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

CATERPILLAR®

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, 2011

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

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

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 whether 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, 2011, there were 646,066,322 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 $68.2 billion.

As of December 31, 2011, there were 647,533,344 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	2012 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 2011 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 2011 sales and revenues of $60.138 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, Caterpillar Logistics Inc. (Cat Logistics) and Progress Rail Services Corporation (Progress Rail). Caterpillar is also a leading U.S. exporter. Through a global network of independent dealers and direct sales of certain products, Caterpillar builds long-term relationships with customers around the world.

In 2010, we announced a revised strategy and reorganization of our business into strategic business units. Our reorganization was implemented in 2011 and resulted in the creation of seven 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 2011, 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. As the global economy has returned to growth, demand for construction machinery increased in 2011 over 2010, especially in developing economies where new machine sales were close to or above record levels. Sales also increased in developed economies, driven primarily by the need for customers to upgrade machine fleets and replace older equipment. As we continued to ramp up production to meet demand, sales of some machines were limited by our capacity.

Customer demand for construction machinery has 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 response to customer demand and our expectations for industry growth, we are investing 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 2011, we announced new facilities in North Carolina, Texas, China and Thailand. We also announced expansions of our existing facilities in Arkansas, Texas, Brazil and India. In addition to capacity constraints for certain machines, we experienced some supply chain constraints related to the tsunami and earthquake that struck Japan on March 11, 2011. Our employees worked closely with our suppliers, dealers and customers to mitigate the effects of this disaster and almost all negative impacts experienced in the second quarter were recovered in the second half of the year, with minimal profit impact.

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 AB), 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., and XCMG 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
- 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

Resource Industries

The Resource Industries segment is primarily responsible for supporting customers using machinery in mine and quarry applications. It also serves forestry, paving and tunneling 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 are expediting integration of the acquired company and working closely with our dealers to transition the distribution business.

Resource Industries sales grew significantly in 2011, both with and without the impact of Bucyrus, as our mining customers responded to attractive commodity prices and an economic environment that favored capital investment. For certain products, including large mining trucks, our sales were constrained by capacity. We have announced investments in new facilities and the expansion of existing facilities to increase capacity, including in Illinois, Kansas, North Dakota, China, India, Indonesia, Russia and Thailand. These investments reflect our belief that long-term trends of urbanization and related infrastructure development will support continued 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 the Volvo Group AB), Atlas Copco, Wirtgen and Deere & Co.

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
- 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 2011, driven by increased customer demand, and included a full year of sales by Electro-Motive Diesel, Inc. (EMD).

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 announced investments to increase our production in line with regional demand. In 2011, we announced investments in engine facilities in Brazil, China and India; two new EMD manufacturing facilities commenced operations in Indiana and Mexico, and we announced plans to open an EMD manufacturing facility in

Brazil. We also see increasing customer demand for sustainable power alternatives and in October 2011 acquired MWM Holding GmbH (MWM), a leading supplier of natural gas and alternative-fuel engines. Power Systems is 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 Energy Infrastructure, Siemens Energy and Wartsila Corp. Other competitors, such as John Deere Power Systems, MAN Diesel & Turbo SE, Mitsubishi Heavy Industries Ltd., Volvo Penta (part of Volvo Group AB), Kawasaki Heavy Industries, multiple emerging Chinese competitors and Rolls Royce Group plc 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 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 (20 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 (15 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 18 percent*) include:

- Inventory/rental programs, which provide assistance to dealers by financing their new Caterpillar inventory and rental fleets (7 percent*).

- Short-term receivables we purchase from Caterpillar at a discount (11 percent*).

Cat Financial's retail notes receivables (32 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, 2011. 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 (subsidized 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 factor titled "Our Financial Products line of business is subject to risks associated with the financial service industry" 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. This policy allows the use of foreign currency forward and option contracts to address the risk of currency mismatch between the receivable and debt portfolios. None of these foreign currency forward and option contracts are designated as a hedge.

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 equipment application. 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, subsidizes 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, a wholly owned subsidiary of Caterpillar, is a warranty company domiciled in Missouri. It conducts a machine extended service contract program in Germany and France by providing machine extended warranty reimbursement protection to dealers in Germany and France.

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.

Business Combinations

Information related to business combinations appears in Note 23 — "Business combinations" 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 $29.8 billion, $18.7 billion and $9.6 billion at December 31, 2011, 2010 and 2009, respectively. Of the total backlog, approximately $4.0 billion, $2.8 billion and $2.5 billion at December 31, 2011, 2010 and 2009, respectively, was not expected to be filled in the following year. In 2011, order backlog increased by approximately $4.1 billion due to the acquisition of Bucyrus. The remaining increase for 2011 compared to 2010 and 2009 year end is primarily due to an increase in volume across most business units.

