranty liability – At the time a sale is recognized, we record estimated future warranty costs. The warranty liability is determined by applying historical claim rate experience to the current field population and dealer inventory. Generally, historical claim rates are based on actual warranty experience for each product by machine model/engine size. Specific rates are developed for each product build month and are updated monthly based on actual warranty claim experience. Warranty costs may differ from those estimated if actual claim rates are higher or lower than our historical rates.

Stock-based compensation – We use a lattice-based option-pricing model to calculate the fair value of our stock options and SARs. The calculation of the fair value of the awards using the lattice-based option-pricing model is affected by our stock price on the date of grant as well as assumptions regarding the following:

- Volatility is a measure of the amount by which the stock price is expected to fluctuate each year during the expected term of the award and is based on historical and current implied volatilities from traded options on Caterpillar stock. The implied volatilities from traded options are impacted by changes in market conditions. An increase in the volatility would result in an increase in our expense.
- The expected term represents the period of time that awards granted are expected to be outstanding and is an output of the lattice-based option-pricing model. In determining the expected term of the award, future exercise and forfeiture patterns are estimated from Caterpillar employee historical exercise behavior. These patterns are also affected by the vesting conditions of the award. Changes in the future exercise behavior of employees or in the vesting period of the award could result in a change in the expected term. An increase in the expected term would result in an increase to our expense.
- The weighted-average dividend yield is based on Caterpillar's historical dividend yields. As holders of stock-based awards do not receive dividend payments, this could result in employees retaining the award for a longer period of time if dividend yields decrease or exercising the award sooner if dividend yields increase. A decrease in the dividend yield would result in an increase in our expense.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at time of grant. As the risk-free interest rate increases, the expected term increases, resulting in an increase in our expense.

The fair value of our RSUs is determined by reducing the stock price on the date of grant by the present value of the estimated dividends to be paid during the vesting period. The estimated dividends are based on Caterpillar's weighted-average dividend yields. A decrease in the dividend yield would result in an increase in our expense.

Stock-based compensation expense recognized during the period is based on the value of the number of awards that are expected to vest. In determining the stock-based compensation expense to be recognized, a forfeiture rate is applied to the fair value of the award. This rate represents the number of awards that are expected to be forfeited prior to vesting and is based on Caterpillar employee historical behavior. Changes in the future behavior of employees could impact this rate. A decrease in this rate would result in an increase in our expense.

Product liability and insurance loss reserve – We determine these reserves based upon reported claims in process of settlement and actuarial estimates for losses incurred but not reported. Loss reserves, including incurred but not reported reserves, are based on estimates and ultimate settlements may vary significantly from such estimates due to increased claims frequency or severity over historical levels.

Postretirement benefits – Primary actuarial assumptions were determined as follows:

- The U.S. expected long-term rate of return on plan assets is based on our estimate of long-term passive returns for equities and fixed income securities weighted by the allocation of our plan assets. Based on historical performance, we increase the passive returns due to our active management of the plan assets. A similar process is used to determine the rate for our non-U.S. pension plans. This rate is impacted by changes in general market conditions, but because it represents a long-term rate, it is not significantly impacted by short-term market swings. Changes in our allocation of plan assets would also impact this rate. For example, a shift to more fixed income securities would lower the rate. A decrease in the rate would increase our expense.
- The assumed discount rate is used to discount future benefit obligations back to today's dollars. The U.S. discount rate is based on a benefit cash flow-matching approach and represents the rate at which our benefit obligations could effectively be settled as of our measurement date, December 31. The benefit cash flow-matching approach involves analyzing Caterpillar's projected cash flows against a high quality bond yield curve, calculated using a wide population of corporate Aa bonds available on the measurement date. The very highest and lowest yielding bonds (top and bottom 10 percent) are excluded from the analysis. A similar approach is used to determine the assumed discount rate for our most significant non-U.S. plans. This rate is sensitive to changes in interest rates. A decrease in the discount rate would increase our obligation and future expense.
- The expected rate of compensation increase is used to develop benefit obligations using projected pay at retirement. It represents average long-term salary increases. This rate is influenced by our long-term compensation policies. An increase in the rate would increase our obligation and expense.
- The assumed health care trend rate represents the rate at which health care costs are assumed to increase and is based on historical and expected experience. Changes in our projections of future health care costs due to general economic conditions and those specific to health care (e.g., technology driven cost changes) will impact this trend rate. An increase in the trend rate would increase our obligation and expense.

Post-sale discount reserve – We provide discounts to dealers through merchandising programs. We have numerous programs that are designed to promote the sale of our products. The most common dealer programs provide a discount when the dealer sells a product to a targeted end user. The amount of accrued post-sale discounts was $1,066 million, $937 million and $779 million as of December 31, 2012, 2011 and 2010, respectively. The reserve represents discounts that we expect to pay on previously sold units and is reviewed at least quarterly. The reserve is adjusted if discounts paid differ from those estimated. Historically, those adjustments have not been material.

Credit loss reserve - Management's ongoing evaluation of the adequacy of the allowance for credit losses considers both impaired and unimpaired finance receivables and takes into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions. In estimating probable credit losses, we review accounts that are past due, non-performing, in bankruptcy or otherwise identified as at risk for potential credit loss including accounts which have been modified. Accounts are identified as at risk for potential credit loss using information available about the customer, such as financial statements, news reports and published credit ratings, as well as general information regarding industry trends and the economic environment in which our customers operate.

The allowance for credit losses attributable to specific accounts is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair value of the collateral and consider credit enhancements such as additional collateral and contractual third-party guarantees. The allowance for credit losses attributable to the remaining accounts is a general allowance based upon the risk in the portfolio, primarily using probabilities of default and an estimate of associated losses. In addition, qualitative factors not able to be fully captured in previous analysis including industry trends, macroeconomic factors and model imprecision are considered in the evaluation of the adequacy of the allowance for credit losses. These qualitative factors are subjective and require a degree of management judgment.

While management believes it has exercised prudent judgment and applied reasonable assumptions, there can be no assurance that in the future, changes in economic conditions or other factors would not cause changes in the financial health of our customers. If the financial health of our customer deteriorates, the timing and level of payments received could be impacted and therefore, could result in a change to our estimated losses.

Income tax reserve – We are subject to the income tax laws of the many jurisdictions in which we operate. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In establishing the provision for income taxes, we must make judgments about the application of these inherently complex tax laws.

Despite our belief that our tax return positions are consistent with applicable tax laws, we believe that taxing authorities could challenge certain positions. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations and adjustments to unrecognized tax benefits may be necessary to reflect actual taxes payable upon settlement. Adjustments related to positions impacting the effective tax rate affect the provision for income taxes. Adjustments related to positions impacting the timing of deductions impact deferred tax assets and liabilities.

Our income tax positions and analysis are based on currently enacted tax law. Future changes in tax law could significantly impact the provision for income taxes, the amount of taxes payable, and the deferred tax asset and liability balances. Deferred tax assets generally represent tax benefits for tax deductions or credits available in future tax returns. Certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, reversing temporary differences and available prudent and feasible tax planning strategies. Should a change in facts or circumstances lead to a change in judgment about the ultimate realizability of a deferred tax asset, we record or adjust the related valuation allowance in the period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in the provision for income taxes.

A provision for U.S. income taxes has not been recorded on undistributed profits of our non-U.S. subsidiaries that we have determined to be indefinitely reinvested outside the U.S. If management intentions or U.S. tax law changes in the future, there may be a significant negative impact on the provision for income taxes to record an incremental tax liability in the period the change occurs. A deferred tax asset is recognized only if we have definite plans to generate a U.S. tax benefit by repatriating earnings in the foreseeable future.

GLOBAL WORKFORCE

Caterpillar worldwide full-time employment was 125,341 at the end of 2012 compared with 125,099 at the end of 2011, an increase of 242 full-time employees. The flexible workforce decreased 6,989 for a net decrease in the global workforce of 6,747.

The decrease was the result of divestitures and lower production in the fourth quarter of 2012, partially offset by acquisitions. Divestitures, primarily the sale of a majority interest in our third party logistics business and portions of the Bucyrus distribution business, decreased the global workforce by 7,723. Acquisitions, primarily Siwei, added 4,643 to the global workforce.

Full-Time Employees at Year-End	**2012**	**2011**	**2010**
Inside U.S.	**54,558**	53,236	47,319
Outside U.S.	**70,783**	71,863	57,171
Total	**125,341**	125,099	104,490
By Region:			
North America	**55,372**	54,880	48,540
EAME	**25,611**	28,778	22,977
Latin America	**16,441**	19,111	15,220
Asia/Pacific	**27,917**	22,330	17,753
Total	**125,341**	125,099	104,490

OTHER MATTERS

ENVIRONMENTAL AND LEGAL MATTERS

The company is regulated by federal, state and international environmental laws governing our use, transport and disposal of substances and control of emissions. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to internal combustion engines. We have made, and will continue to make, significant research and development and capital expenditures to comply with these emissions standards.

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site and those costs can be reasonably estimated, the costs are accrued against our earnings. In formulating that estimate, we do not consider amounts expected to be recovered from insurance companies or others. The amount recorded for environmental remediation is not material and is included in Accrued expenses.

We cannot reasonably estimate costs at sites in the very early stages of remediation. Currently, we have a few sites in the very early stages of remediation, and there is no more than a remote chance that a material amount for remedial activities at any individual site, or at all sites in the aggregate, will be required.

We are also involved in unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability (including claimed asbestos and welding fumes exposure), contracts, employment issues, environmental matters or intellectual property rights. The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. However, there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, we believe that these actions will not individually or in the aggregate have a material adverse effect on our consolidated results of operations, financial position or liquidity.

RETIREMENT BENEFITS

We recognized pension expense of $723 million in 2012 as compared to $665 million in 2011. The increase in expense was due to higher amortization of net actuarial losses due to lower discount rates at the end of 2011 and asset losses in 2011. In addition, the 2012 expense includes $10 million of special termination benefits related to the closure of the Electro-Motive Diesel facility (discussed below), $7 million of curtailment expense due to changes in our hourly U.S. pension plan (discussed below) and $7 million of settlement losses due to the disposal of the third party logistics business. The increase in expense was partially offset by higher amortization of asset gains from 2009 and 2010. Accounting guidance on retirement benefits requires companies to discount future benefit obligations back to today's dollars using a discount rate that is based on high-quality fixed income investments. A decrease in the discount rate increases the pension benefit obligation, while an increase in the discount rate decreases the pension benefit obligation. This increase or decrease in the pension benefit obligation is recognized in Accumulated other comprehensive income (loss) and subsequently amortized into earnings as an actuarial gain or loss. The guidance also requires companies to use an expected long-term rate of return on plan assets for computing current year pension expense. Differences between the actual and expected returns are also recognized in Accumulated other comprehensive income (loss) and subsequently amortized into earnings as actuarial gains and losses. At the end of 2012, total actuarial losses recognized in Accumulated other comprehensive income (loss) for pension plans were $9.19 billion, as compared to $8.76 billion in 2011. The majority of the actuarial losses are due to lower discount rates, plan asset losses and losses from other demographic and economic assumptions over the past several years. The increase from 2011 to 2012 was primarily the result of a decrease in discount rates, partially offset by current year asset gains and amortization of net actuarial losses into earnings during 2012.

In 2012, we recognized other postretirement benefit expense of $244 million compared to $322 million in 2011. The decrease in expense was primarily the result of curtailment gains of $40 million of which $37 million is related to the closure of the Electro-Motive Diesel facility discussed below. Actuarial losses recognized in Accumulated other comprehensive income (loss) for other postretirement benefit plans were $1.50 billion at the end of 2012 and 2011, respectively. These losses mainly reflect several years of declining discount rates, changes in our health care trend assumption, and plan asset losses, partially offset by gains from lower than expected health care costs.

Actuarial losses for both pensions and other postretirement benefits will be impacted in future periods by actual asset returns, actual health care inflation, discount rate changes, actual demographic experience and other factors that impact these expenses. These losses, reported in Accumulated other comprehensive income (loss), will generally be amortized as a component of net periodic benefit cost on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the benefit plans. For other postretirement benefit plans in which all or almost all of the plan's participants are fully eligible for benefits under the plan, losses are amortized using the straight-line method over the remaining life expectancy of those participants. At the end of 2012, the average remaining service period of active employees or life expectancy for fully eligible employees was 11 years for our U.S. and non-U.S. pension plans and 10 years for other postretirement benefit plans. We expect our amortization of net actuarial losses to increase approximately $90 million in 2013 as compared to 2012, primarily due to a decrease in discount rates during 2012 and plan asset losses during 2011, partially offset by higher amortization of plan asset gains from 2010 and 2012. We expect our total pension and other postretirement benefits expense to increase approximately $30 million in 2013. Excluding the 2012 curtailment gain related to the closure of the Electro-motive Diesel facility our total benefit expense is expected to remain flat in 2013.

As announced in August 2010, on January 1, 2011, our retirement benefits for U.S. support and management employees began transitioning from defined benefit pension plans to defined contribution plans. The transition date was determined for each employee based upon age and years of service or proximity to retirement. Pension benefit accruals were frozen for certain employees on December 31, 2010, and will freeze for remaining employees on December 31, 2019. On the respective transition dates employees move to a retirement benefit that provides a frozen pension benefit and a 401(k) plan that provides an annual employer contribution. The plan change required a re-measurement as of August 31, 2010, which resulted in an increase in our Liability for postemployment benefits of $1.32 billion and a decrease in Accumulated other comprehensive income (loss) of $831 million net of tax. The increase in the liability was due to a decline in the discount rate and lower than expected asset returns at the re-measurement date. Curtailment expense of $28 million was also recognized in 2010 as a result of the plan change.

In February 2012, we announced the closure of the Electro-Motive Diesel facility located in London, Ontario. As a result of the closure, we recognized a $37 million other postretirement benefits curtailment gain. This excludes a $21 million loss of a third-party receivable for other postretirement benefits that was eliminated due to the closure. In addition, a $10 million special termination benefit expense was recognized related to statutory pension benefits required to be paid to certain affected employees. As a result, a net gain of $6 million related to the facility closure was recognized in Other operating (income) expenses.

In August 2012, we announced changes to our U.S. hourly pension plan, which impacted certain hourly employees. For impacted employees, pension benefit accruals will freeze on January 1, 2013 or January 1, 2016, at which time employees will become eligible for various provisions of company sponsored 401(k) plans including a matching contribution and an annual employer contribution. The plan changes resulted in a curtailment and required a remeasurement as of August 31, 2012. The curtailment and the remeasurement resulted in a net increase in our Liability for postemployment benefits of $243 million and a net loss of $153 million, net of tax, recognized in Accumulated other comprehensive income (loss). The increase in the liability was primarily due to a decline in the discount rate. Also, the curtailment resulted in expense of $7 million which was recognized in Other operating (income) expenses.

For our U.S. pension plans, our year-end 2012 asset allocation was 66 percent equity securities, 30 percent fixed income securities and 4 percent other. In August 2012, as part of our pension de-risking strategy, we revised our U.S. investment policy to better align assets with liabilities and reduce risk in our portfolio. Our current target allocations for the U.S. pension plans are 70 percent equity and 30 percent fixed income. While target allocation percentages will vary over time, our current strategy is to gradually reduce our equity allocation. Target allocation policies will be revisited periodically to ensure they reflect the overall objectives of the fund. The U.S. plans are rebalanced to plus or minus 5 percentage points of the target asset allocation ranges on a monthly basis.

The year-end 2012 asset allocation for our non-U.S. pension plans was 55 percent equity securities, 32 percent debt securities, 6 percent real estate and 7 percent other. The 2013 target allocation for our non-U.S. pension plans is 58 percent equity securities, 31 percent debt securities, 7 percent real estate and 4 percent other. Our target asset allocations reflect our investment strategy of maximizing the rate of return on plan assets and the resulting funded status, within an appropriate level of risk. The frequency of rebalancing for the non-U.S. plans varies depending on the plan.

The use of certain derivative instruments is permitted where appropriate and necessary for achieving overall investment policy objectives. The plans do not engage in derivative contracts for speculative purposes.

During 2012, we made contributions of $580 million to our U.S. defined benefit pension plans and $446 million to our non-U.S. pension plans. We made contributions of $212 million to our U.S. defined benefit pension plans and $234 million to our non-U.S. pension plans in 2011. We expect to make approximately $480 million of required contributions in 2013. We believe we have adequate liquidity resources to fund both U.S. and non-U.S. pension plans.

Actuarial assumptions have a significant impact on both pension and other postretirement benefit expenses. The effects of a one percentage point change in our primary actuarial assumptions on 2012 benefit costs and year-end obligations are included in the table below.

Postretirement Benefit Plan Actuarial Assumptions Sensitivity

Following are the effects of a one percentage-point change in our primary pension and other postretirement benefit actuarial assumptions (included in the following table) on 2012 pension and other postretirement benefits costs and obligations:

	2012 Benefit Cost		Year-end Benefit Obligation	
(Millions of dollars)	**One percentage-point increase**	**One percentage-point decrease**	**One percentage-point increase**	**One percentage-point decrease**
Pension benefits:				
Assumed discount rate	**$ (162)**	**$ 170**	**$ (2,424)**	**$ 2,952**
Expected rate of compensation increase	**49**	**(42)**	**272**	**(242)**
Expected long-term rate of return on plan assets	**(130)**	**130**	**—**	**—**
Other postretirement benefits:				
Assumed discount rate	**(47)**	**49**	**(584)**	**664**
Expected rate of compensation increase	**—**	**—**	**1**	**(1)**
Expected long-term rate of return on plan assets	**(8)**	**8**	**—**	**—**
Assumed health care cost trend rate	**56**	**(45)**	**321**	**(268)**

Primary Actuarial Assumptions

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Weighted-average assumptions used to determine benefit obligations, end of year:									
Discount rate	**3.7%**	4.3%	5.1%	**3.7%**	4.3%	4.6%	**3.7%**	4.3%	5.0%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**3.9%**	3.9%	4.2%	**4.4%**	4.4%	4.4%
Weighted-average assumptions used to determine net cost:									
Discount rate	**4.3%**	5.1%	5.4%	**4.3%**	4.6%	4.8%	**4.3%**	5.0%	5.6%
Expected return on plan assets	**8.0%**	8.5%	8.5%	**7.1%**	7.1%	7.0%	**8.0%**	8.5%	8.5%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**3.9%**	4.1%	4.2%	**4.4%**	4.4%	4.4%
Health care cost trend rates at year-end:									
Health care trend rate assumed for next year							**7.1%**	7.4%	7.9%
Rate that the cost trend rate gradually declines to							**5.0%**	5.0%	5.0%
Year that the cost trend rate reaches ultimate rate							**2019**	2019	2019

SENSITIVITY

Foreign Exchange Rate Sensitivity

Machinery and Power Systems 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 five years. Based on the anticipated and firmly committed cash inflow and outflow for our Machinery and Power Systems operations for the next 12 months and the foreign currency derivative instruments in place at year-end, a hypothetical 10 percent weakening of the U.S. dollar relative to all other currencies would adversely affect our expected 2013 cash flow for our Machinery and Power Systems operations by approximately $526 million. Last year similar assumptions and calculations yielded a potential $569 million adverse impact on 2012 cash flow. We determine our net exposures by calculating the difference in cash inflow and outflow by currency and adding or subtracting outstanding foreign currency derivative instruments. We multiply these net amounts by 10 percent to determine the sensitivity.

Since our policy for Financial Products operations is to hedge the foreign exchange risk when the currency of our debt portfolio does not match the currency of our receivable portfolio, a 10 percent change in the value of the U.S. dollar relative to all other currencies would not have a material effect on our consolidated financial position, results of operations or cash flow. Neither our policy nor the effect of a 10 percent change in the value of the U.S. dollar has changed from that reported at the end of last year.

The effect of the hypothetical change in exchange rates ignores the effect this movement may have on other variables, including competitive risk. If it were possible to quantify this competitive impact, the results would probably be different from the sensitivity effects shown above. In addition, it is unlikely that all currencies would uniformly strengthen or weaken relative to the U.S. dollar. In reality, some currencies may weaken while others may strengthen. Our primary exposure (excluding competitive risk) is to exchange rate movements in the Australian dollar, British pound, Japanese yen and euro.

Interest Rate Sensitivity

For our Machinery and Power Systems operations, we have the option to use interest rate swaps to lower the cost of borrowed funds by attaching fixed-to-floating interest rate swaps to fixed-rate debt, and by entering into forward rate agreements on future debt issuances. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would adversely affect 2013 pretax earnings of Machinery and Power Systems by $14 million. Last year, similar assumptions and calculations yielded a potential $15 million adverse impact on 2012 pretax earnings. This effect is caused by the interest rate fluctuations on our short-term debt and forward and fixed-to-floating interest rate swaps.

For our Financial Products operations, we use interest rate derivative instruments primarily to meet our match-funding objectives and strategies. We have a match-funding policy whereby the interest rate profile (fixed or floating rate) of our debt portfolio is matched to the interest rate profile of our earning asset portfolio (finance receivables and operating leases) within certain parameters. In connection with that policy, we use interest rate swap agreements to modify the debt structure. Match funding assists us in maintaining our interest rate spreads, regardless of the direction interest rates move.

In order to properly manage sensitivity to changes in interest rates, Financial Products measures the potential impact of different interest rate assumptions on pretax earnings. All on-balance sheet positions, including derivative financial instruments, are included in the analysis. The primary assumptions included in the analysis are that there are no new fixed rate assets or liabilities, the proportion of fixed rate debt to fixed rate assets remains unchanged and the level of floating rate assets and debt remain constant. Based on the December 31, 2012 balance sheet under these assumptions, the analysis estimates the impact of a 100 basis point immediate and sustained parallel rise in interest rates to have a minimal impact to pretax earnings. Last year, similar assumptions and calculations yielded a potential $9 million adverse impact on 2012 pretax earnings.

This analysis does not necessarily represent our current outlook of future market interest rate movement, nor does it consider any actions management could undertake in response to changes in interest rates. Accordingly, no assurance can be given that actual results would be consistent with the results of our estimate.

NON-GAAP FINANCIAL MEASURES

The following definitions are provided for "non-GAAP financial measures" in connection with Item 10(e) of Regulation S-K issued by the Securities and Exchange Commission. These non-GAAP financial measures have no standardized meaning prescribed by U.S. GAAP and therefore are unlikely to be comparable to the calculation of similar measures for other companies. Management does not intend these items to be considered in isolation or as a substitute for the related GAAP measures.

Supplemental Consolidating Data

We are providing supplemental consolidating data for the purpose of additional analysis. The data has been grouped as follows:

Consolidated – Caterpillar Inc. and its subsidiaries.

Machinery and Power Systems – The Machinery and Power Systems data contained in the schedules on pages A-136 to A-138 are "non-GAAP financial measures" as defined by the Securities and Exchange Commission in Regulation G. These non-GAAP financial measures have no standardized meaning prescribed by U.S. GAAP, and therefore, are unlikely to be comparable with the calculation of similar measures for other companies. Management does not intend these items to be considered in isolation or as a substitute for the related GAAP measures. Caterpillar defines Machinery and Power Systems as it is presented in the supplemental data as Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis. Machinery and Power Systems information relates to our design, manufacturing, marketing and parts distribution operations. Financial Products information relates to the financing to customers and dealers for the purchase and lease of Caterpillar and other equipment. The nature of these businesses is different, especially with regard to the financial position and cash flow items. Caterpillar management utilizes this presentation internally to highlight these differences. We also believe this presentation will assist readers in understanding our business.

Financial Products – primarily our finance and insurance subsidiaries, Cat Financial and Cat Insurance.

Consolidating Adjustments – eliminations of transactions between Machinery and Power Systems and Financial Products.
Pages A-136 to A-138 reconcile Machinery and Power Systems with Financial Products on the equity basis to Caterpillar Inc. consolidated financial information.

Supplemental Data for Results of Operations
For The Years Ended December 31

	Consolidated			Supplemental consolidating data: Machinery & Power Systems [1]			Financial Products			Consolidating Adjustments		
(Millions of dollars)	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Sales and revenues:												
Sales of Machinery and Power Systems	**$63,068**	$57,392	$39,867	**$63,068**	$57,392	$39,867	**$ —**	$ —	$ —	**$ —**	$ —	$ —
Revenues of Financial Products	**2,807**	2,746	2,721	**—**	—	—	**3,160**	3,057	2,986	**(353)** [2]	(311) [2]	(265) [2]
Total sales and revenues	**65,875**	60,138	42,588	**63,068**	57,392	39,867	**3,160**	3,057	2,986	**(353)**	(311)	(265)
Operating costs:												
Cost of goods sold	**47,055**	43,578	30,367	**47,055**	43,578	30,367	**—**	—	—	**—**	—	—
Selling, general and administrative expenses	**5,919**	5,203	4,248	**5,348**	4,631	3,689	**618**	621	603	**(47)** [3]	(49) [3]	(44) [3]
Research and development expenses	**2,466**	2,297	1,905	**2,466**	2,297	1,905	**—**	—	—	**—**	—	—
Interest expense of Financial Products	**797**	826	914	**—**	—	—	**801**	827	916	**(4)** [4]	(1) [4]	(2) [4]
Goodwill impairment charge	**580**	—	—	**580**	—	—	**—**	—	—	**—**	—	—
Other operating (income) expenses	**485**	1,081	1,191	**(495)**	63	119	**1,000**	1,026	1,080	**(20)** [3]	(8) [3]	(8) [3]
Total operating costs	**57,302**	52,985	38,625	**54,954**	50,569	36,080	**2,419**	2,474	2,599	**(71)**	(58)	(54)
Operating profit	**8,573**	7,153	3,963	**8,114**	6,823	3,787	**741**	583	387	**(282)**	(253)	(211)
Interest expense excluding Financial Products	**467**	396	343	**512**	439	407	**—**	—	—	**(45)** [4]	(43) [4]	(64) [4]
Other income (expense)	**130**	(32)	130	**(146)**	(279)	(77)	**39**	37	60	**237** [5]	210 [5]	147 [5]
Consolidated profit before taxes	**8,236**	6,725	3,750	**7,456**	6,105	3,303	**780**	620	447	**—**	—	—
Provision (benefit) for income taxes	**2,528**	1,720	968	**2,314**	1,568	882	**214**	152	86	**—**	—	—
Profit of consolidated companies	**5,708**	5,005	2,782	**5,142**	4,537	2,421	**566**	468	361	**—**	—	—
Equity in profit (loss) of unconsolidated affiliated companies	**14**	(24)	(24)	**14**	(24)	(24)	**—**	—	—	**—**	—	—
Equity in profit of Financial Products' subsidiaries	**—**	—	—	**555**	453	350	**—**	—	—	**(555)** [6]	(453) [6]	(350) [6]
Profit of consolidated and affiliated companies	**5,722**	4,981	2,758	**5,711**	4,966	2,747	**566**	468	361	**(555)**	(453)	(350)
Less: Profit (loss) attributable to noncontrolling interests	**41**	53	58	**30**	38	47	**11**	15	11	**—**	—	—
Profit [7]	**$ 5,681**	$ 4,928	$ 2,700	**$ 5,681**	$ 4,928	$ 2,700	**$ 555**	$ 453	$ 350	**$ (555)**	$ (453)	$ (350)

1 Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.
2 Elimination of Financial Products' revenues earned from Machinery and Power Systems.
3 Elimination of net expenses recorded by Machinery and Power Systems paid to Financial Products.
4 Elimination of interest expense recorded between Financial Products and Machinery and Power Systems.
5 Elimination of discount recorded by Machinery and Power Systems on receivables sold to Financial Products and of interest earned between Machinery and Power Systems and Financial Products.
6 Elimination of Financial Products' profit due to equity method of accounting.
7 Profit attributable to common stockholders.

Supplemental Data for Financial Position
At December 31

	Consolidated		Supplemental consolidating data					
			Machinery & Power Systems [1]		Financial Products		Consolidating Adjustments	
(Millions of dollars)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Assets								
Current assets:								
Cash and short-term investments	**$ 5,490**	$ 3,057	**$ 3,306**	$ 1,829	**$ 2,184**	$ 1,228	**$ —**	$ —
Receivables - trade and other	**10,092**	10,285	**5,634**	5,497	**445**	430	**4,013** [2,3]	4,358 [2,3]
Receivables - finance	**8,860**	7,668	**—**	—	**13,259**	12,202	**(4,399)** [3]	(4,534) [3]
Deferred and refundable income taxes	**1,547**	1,580	**1,501**	1,515	**46**	65	**—**	—
Prepaid expenses and other current assets	**988**	994	**547**	525	**454**	481	**(13)** [4]	(12) [4]
Inventories	**15,547**	14,544	**15,547**	14,544	**—**	—	**—**	—
Total current assets	**42,524**	38,128	**26,535**	23,910	**16,388**	14,406	**(399)**	(188)
Property, plant and equipment - net	**16,461**	14,395	**13,058**	11,492	**3,403**	2,903	**—**	—
Long-term receivables - trade and other	**1,316**	1,130	**195**	281	**284**	271	**837** [2,3]	578 [2,3]
Long-term receivables - finance	**14,029**	11,948	**—**	—	**14,902**	12,556	**(873)** [3]	(608) [3]
Investments in unconsolidated affiliated companies	**272**	133	**272**	133	**—**	—	**—**	—
Investments in Financial Products subsidiaries	**—**	—	**4,433**	4,035	**—**	—	**(4,433)** [5]	(4,035) [5]
Noncurrent deferred and refundable income taxes	**2,011**	2,157	**2,422**	2,593	**105**	97	**(516)** [6]	(533) [6]
Intangible assets	**4,016**	4,368	**4,008**	4,359	**8**	9	**—**	—
Goodwill	**6,942**	7,080	**6,925**	7,063	**17**	17	**—**	—
Other assets	**1,785**	2,107	**436**	813	**1,349**	1,294	**—**	—
Total assets	**$ 89,356**	$ 81,446	**$ 58,284**	$ 54,679	**$ 36,456**	$ 31,553	**$ (5,384)**	$ (4,786)
Liabilities								
Current liabilities:								
Short-term borrowings	**$ 5,287**	$ 3,988	**$ 668**	$ 157	**$ 4,859**	$ 3,895	**$ (240)** [7]	$ (64) [7]
Accounts payable	**6,753**	8,161	**6,718**	8,106	**178**	165	**(143)** [8]	(110) [8]
Accrued expenses	**3,667**	3,386	**3,258**	2,957	**422**	443	**(13)** [9]	(14) [9]
Accrued wages, salaries and employee benefits	**1,911**	2,410	**1,876**	2,373	**35**	37	**—**	—
Customer advances	**2,978**	2,691	**2,978**	2,691	**—**	—	**—**	—
Dividends payable	**—**	298	**—**	298	**—**	—	**—**	—
Other current liabilities	**2,055**	1,967	**1,561**	1,590	**502**	382	**(8)** [6]	(5) [6]
Long-term debt due within one year	**7,104**	5,660	**1,113**	558	**5,991**	5,102	**—**	—
Total current liabilities	**29,755**	28,561	**18,172**	18,730	**11,987**	10,024	**(404)**	(193)
Long-term debt due after one year	**27,752**	24,944	**8,705**	8,446	**19,086**	16,529	**(39)** [7]	(31) [7]
Liability for postemployment benefits	**11,085**	10,956	**11,085**	10,956	**—**	—	**—**	—
Other liabilities	**3,182**	3,583	**2,740**	3,145	**950**	965	**(508)** [6]	(527) [6]
Total liabilities	**71,774**	68,044	**40,702**	41,277	**32,023**	27,518	**(951)**	(751)
Commitments and contingencies								
Redeemable noncontrolling interest	**—**	473	**—**	473	**—**	—	**—**	—
Stockholders' equity								
Common stock	**4,481**	4,273	**4,481**	4,273	**906**	906	**(906)** [5]	(906) [5]
Treasury stock	**(10,074)**	(10,281)	**(10,074)**	(10,281)	**—**	—	**—**	—
Profit employed in the business	**29,558**	25,219	**29,558**	25,219	**3,185**	2,880	**(3,185)** [5]	(2,880) [5]
Accumulated other comprehensive income (loss)	**(6,433)**	(6,328)	**(6,433)**	(6,328)	**236**	154	**(236)** [5]	(154) [5]
Noncontrolling interests	**50**	46	**50**	46	**106**	95	**(106)** [5]	(95) [5]
Total stockholders' equity	**17,582**	12,929	**17,582**	12,929	**4,433**	4,035	**(4,433)**	(4,035)
Total liabilities, redeemable noncontrolling interest and stockholders' equity	**$ 89,356**	$ 81,446	**$ 58,284**	$ 54,679	**$ 36,456**	$ 31,553	**$ (5,384)**	$ (4,786)

1 Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.
2 Elimination of receivables between Machinery and Power Systems and Financial Products.
3 Reclassification of Machinery and Power Systems' trade receivables purchased by Financial Products and Financial Products' wholesale inventory receivables.
4 Elimination of Machinery and Power Systems' insurance premiums that are prepaid to Financial Products.
5 Elimination of Financial Products' equity which is accounted for on Machinery and Power Systems on the equity basis.
6 Reclassification reflecting required netting of deferred tax assets/liabilities by taxing jurisdiction.
7 Elimination of debt between Machinery and Power Systems and Financial Products.
8 Elimination of payables between Machinery and Power Systems and Financial Products.
9 Elimination of prepaid insurance in Financial Products' accrued expenses.

Supplemental Data for Statement of Cash Flow
For the Years Ended December 31

	Consolidated		Supplemental consolidating data: Machinery & Power Systems[1]		Financial Products		Consolidating Adjustments	
(Millions of dollars)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Cash flow from operating activities:								
Profit of consolidated and affiliated companies	**$ 5,722**	$ 4,981	**$ 5,711**	$ 4,966	**$ 566**	$ 468	**$ (555)** [2]	$ (453) [2]
Adjustments for non-cash items:								
Depreciation and amortization	**2,813**	2,527	**2,082**	1,802	**731**	725	**—**	—
Undistributed Profit of Financial Products	**—**	—	**(305)**	—	**—**	—	**305** [12]	—
Net gain from sale of businesses and investments	**(630)**	(128)	**(630)**	(125)	**—**	(3)	**—**	—
Goodwill impairment charge	**580**	—	**580**	—	**—**	—	**—**	—
Other	**439**	585	**332**	467	**(88)**	(109)	**195** [4]	227 [4]
Financial Products' dividend in excess of profit	**—**	—	**—**	147	**—**	—	**—**	(147) [3]
Changes in assets and liabilities, net of acquisitions and divestitures:								
Receivables - trade and other	**(173)**	(1,345)	**—**	286	**(37)**	5	**(136)** [4,5]	(1,636) [4,5]
Inventories	**(1,149)**	(2,927)	**(1,094)**	(2,924)	**—**	—	**(55)** [4]	(3) [4]
Accounts payable	**(1,868)**	1,555	**(1,821)**	1,635	**(15)**	(8)	**(32)** [4]	(72) [4]
Accrued expenses	**183**	308	**134**	282	**48**	28	**1** [4]	(2) [4]
Accrued wages, salaries and employee benefits	**(490)**	619	**(488)**	610	**(2)**	9	**—**	—
Customer advances	**241**	173	**241**	173	**—**	—	**—**	—
Other assets—net	**252**	(91)	**275**	(139)	**(7)**	35	**(16)** [4]	13 [4]
Other liabilities—net	**(679)**	753	**(819)**	792	**124**	(26)	**16** [4]	(13) [4]
Net cash provided by (used for) operating activities	**5,241**	7,010	**4,198**	7,972	**1,320**	1,124	**(277)**	(2,086)
Cash flow from investing activities:								
Capital expenditures—excluding equipment leased to others	**(3,350)**	(2,515)	**(3,335)**	(2,503)	**(15)**	(12)	**—**	—
Expenditures for equipment leased to others	**(1,726)**	(1,409)	**(100)**	(143)	**(1,781)**	(1,342)	**155** [4,11]	76 [4]
Proceeds from disposals of leased assets and property, plant and equipment	**1,117**	1,354	**244**	259	**891**	1,173	**(18)** [4]	(78) [4]
Additions to finance receivables	**(12,010)**	(10,001)	**—**	—	**(18,754)**	(17,058)	**6,744** [5,10,11]	7,057 [5,9]
Collections of finance receivables	**8,995**	8,874	**—**	—	**14,787**	15,260	**(5,792)** [5,11]	(6,386) [5]
Net intercompany purchased receivables	**—**	—	**—**	—	**250**	(1,164)	**(250)** [5]	1,164 [5]
Proceeds from sale of finance receivables	**132**	207	**—**	—	**144**	207	**(12)** [5]	—
Net intercompany borrowings	**—**	—	**(203)**	600	**33**	41	**170** [6]	(641) [6]
Investments and acquisitions (net of cash acquired)	**(618)**	(8,184)	**(562)**	(8,184)	**—**	—	**(56)** [11]	—
Proceeds from sale of businesses and investments (net of cash sold)	**1,199**	376	**1,943**	712	**—**	11	**(744)** [10]	(347) [9]
Proceeds from sale of available-for-sale securities	**306**	247	**27**	13	**279**	234	**—**	—
Investments in available-for-sale securities	**(402)**	(336)	**(8)**	(15)	**(394)**	(321)	**—**	—
Other—net	**167**	(40)	**126**	(70)	**41**	26	**—**	4 [7]
Net cash provided by (used for) investing activities	**(6,190)**	(11,427)	**(1,868)**	(9,331)	**(4,519)**	(2,945)	**197**	849
Cash flow from financing activities:								
Dividends paid	**(1,617)**	(1,159)	**(1,617)**	(1,159)	**(250)**	(600)	**250** [8]	600 [8]
Distribution to noncontrolling interests	**(6)**	(3)	**(6)**	(3)	**—**	—	**—**	—
Common stock issued, including treasury shares reissued	**52**	123	**52**	123	**—**	4	**—**	(4) [7]
Excess tax benefit from stock-based compensation	**192**	189	**192**	189	**—**	—	**—**	—
Acquisitions of redeemable noncontrolling interests	**(444)**	—	**(444)**	—	**—**	—	**—**	—
Acquisitions of noncontrolling interests	**(5)**	(8)	**(5)**	(1)	**—**	(7)	**—**	—
Net intercompany borrowings	**—**	—	**(33)**	(41)	**203**	(600)	**(170)** [6]	641 [6]
Proceeds from debt issued (original maturities greater than three months)	**16,015**	15,460	**2,209**	4,587	**13,806**	10,873	**—**	—
Payments on debt (original maturities greater than three months)	**(11,099)**	(10,593)	**(1,107)**	(2,269)	**(9,992)**	(8,324)	**—**	—
Short-term borrowings - net (original maturities three months or less)	**461**	(43)	**(14)**	60	**475**	(103)	**—**	—
Net cash provided by (used for) financing activities	**3,549**	3,966	**(773)**	1,486	**4,242**	1,243	**80**	1,237
Effect of exchange rate changes on cash	**(167)**	(84)	**(80)**	(123)	**(87)**	39	**—**	—
Increase (decrease) in cash and short-term investments	**2,433**	(535)	**1,477**	4	**956**	(539)	**—**	—
Cash and short-term investments at beginning of period	**3,057**	3,592	**1,829**	1,825	**1,228**	1,767	**—**	—
Cash and short-term investments at end of period	**$ 5,490**	$ 3,057	**$ 3,306**	$ 1,829	**$ 2,184**	$ 1,228	**$ —**	$ —

1 Represents Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis.
2 Elimination of Financial Products' profit after tax due to equity method of accounting.
3 Elimination of Financial Products' dividend to Machinery and Power Systems in excess of Financial Products' profit.
4 Elimination of non-cash adjustments and changes in assets and liabilities related to consolidated reporting.
5 Reclassification of Financial Products' cash flow activity from investing to operating for receivables that arose from the sale of inventory.
6 Elimination of net proceeds and payments to/from Machinery and Power Systems and Financial Products.
7 Elimination of change in investment and common stock related to Financial Products.
8 Elimination of dividend from Financial Products to Machinery and Power Systems.
9 Elimination of proceeds received from Financial Products related to Machinery and Power Systems' sale of Carter Machinery.
10 Elimination of proceeds received from Financial Products related to Machinery and Power Systems' sale of portions of the Bucyrus distribution businesses to Cat dealers.
11 Reclassification of Financial Products' payments related to Machinery and Power Systems' acquisition of Caterpillar Tohoku Limited.
12 Elimination of non-cash adjustment for the undistributed earnings from Financial Products.

SUPPLEMENTAL STOCKHOLDER INFORMATION

Stockholder Services

Registered stockholders should contact:

Stock Transfer Agent
Computershare Shareowner Services LLC
(formerly BNY Mellon Shareowner Services)
P.O. Box 43006
Providence, RI 02940-3006

Phone:	(866) 203-6622 (U.S. and Canada)
	+1 (201) 680-6578 (Outside U.S. and Canada)
Hearing Impaired:	(800) 231-5469 (U.S. or Canada)
	(201) 680-6610 (Outside U.S. or Canada)
Internet:	https://www-us.computershare.com/Investor/

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Christopher M. Reitz
Corporate Secretary
Caterpillar Inc.
100 N.E. Adams Street
Peoria, IL 61629-6490

Phone:	(309) 675-4619
Fax:	(309) 494-1467
E-mail:	CATshareservices@CAT.com

Shares held in Street Position
Stockholders that hold shares through a street position should contact their bank or broker with questions regarding those shares.

Stock Purchase Plan

Current stockholders and other interested investors may purchase Caterpillar Inc. common stock directly through a Direct Stock Purchase and Dividend Reinvestment Plan for Caterpillar Inc. which is sponsored and administered by our Transfer Agent, Computershare. The program materials and enrollment form are available on-line from Computershare's website https://www-us.computershare.com/Investor/ or by following a link from www.caterpillar.com/dspp.

Investor Relations

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

Senior Manager of Investor Relations

Rich Moore	*Phone:*	(309) 675-4549
Caterpillar Inc.	*Fax:*	(309) 675-4457
100 N.E. Adams Street	*E-mail:*	CATir@CAT.com
Peoria, IL 61629-5310	*Internet:*	www.caterpillar.com/investors

Company Information

Current information -

- phone our Information Hotline - (800) 228-7717 (U.S. or Canada) or (858) 764-9492 (Outside U.S. or Canada) to request company publications by mail, listen to a summary of Caterpillar's latest financial results and current outlook, or to request a copy of results by fax or mail
- request, view, or download materials on-line by visiting www.caterpillar.com/materialsrequest or register for e-mail alerts by visiting www.caterpillar.com/investors

Historical information -

- view/download on-line at www.caterpillar.com/historical

Annual Meeting

On Wednesday, June 12, 2013, at 8:00 a.m., Eastern Time, the annual meeting of stockholders will be held in Greensboro, North Carolina. We expect to send proxy materials to stockholders on or about May 2, 2013.

Internet

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

Common Stock (NYSE: CAT)

Listing Information: Caterpillar common stock is listed on the New York Stock Exchange in the United States, and on stock exchanges in Belgium, France, Germany, Great Britain and Switzerland.

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

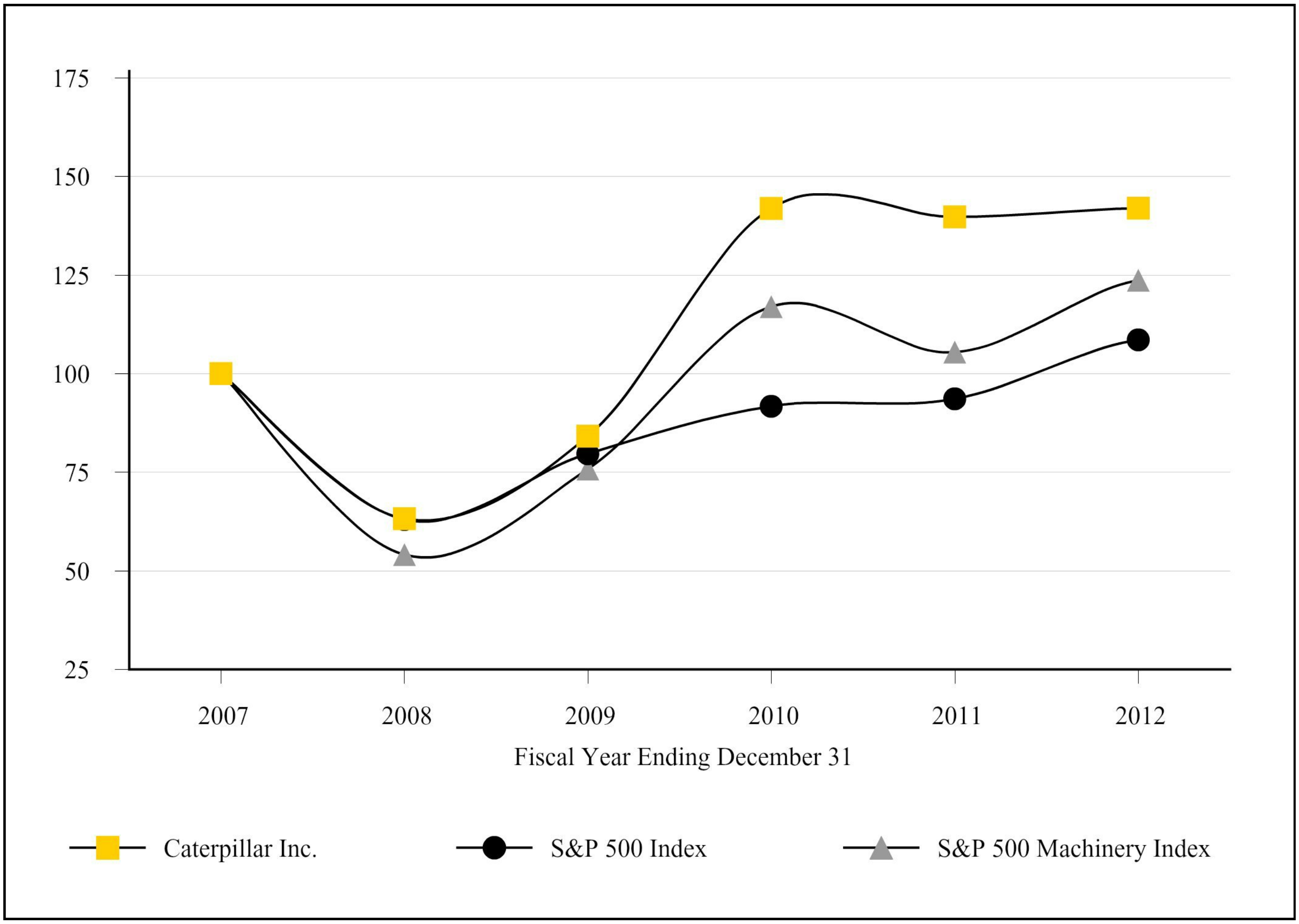
	2012		2011	
Quarter	**High**	**Low**	High	Low
First	**$ 116.95**	**$ 92.77**	$ 111.98	$ 92.30
Second	**$ 109.77**	**$ 80.96**	$ 116.55	$ 94.21
Third	**$ 94.28**	**$ 78.25**	$ 112.65	$ 72.60
Fourth	**$ 91.83**	**$ 80.16**	$ 98.20	$ 67.54

Number of Stockholders: Stockholders of record at year-end totaled 35,738, compared with 38,401 at the end of 2011. Approximately 61 percent of our issued shares are held by institutions and banks, 32 percent by individuals, and 7 percent by employees through company stock plans.

Caterpillar tax qualified defined contribution retirement plans held 33,302,344 shares at year-end, including 6,520,302 shares sold during 2012. Non-U.S. employee stock purchase plans held an additional 4,271,487 shares at year-end, including 669,330 shares acquired during 2012.

Performance Graph: Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2012

The graph below shows the cumulative stockholder return assuming an investment of $100 on December 31, 2007, and reinvestment of dividends issued thereafter.



	2007	2008	2009	2010	2011	2012
Caterpillar Inc.	$ 100.00	$ 63.21	$ 84.13	$ 141.91	$ 139.75	$ 141.96
S&P 500	$ 100.00	$ 63.01	$ 79.69	$ 91.71	$ 93.62	$ 108.59
S&P 500 Machinery	$ 100.00	$ 54.12	$ 75.78	$ 116.97	$ 105.50	$ 123.67

Directors/Committee Membership (as of February 1, 2013)

	Audit	Compensation	Governance	Public Policy
David L. Calhoun		✓		
Daniel M. Dickinson	✓			
Juan Gallardo			✓	
David R. Goode		✓*		
Jesse J. Greene, Jr.				✓
Jon M. Huntsman, Jr.				✓
Peter A. Magowan			✓	
Dennis A. Muilenburg	✓			
Douglas R. Oberhelman				
William A. Osborn	✓*			
Charles D. Powell				✓*
Edward B. Rust, Jr.			✓*	
Susan C. Schwab				✓
Joshua I. Smith		✓		
Miles D. White		✓		

* Chairman of Committee

Officers (as of February 1, 2013, except as noted)

Douglas R. Oberhelman	Chairman and Chief Executive Officer
Bradley M. Halverson	Group President and Chief Financial Officer
Stuart L. Levenick	Group President
Edward J. Rapp	Group President
D. James Umpleby III	Group President
Gerard R. Vittecoq (1)	Group President
Steven H. Wunning	Group President
James B. Buda	Executive Vice President, Law and Public Policy
Kent M. Adams	Vice President
William P. Ainsworth	Vice President
Mary H. Bell	Vice President
Thomas J. Bluth	Vice President
David P. Bozeman	Vice President
Robert B. Charter	Vice President
Qihua Chen	Vice President
Frank J. Crespo	Vice President
Christopher C. Curfman	Vice President
Paolo Fellin	Vice President
William E. Finerty	Vice President
Steven L. Fisher	Vice President
Gregory S. Folley	Vice President
Thomas G. Frake	Vice President
Stephen A. Gosselin	Vice President
Hans A. Haefeli	Vice President
Kimberly S. Hauer	Vice President
Gwenne A. Henricks	Vice President
Denise C. Johnson	Vice President
James W. Johnson	Vice President
Kathryn Dickey Karol	Vice President
Randy M. Krotowski	Vice President
Julie A. Lagacy	Vice President
Stephen P. Larson	Vice President
Nigel A. Lewis	Vice President
Thomas A. Pellette	Vice President
William J. Rohner	Vice President
Mark E. Sweeney	Vice President
Tana L. Utley	Vice President
Edward J. Scott	Treasurer
Matthew R. Jones	Chief Audit Officer
Christopher C. Spears	Chief Ethics and Compliance Officer
Jananne A. Copeland	Chief Accounting Officer
Michael L. DeWalt	Controller
Christopher M. Reitz	Corporate Secretary
Robin D. Beran	Assistant Treasurer
Patrick G. Holcombe	Assistant Secretary
Joni J. Funk	Assistant Secretary

(1) will retire effective 6/1/2013

EXHIBIT 21

CATERPILLAR INC.
Subsidiaries and Affiliated Companies
(as of December 31, 2012)

Subsidiaries (51% or more ownership)	
Name of Company	**Where Organized**
Acefun S.A. de C.V.	Mexico
Aceros Fundidos Internacionales LLC	Delaware
Aceros Fundidos Internacionales S. de R.L. de C.V.	Mexico
Adex Zonex Pte. Ltd.	Singapore
Advanced Tri-Gen Power Systems, LLC	Delaware
Anchor Coupling Inc.	Delaware
Ankexin Ex Consulting (Beijing) Co., Ltd.	China
Asia Power Systems (Tianjin) Ltd.	China
AsiaTrak (Tianjin) Ltd.	China
Banco Caterpillar S.A.	Brazil
BI Hong Kong AFC Manufacturing Co. Limited	Hong Kong
Broadland Radiators and Heat Exchangers Limited	England and Wales
Bucyrus (Huainan) Machinery Co., Ltd.	China
Bucyrus (Langfang) Machinery Co., Ltd.	China
Bucyrus Africa Underground (Proprietary) Limited	South Africa
Bucyrus Australia Surface Pty. Ltd.	Australia
Bucyrus Australia Underground Holdings Pty Ltd	Australia
Bucyrus Australia Underground LAD Proprietary Limited	Australia
Bucyrus Botswana (Proprietary) Limited	Botswana
Bucyrus Central Asia LLC	Mongolia
Bucyrus Colombia S.A.S.	Columbia
Bucyrus Equipment LLC	Delaware
Bucyrus Europe Holdings, Ltd.	England and Wales
Bucyrus Europe Limited	England and Wales
Bucyrus India Private Limited	India
Bucyrus Industries LLC	Delaware
Bucyrus International (Chile) Limitada	Chile
Bucyrus International (Peru) S.A.	Peru
Bucyrus International Hong Kong Limited	Hong Kong
Bucyrus Mexico S. de R.L. de C.V.	Mexico
Bucyrus Mining Australia Pty. Ltd.	Australia
Bucyrus Mining China LLC	Delaware
Bucyrus MT LLC	Delaware
Bucyrus Services Mexico S. de R.L. de C.V.	Mexico
Bucyrus Wisconsin Property, LLC	Delaware
Cat Rental Kyushu Ltd.	Japan
Caterpillar (Africa) (Proprietary) Limited	South Africa
Caterpillar (Bermuda) Holding Company	Bermuda

Caterpillar (China) Financial Leasing Co., Ltd.	China
Caterpillar (China) Investment Co., Ltd.	China
Caterpillar (China) Machinery Components Co., Ltd.	China
Caterpillar (HK) Limited	Hong Kong
Caterpillar (Luxembourg) Investment Co. SA	Luxembourg
Caterpillar (NI) Limited	Northern Ireland
Caterpillar (Shanghai) Trading Co., Ltd.	China
Caterpillar (Suzhou) Co., Ltd.	China
Caterpillar (Suzhou) Logistics Co., Ltd.	China
Caterpillar (Thailand) Limited	Thailand
Caterpillar (Tongzhou) Co., Ltd.	China
Caterpillar (U.K.) Limited	England
Caterpillar (Wujiang) Ltd.	China
Caterpillar (Xuzhou) Design Center Ltd.	China
Caterpillar Acquisition Holding Corp.	Delaware
Caterpillar Americas C.V.	Netherlands
Caterpillar Americas Co.	Delaware
Caterpillar Americas Funding Inc.	Delaware
Caterpillar Americas Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Americas Services LLC	Delaware
Caterpillar Asia Limited	Hong Kong
Caterpillar Asia Pacific L.P.	Bermuda
Caterpillar Asia Pte. Ltd.	Singapore
Caterpillar Belgium S. A.	Belgium
Caterpillar Brasil Comercio de Maquinas e Pecas Ltda.	Brazil
Caterpillar Brasil Ltda.	Brazil
Caterpillar Brazil LLC	Delaware
Caterpillar Centro de Formacion, S.L.	Spain
Caterpillar China Limited	Hong Kong
Caterpillar CleanAIR Systems Inc	Delaware
Caterpillar Commercial Australia Pty. Ltd.	Australia
Caterpillar Commercial Holding S.A.R.L.	Switzerland
Caterpillar Commercial LLC	Delaware
Caterpillar Commercial Northern Europe Limited	England and Wales
Caterpillar Commercial S.A.	Belgium
Caterpillar Commercial S.A.R.L.	France
Caterpillar Commercial Services S.A.R.L.	France
Caterpillar Commerciale S.r.L.	Italy
Caterpillar Communications LLC	Delaware
Caterpillar Corporativo Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Credito, S.A. de C.V., SOFOM, E.N.R.	Mexico
Caterpillar DC Pension Trust Limited	England and Wales
Caterpillar Distribution International LLC	Russia
Caterpillar Distribution Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Distribution Services Europe B.V.B.A.	Belgium

Caterpillar East Japan Ltd.	Japan
Caterpillar East Real Estate Holding Ltd.	Japan
Caterpillar Elkader LLC	Delaware
Caterpillar Engine Systems Inc.	Delaware
Caterpillar Equipos Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Eurasia LLC	Russia
Caterpillar Finance Corporation	Japan
Caterpillar Finance France S.A.	France
Caterpillar Financial Acquisition Funding LLC	Delaware
Caterpillar Financial Australia Limited	Australia
Caterpillar Financial Commercial Account Corporation	Nevada
Caterpillar Financial Corporacion Financiera, S.A., E.F.C.	Spain
Caterpillar Financial Dealer Funding LLC	Delaware
Caterpillar Financial Funding Corporation	Nevada
Caterpillar Financial New Zealand Limited	New Zealand
Caterpillar Financial Nordic Services AB	Sweden
Caterpillar Financial Nova Scotia Corporation	Nova Scotia
Caterpillar Financial OOO	Russia
Caterpillar Financial Receivables Corporation	Nevada
Caterpillar Financial Renting, S.A.	Spain
Caterpillar Financial SARL	Switzerland
Caterpillar Financial Services (Dubai) Limited	United Arab Emirates
Caterpillar Financial Services (Ireland) plc	Ireland
Caterpillar Financial Services (UK) Limited	England
Caterpillar Financial Services Argentina S.A.	Argentina
Caterpillar Financial Services Asia Pte. Ltd.	Singapore
Caterpillar Financial Services Belgium S.P.R.L.	Belgium
Caterpillar Financial Services Corporation	Delaware
Caterpillar Financial Services CR, s.r.o.	Czech Republic
Caterpillar Financial Services GmbH	Germany
Caterpillar Financial Services Korea, Ltd.	Korea
Caterpillar Financial Services Limited Les Services Financiers Caterpillar Limitee	Canada
Caterpillar Financial Services Malaysia Sdn Bhd	Malaysia
Caterpillar Financial Services Netherlands B.V.	Netherlands
Caterpillar Financial Services Norway AS	Norway
Caterpillar Financial Services Philippines Inc.	Philippines
Caterpillar Financial Services Poland Sp. z o.o.	Poland
Caterpillar Financial UK Acquisition Funding Partners	England and Wales
Caterpillar Financial Ukraine LLC	Ukraine
Caterpillar Fluid Systems S.r.l.	Italy
Caterpillar Fomento Comercial Ltda.	Brazil
Caterpillar Forest Products Inc.	Delaware
Caterpillar France S.A.S.	France
Caterpillar GB, L.L.C.	Delaware
Caterpillar Global Mining America LLC	Delaware

Caterpillar Global Mining Czech Republic, a.s.	Czech Republic
Caterpillar Global Mining Equipamentos De Mineracao do Brasil Ltda.	Brazil
Caterpillar Global Mining Equipment LLC	Delaware
Caterpillar Global Mining Europe GmbH	Germany
Caterpillar Global Mining Expanded Products Pty Ltd	Australia
Caterpillar Global Mining Field Services LLC	Delaware
Caterpillar Global Mining Germany Holdings GmbH	Germany
Caterpillar Global Mining Highwall Miners LLC	Delaware
Caterpillar Global Mining HMS GmbH	Germany
Caterpillar Global Mining Holdings GmbH	Germany
Caterpillar Global Mining LLC	Delaware
Caterpillar Global Mining Mexico LLC	Delaware
Caterpillar Global Mining Polska Sp. z.o.o.	Poland
Caterpillar Global Mining Pty. Ltd.	Australia
Caterpillar Global Mining SARL	Switzerland
Caterpillar Global Mining U.S. Parts LLC	Delaware
Caterpillar Global Mining Ukraine LLC	Ukraine
Caterpillar Global Mining Virginia LLC	Virginia
Caterpillar Global Services LLC	Delaware
Caterpillar Group Services S.A.	Belgium
Caterpillar Holding (France) S.A.S.	France
Caterpillar Holding Germany GmbH	Germany
Caterpillar Holding Ltd.	Bermuda
Caterpillar Hungary Components Manufacturing Ltd.	Hungary
Caterpillar Hydraulics Italia S.r.l.	Italy
Caterpillar Impact Products Limited	England and Wales
Caterpillar India Private Limited	India
Caterpillar Industrias Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Insurance Co. Ltd.	Bermuda
Caterpillar Insurance Company	Missouri
Caterpillar Insurance Holdings Inc.	Delaware
Caterpillar Insurance Services Corporation	Tennessee
Caterpillar International Finance Limited	Ireland
Caterpillar International Finance Luxembourg Holding S.a.r.l.	Luxembourg
Caterpillar International Finance Luxembourg, S.a.r.l.	Luxembourg
Caterpillar International Investments Coöperatie U.A.	Netherlands
Caterpillar International Ltd.	Bermuda
Caterpillar International Luxembourg I S.a.r.l.	Luxembourg
Caterpillar International Product SARL	Switzerland
Caterpillar International Services Corporation	Nevada
Caterpillar International Services del Peru S.A.	Peru
Caterpillar Investment Limited	Germany
Caterpillar Investment One SARL	Switzerland
Caterpillar Investment Two SARL	Switzerland
Caterpillar Investments	England and Wales

Caterpillar IPX LLC	Delaware
Caterpillar IRB LLC	Delaware
Caterpillar Japan General Services Ltd.	Japan
Caterpillar Japan Ltd.	Japan
Caterpillar Latin America Services de Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Latin America Services de Panama, S. de R.L.	Panama
Caterpillar Latin America Services, S.R.L.	Costa Rica
Caterpillar Latin America Servicios de Chile Limitada	Chile
Caterpillar Latin America Support Services, S. DE R.L.	Panama
Caterpillar Leasing (Thailand) Limited	Thailand
Caterpillar Leasing Chile, S.A.	Chile
Caterpillar Leasing GmbH (Leipzig)	Germany
Caterpillar Leasing Operativo Limitada	Chile
Caterpillar Life Insurance Company	Missouri
Caterpillar Logistics (Shanghai) Co. Ltd.	China
Caterpillar Logistics (UK) Limited	England and Wales
Caterpillar Logistics Inc.	Delaware
Caterpillar Logistics ML Services France S.A.S.	France
Caterpillar Logistics Services (Tianjin) Ltd.	China
Caterpillar Logistics Services China Limited	Hong Kong
Caterpillar Luxembourg Group S.a.r.l.	Luxembourg
Caterpillar Luxembourg LLC	Luxembourg
Caterpillar Luxembourg Mexico S.a.r.l.	Luxembourg
Caterpillar Luxembourg S.a.r.l.	Luxembourg
Caterpillar Marine Asia Pacific Pte. Ltd.	Singapore
Caterpillar Marine Power UK Limited	England and Wales
Caterpillar Marine Trading (Shanghai) Co., Ltd.	China
Caterpillar Maroc SARL	Morocco
Caterpillar Materiels Routiers SAS	France
Caterpillar Mexico, S.A. de C.V.	Mexico
Caterpillar Mining Canada ULC	Canada
Caterpillar Mining Chile Servicios Limitada	Chile
Caterpillar Motoren (Guangdong) Co. Ltd.	China
Caterpillar Motoren GmbH & Co. KG	Germany
Caterpillar Motoren Henstedt-Ulzburg GmbH	Germany
Caterpillar Motoren Rostock GmbH	Germany
Caterpillar Motoren Verwaltungs-GmbH	Germany
Caterpillar North America C.V.	Netherlands
Caterpillar NZ Funding Parent Limited	Bermuda
Caterpillar of Australia Pty. Ltd.	Australia
Caterpillar of Canada Corporation	Canada
Caterpillar of Delaware, Inc.	Delaware
Caterpillar Operator Training Ltd.	Japan
Caterpillar Overseas Credit Corporation SARL	Switzerland
Caterpillar Overseas Investment Holding SARL	Switzerland

Caterpillar Overseas Limited	England and Wales
Caterpillar Overseas SARL	Switzerland
Caterpillar Panama Services S.A.	Panama
Caterpillar Paving Products Inc.	Oklahoma
Caterpillar Paving Products Xuzhou Ltd.	China
Caterpillar Pension Trust Limited	England and Wales
Caterpillar Poland Sp. z o.o.	Poland
Caterpillar Power Generations Systems (Chile) SpA	Chile
Caterpillar Power Generations Systems L.L.C.	Delaware
Caterpillar Power Systems Inc.	Delaware
Caterpillar Power Systems y Compañia Limitada	Nicaragua
Caterpillar Power Ventures Corporation	Delaware
Caterpillar Power Ventures Europe B.V.	Netherlands
Caterpillar Power Ventures International, Ltd.	Bermuda
Caterpillar Precision Seals Korea	Korea
Caterpillar Prodotti Stradali S.r.l.	Italy
Caterpillar Product Development SARL	Switzerland
Caterpillar Product Services Corporation	Missouri
Caterpillar R&D Center (China) Co., Ltd.	China
Caterpillar Reman Powertrain Indiana LLC	Delaware
Caterpillar Reman Powertrain Services, Inc.	South Carolina
Caterpillar Remanufacturing Drivetrain LLC	Delaware
Caterpillar Remanufacturing Services (Shanghai) Co., Ltd.	China
Caterpillar Remanufacturing Services Chaumont France	France
Caterpillar Remanufacturing Services Radom Poland	Poland
Caterpillar Renting France S.A.S.	France
Caterpillar Sales Inc.	Delaware
Caterpillar SARL	Switzerland
Caterpillar Services Limited	Delaware
Caterpillar Servicios Limitada	Chile
Caterpillar Servicios Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Servizi Italia Srl	Italy
Caterpillar Shrewsbury Limited	England and Wales
Caterpillar Sistemas De Geracao De Energia Do Brasil Ltda.	Brazil
Caterpillar Skinningrove Limited	England and Wales
Caterpillar Solution Engineering Ltd.	Japan
Caterpillar Special Services Belgium S.P.R.L.	Belgium
Caterpillar Switchgear Holding Inc.	Georgia
Caterpillar Tianjin Ltd.	China
Caterpillar Tohuku Ltd.	Japan
Caterpillar Torreon S. de R.L. de C.V.	Mexico
Caterpillar Tosno, L.L.C.	Russia
Caterpillar Transmissions France S.A.R.L.	France
Caterpillar Tunnelling Canada Corporation	Canada
Caterpillar Tunnelling Canada Holdings Ltd.	Ontario

Caterpillar Tunnelling Europe Limited	England and Wales
Caterpillar UK Acquisition Partners LP	United Kingdom
Caterpillar UK Employee Trust Limited	England and Wales
Caterpillar UK Engines Company Limited	England and Wales
Caterpillar UK Group Limited	England and Wales
Caterpillar UK Holdings Limited	England and Wales
Caterpillar Undercarriage (Xuzhou) Co. Ltd.	China
Caterpillar Underground Mining Pty. Ltd.	Australia
Caterpillar Used Equipment Services Inc.	Delaware
Caterpillar Used Equipment Services International SARL	Switzerland
Caterpillar West Japan Ltd.	Japan
Caterpillar West Real Estate Holding Ltd.	Japan
Caterpillar Work Tools B.V.	Netherlands
Caterpillar Work Tools, Inc.	Kansas
Caterpillar World Trading Corporation	Delaware
Caterpillar Xuzhou Ltd.	China
Caterpillar/SCB Investments LP	Delaware
Caterpillar/SCB Receivables Finance LP	Nevada
Centre de Distribution de Wallonie SPRL	Belgium
CFRC/CFMC Investments, LLC	Delaware
Chemetron-Railway Canada Corporation	Ontario
Chemetron-Railway Products, Inc.	Delaware
DEUTZ Power Systems Verwaltungs GmbH	Germany
EDC European Excavator Design Center Beteiligungs-GmbH	Germany
EDC European Excavator Design Center GmbH & Co. KG	Germany
EDC European Excavator Design Center Verwaltungs GmbH	Germany
Electro-Motive Canada Co.	Canada
Electro-Motive Diesel and Locomotive Company (Proprietary) Limited	South Africa
Electro-Motive Diesel International Corp.	Delaware
Electro-Motive Diesel Limited	England and Wales
Electro-Motive Diesel, Inc.	Delaware
Electro-Motive Maintenance Operations Pty. Ltda.	Australia
Electro-Motive Technical Consulting Co. (Beijing) Ltd.	China
EMC Holding Corp.	Delaware
EMD Europe GmbH	Germany
EMD International Holdings, Inc.	Delaware
EMD Locomotive Company de Mexico, S.A. de C.V.	Mexico
EMD Locomotive Maintenance de Mexico, S.A. de C.V.	Mexico
EMD Locomotive Maintenance Services, S.A. de C.V.	Mexico
EMD Locomotive Technologies Private Limited	India
Energy Services International Limited	Bermuda
Ensambladora Tecnologica de Mexico, S.A. de C.V.	Mexico
Equipment Assurance Limited	Cayman Islands
Equipos de Acuna, S.A. de C.V.	Mexico
ERA Digital Media Limited	Hong Kong

ERA Films (HK) Limited	Hong Kong
ERA Home Entertainment Limited	Hong Kong
ERA Information & Entertainment (BVI) Limited	Hong Kong
ERA Mining Machinery Limited	Hong Kong
Erduosi Siwei Dibite Mechanical and Electrical Equipment Co., Ltd.	China
F. Perkins Limited	England
F.G. Wilson (USA) LLC	Delaware
FG Wilson (Engineering) Limited	Northern Ireland
GB Holdco (China), Inc.	Delaware
GFCM Servicios, S.A. de C.V.	Mexico
Halco America LLC	Georgia
Halco Drilling (Ireland) Limited	Northern Ireland
Halco Group Limited	England and Wales
Halco Holdings Limited	United Kingdom
Halco Rock Tools Limited	England and Wales
Hong Kong Siwei Holdings Limited	Hong Kong
HSA Drilling Equipment (Pty) Limited	South Africa
Hypac (Tianjin) International Trading Company Limited	China
Hypac Holdings LLC	Delaware
Inmobiliaria Conek, S.A.	Mexico
Kentuckiana Railcar Repair & Storage Facility, LLC	Indiana
Locomotoras Progress Mexico, S. de R.L. de C.V.	Mexico
Magnum Power Products, LLC	Delaware
MaK Americas Inc.	Illinois
MaK Beteiligungs GmbH	Germany
Mec-Track S.r.l.	Italy
Metalmark Financial Services Limited	England
MGE Equipamentos e Servicos Ferroviarios Ltda.	Brazil
Motoren Steffens GmbH	Germany
MWM (Beijing) Co., Ltd.	China
MWM Asia Pacific Pte. Ltd.	Singapore
MWM Austria GmbH	Austria
MWM Benelux B.V.	Netherlands
MWM Canada Inc.	Canada
MWM Energy Australia Pty Ltd	Austalia
MWM Energy Espana, S.A.	Spain
MWM Energy Hungaria Kft.	Hungary
MWM France S.A.S.	France
MWM GmbH	Germany
MWM Holding GmbH	Germany
MWM Latin America Solucoes Energeticas Ltda.	Brazil
MWM of America, Inc.	Delaware
MWM Real Estate GmbH	Germany
Necoles Investments B.V.	Netherlands
O & K Australia Pty. Ltd.	Australia

OOO Bucyrus Service	Russian Federation
Overseas Rail Holdings, B.V.	Netherlands
P. T. Caterpillar Finance Indonesia	Indonesia
P.T. Solar Services Indonesia	Indonesia
Perkins Engines (Asia Pacific) Pte Ltd	Singapore
Perkins Engines Company Limited	England and Wales
Perkins Engines, Inc.	Maryland
Perkins France (S.A.S.)	France
Perkins Group Limited	England and Wales
Perkins Holdings Limited LLC	Delaware and England and Wales
Perkins India Private Limited	India
Perkins International Inc.	Delaware
Perkins Limited	England
Perkins Motoren GmbH	Germany
Perkins Motores do Brasil Ltda.	Brazil
Perkins Power Systems Technology (Wuxi) Co., Ltd.	China
Perkins Shibaura Engines (Wuxi) Co., Ltd.	China
Perkins Shibaura Engines Limited	England
Perkins Shibaura Engines LLC	Delaware
Perkins Technology Inc.	Delaware
Progress Metal Reclamation Company	Kentucky
Progress Rail Canada Corporation	Canada
Progress Rail Equipment Leasing Corporation	Michigan
Progress Rail Holdings, Inc.	Alabama
Progress Rail Inspection & Information Systems GmbH	Germany
Progress Rail Inspection & Information Systems S.r.l.	Italy
Progress Rail Leasing Canada Corporation	Canada
Progress Rail Leasing Corporation	Delaware
Progress Rail Manufacturing Corporation	Delaware
Progress Rail Raceland Corporation	Delaware
Progress Rail Services Corporation	Alabama
Progress Rail Services de Mexico S.A. de C.V.	Mexico
Progress Rail Services Holdings Corp.	Delaware
Progress Rail Services LLC	Delaware
Progress Rail Services UK Limited	England and Wales
Progress Rail Switching Services LLC	Delaware
Progress Rail TransCanada Corporation	Nova Scotia
Progress Rail Wildwood, LLC	Florida
Progress Vanguard Corporation	Delaware
PT. Bucyrus Indonesia	Indonesia
PT. Caterpillar Indonesia	Indonesia
PT. Caterpillar Indonesia Batam	Indonesia
Pyroban (Suzhou) Safety Systems Co., Ltd.	China
Pyroban Benelux B.V.	Netherlands
Pyroban Corporation	New Jersey

Pyroban Envirosafe B.V.	Netherlands
Pyroban Envirosafe Limited	England and Wales
Pyroban France SARL	France
Pyroban Group Limited	England and Wales
Pyroban Limited	England and Wales
Pyropress Engineering Company Limited (The)	England and Wales
Pyrrha Investments B.V.	Netherlands
Pyrrha Investments Limited	England and Wales
Qingzhou Aoweier Engineering Machinery Co., Ltd.	China
Railcar, Ltd.	Georgia
S & L Railroad, LLC	Nebraska
SCM Singapore Holdings Pte. Ltd.	Singapore
Servicios Administrativos Progress S. de R.L. de C.V.	Mexico
Servicios de Turbinas Solar, S. de R.L. de C.V.	Mexico
Servicios Ejecutivos Progress S. de R.L. de C.V.	Mexico
Shandong SEM Machinery Co. Ltd.	China
Solar Turbines (Beijing) Trading & Services Co., Ltd.	China
Solar Turbines (Thailand) Ltd.	Thailand
Solar Turbines Canada Ltd./Ltee.	Canada
Solar Turbines Central Asia Limited Liability Partnership	Kazakhstan
Solar Turbines CIS Limited Liability Company	Russia
Solar Turbines EAME s.r.o.	Czech Republic
Solar Turbines Egypt L.L.C.	Egypt
Solar Turbines Europe S.A.	Belgium
Solar Turbines Incorporated	Delaware
Solar Turbines India Private Limited	India
Solar Turbines International Company	Delaware
Solar Turbines Malaysia Sdn Bhd	Malaysia
Solar Turbines Services Company	California
Solar Turbines Services Nigeria Limited	Nigeria
Solar Turbines Services of Argentina S.R.L.	Argentina
Solar Turbines Trinidad & Tobago Limited	Trinidad and Tobago
SPL Software Alliance LLC	Delaware
Superior Highwall Holding LLC	Delaware
Superior Highwall Miners B.V.	Netherlands
Taiyuan Siwei Mechanical and Electrical Equipment Co., Ltd.	China
Tangshan DBT Machinery Co., Ltd.	China
Tecnologia Modificada, S.A. de C.V.	Mexico
Tokyo Rental Ltd.	Japan
Turbinas Solar de Venezuela, C.A.	Venezuela
Turbinas Solar S.A. de C.V.	Mexico
Turbo Tecnologia de Reparaciones S.A. de C.V.	Mexico
Turbomach Endustriyel Gaz Turbinleri Sanayi Ve Ticaret Limited	Turkey
Turbomach France SARL	France
Turbomach GmbH	Germany

Turbomach Netherlands B.V.	Netherlands
Turbomach Pakistan (Private) Limited	Pakistan
Turbomach S.A., Unipersonal	Spain
Turbomach S.r.L.	Italy
Turbomach SA	Switzerland
Turbomach Sp. Z o.o.	Poland
Turbomach-Solar de Colombia S.A.	Columbia
Turner Powertrain Systems Limited	England and Wales
UK Hose Assembly Limited	England and Wales
Underground Imaging Technologies LLC	Delaware
United Industries Corporation	Kentucky
VALA (UK) LP	England and Wales
VALA Inc.	Delaware
VALA LLC	Delaware
Vasky Energy Ltd.	Hong Kong
Veratech Holding B.V.	Netherlands
West Virginia Auto Shredding Inc.	West Virginia
Western Gear Machinery LLC	Delaware
Wisconsin Holdings Pty. Ltd.	Australia
Zeit Comercia e Montagem de Equipamentos Ltda.	Brazil
Zhengzhou Chengjin Mechanical and Electrical Equipment Co., Ltd.	China
Zhengzhou Jingchuang Mechanical and Electrical Equipment Co., Ltd.	China
Zhengzhou Siwei Coal Mining Machinery Rebuild Co., Ltd.	China
Zhengzhou Siwei Marco Automatic Control System Co., Ltd.	China
Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd.	China
Zhengzhou Siwei Mechanical and Electrical Equipment Sales Co., Ltd.	China
Zhengzhou Siwei Xingyang Machinery Manufacturing Co., Ltd.	China
Zhengzhou Yushen Mechanical and Electrical Equipment Co., Ltd.	China

Affiliated Companies (50% and less ownership)	
Name of Company	**Where Organized**
10G LLC	Delaware
Advanced Filtration Services, Inc.	Delaware
Advanced Filtration Systems Inc.	Delaware
AFSI Europe s.r.o.	Czech Republic
Akoya, Inc.	Delaware
AP Operation & Maintenance Limited	Jersey
ARCH Development Fund I, L.P.	Delaware
Asia Power (Private) Limited	Sri Lanka
Associated Auction Services, LLC	Delaware
Atlas Heavy Engineering Pty Ltd	Australia
Black Horse LLC	Delaware
Caterpillar Logistics Services India Private Limited	India
Caterpillar Logistics Supply Chain Services GmbH	Germany

Caterpillar Logistics Supply Chain Services Italia S.r.l.	Italy
Caterpillar Logistics Supply Chain Services Limited Liability Company	Hungary
Caterpillar Trimble Control Technologies LLC	Delaware
Datong Tongbi Machinery Company Limited	China
Electro-Motive Diesel Africa (Pty) Ltd.	South Africa
Energy Technologies Institute LLP	England and Wales
Energyst B.V.	Netherlands
Evercompounds S.p.a.	Italy
Exodus Machines, LLC	Delaware
Exodus Real Estate Holdings, LLC	Wisconsin
FMS Equipment Rentals Inc.	Delaware
Heavy Haul Track Systems Joint Venture	Australia
Intelligent Switchgear Organization LLC	Delaware
IronPlanet Australia Pty Limited	Australia
IRONPLANET, INC.	Delaware
Kiden Lease Co., Ltd.	Japan
Leading Edge Hydraulic Systems Co., Ltd.	China
M.O.P.E.S.A. Motores Power, S.A.	Mexico
Mitsubishi Caterpillar Forklift America Inc.	Delaware
Mitsubishi Caterpillar Forklift Asia Pte. Ltd.	Singapore
Nagano Kouki Co., Ltd.	Japan
Neovia Logistics Administrative Services de Mexico, S. de R.L. de C.V.	China
Neovia Logistics Finance Corporation	United States
Neovia Logistics France S.A.S.	Mexico
Neovia Logistics Germany GmbH	Egypt
Neovia Logistics Holdings I S.a r l.	Luxembourg
Neovia Logistics Holdings II S.a r l.	Luxembourg
Neovia Logistics IP Holdings, LLC	United States
Neovia Logistics Real Estate Holdings, LLC	United States
Neovia Logistics Services (France) S.A.S.	France
Neovia Logistics Services (UK) Limited	England and Wales
Neovia Logistics Services Australia Pty Ltd	Australia
Neovia Logistics Services Canada Ltd.	Canada
Neovia Logistics Services de Mexico S. de R.L. de C.V.	Mexico
Neovia Logistics Services Egypt Ltd.	Egypt
Neovia Logistics Services International LLC	Russia
Neovia Logistics Services International N.V.	Belgium
Neovia Logistics Services Polska Sp. z o.o.	Delaware
Neovia Logistics Services South Africa (Pty) Ltd.	Poland
Neovia Logistics Services Spain, S.A.	South Africa
Neovia Logistics Services, LLC	Belgium
Neovia Logistics, LLC	United States
Neovia Solutions Brasil Servicos De Logistica Ltda.	Brazil
Polyhose India (Rubber) Private Limited	India
Rapidparts Inc.	Delaware

Rensel Co.	Japan
Shanghai Supply Chain Solutions Co., Ltd.	China
Shanxi Xishan Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd.	China
Southern California Material Handling Inc.	Malaysia
SPL Logistics France Sarl	France
SPL Logistics Germany GmbH	Germany
SPL Logistics Holdings, LLC	United States
SPL Logistics Intermediate Holdings, LLC	United States
SPL Logistics UK Holdings Limited	England and Wales
SPL UK Holdings, LLC	United States
Tech Itoh Co., Ltd.	Japan
Terex NHL Mining Equipment Co. Ltd.	China
Tri-County Venture Capital Fund I, LLC	Delaware
Turboservices SDN BHD	Malaysia
VirtualSite Solutions LLC	Delaware
Xi’an FC Intelligence Transmission Co., Ltd.	China
Yaita Jusyaryou Co., Ltd.	Japan
Yeep Co.	Japan
Yuchai Remanufacturing Services (Suzhou) Co., Ltd.	China

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-184729, 333-43133, 33-46194, 333-22041, 333-43983, 333-57512, 333-136265, 333-71468, 333-135465, 33-40393, 33-39120, 333-159262, 333-162837, 333-135123), Form S-4 (Nos. 333-183774, 333-121003) and Form S-8 (Nos. 2-97450, 333-37353, 33-8003, 333-03609, 333-41464, 333-98197, 333-115837, 333-32853, 333-32851, 333-111355, 333-128342, 333-135467, 333-133275, 333-133266, 333-133265, 333-141548, 333-170405, 333-170403, 333-170399, 333-168894, 333-168868, 333-168867) of Caterpillar Inc. of our report dated February 19, 2013 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10‑K.

/s/PricewaterhouseCoopers LLP

Peoria, Illinois
February 19, 2013

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Douglas R. Oberhelman, certify that:

1. I have reviewed this annual report on Form 10-K of Caterpillar Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2013	*/s/Douglas R. Oberhelman*	Chairman of the Board and Chief Executive Officer
	(Douglas R. Oberhelman)	

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Bradley M. Halverson, certify that:

1. I have reviewed this annual report on Form 10-K of Caterpillar Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2013	*/s/Bradley M. Halverson*	Group President and Chief Financial Officer
	(Bradley M. Halverson)	

EXHIBIT 32

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 annual report of Caterpillar Inc. (the "Company") on Form 10-K for the period ending December 31, 2012 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.

February 19, 2013	*/s/Douglas R. Oberhelman* (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer
February 19, 2013	*/s/Bradley M. Halverson* (Bradley M. Halverson)	Group President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Caterpillar Inc. and will be retained by Caterpillar Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 95

Mine Safety Disclosures

Mine or Operating Name/MSHA Identification Number	Contractor ID	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern Violations Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Notes
Bear Run, 1202422	Z8T						26,679				1			
Dolet Hills, 1601031	Z8T	1					1,657							
El Segundo, 2902257	Z620	1					276							
El Segundo, 2902257	Z8T						100							
Four Corners, 0801117	Z8T						3,405				1	1	1	
Jim Bridger Mine, 4800677	Z8T	1				1	3,803							
Lee Ranch, 2901879	Z8T												1	
North Antelope Rochelle Mine, 4801353	Z8T	1					63,807				1	1		
Republic Energy, 4609054	Z8T										1			
Twilight, 4608645	Z8T												2	
Total		**4**				**1**	**$99,727**				**4**	**2**	**4***	

***Total number of Legal Actions Resolved in 2012 does not include two items included in error in the 1Q period ending March 31, 2012. Those two items were citations paid.**

2012 Form 10-K