Dealers and Distributors

Our machines are distributed principally through a worldwide organization of dealers (dealer network), 50 located in the United States and 141 located outside the United States, serving 182 countries and operating 3,504 places of business, including 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 118 distributors located in 183 countries. Most of the electric power generation systems manufactured by F.G. Wilson Engineering Limited (FG Wilson) are sold through its worldwide network of 168 distributors located in 179 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.

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 2011, 2010 and 2009, we spent $2,297 million, $1,905 million and $1,421 million, or 3.8 percent, 4.4 percent, and 4.4 percent of our sales and revenues, respectively, on our research and development programs. Research and development expense is expected to increase about 15 percent in 2012, primarily related to the introduction of products designed to meet applicable emissions requirements.

Employment

As of December 31, 2011, we employed 125,099 persons of whom 71,863 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 53,236 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, 2011, there were 14,367 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 9,684 Caterpillar employees under a six-year central labor agreement that expires on March 1, 2017. The International Association of Machinists (IAM) represents 2,000 employees under labor agreements that will expire on April 30, 2012 and May 17, 2015.

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

Sales outside the United States were 70 percent of consolidated sales for 2011, 68 percent for 2010 and 69 percent for 2009.

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. Compliance with these existing laws has not had a material impact on our capital expenditures, earnings or global competitive position.

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 2 — “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) 244-2080 (outside U.S. or Canada) to request company publications by mail, listen to a summary of Caterpillar's latest financial results and current outlook, or to request a copy of results by 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 may include statements relating to future actions, prospective products, product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, economic conditions, potential returns, financial condition and financial results. Such 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.

The company undertakes 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.

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 and 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. As a result, unanticipated increases in the prices of such commodities would increase our costs more than expected, 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. During the 2008-2009 global economic downturn, we reduced our own production levels and, as a result, our suppliers experienced significant decreases in demand for their products. Since 2010, we have significantly increased production levels and have announced a number of capacity expansion programs. We cannot guarantee that key suppliers will increase production in time to meet growing demand for 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. Our business, competitive position, results of operations or financial condition could be negatively impacted if supply is insufficient for our operations.

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. During the 2008-2009 global economic downturn, financial markets decreased the availability of liquidity, credit and credit capacity for certain issuers, including certain of our customers, dealers and suppliers. Although we generally generate funds from our operations to pay our operating expenses, fund our capital expenditures, 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. 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, the global 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, each of the major credit rating agencies either modified their outlook for the company and Cat Financial or downgraded the rating. While the rating agencies subsequently improved their outlooks to stable, there can be no assurance that Caterpillar's or Cat Financial's credit ratings will not be lowered in the future.

Although the company 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.

Difficult and volatile market conditions may have an adverse effect upon the financial industry in which Cat Financial operates. 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.

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.

Changes in interest rates, foreign currency exchange 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. In addition, because Cat Financial makes a significant number of loans in currencies other than the U.S. dollar, fluctuations in foreign currency exchange rates could also reduce its and our earnings and cash flows. Although Cat Financial manages interest rate, foreign currency exchange 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, currency exchange 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 various 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.

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 propose, adopt and enforce the implementing rules. We are also monitoring other U.S. and international initiatives to further regulate the financial services industry. If the Dodd-Frank rules, as implemented, or other laws or regulations impose significant costs or restrictions on the company or Cat Financial, we could experience an adverse effect on our results of operations and financial condition.

Cat Financial relies on a number of diversified global debt markets and funding programs to provide liquidity for its global operations, including commercial paper, medium term notes, retail notes, variable denomination floating rate demand notes, asset-backed securitizations and bank loans. Significant changes in market liquidity conditions could impact Cat Financial's access to funding, increase the associated funding costs and reduce its and our earnings and cash flows. A large portion of Cat Financial's borrowings have been issued in the medium term note and commercial paper markets. While Cat Financial has maintained access to key global medium term note and commercial paper markets, there can be no assurance that such markets will continue to represent a reliable source of financing for Cat Financial. Should global economic conditions deteriorate or access to debt markets be reduced, Cat Financial could experience materially higher financing costs and become unable to access adequate funding to operate and grow its business and/or meet its debt service obligations as they mature, or it could be required to draw upon contractually committed lending agreements primarily provided by global banks and/or by seeking other funding sources. However, under extreme market conditions, there can be no assurance such agreements and other funding sources would be available or sufficient. Any of these events could negatively impact Cat Financial's business, results of operations and financial condition. The extent of any impact on our ability to meet funding or liquidity needs would depend on several factors, including our operating cash flows, the duration of any future market disruptions, the effects of governmental intervention in the financial markets including the effects of any programs or legislation designed to increase or restrict liquidity for certain areas of the market, general credit conditions, the volatility of equity and debt markets, our credit ratings and credit capacity and the cost of financing and other general economic and business conditions.

Market disruption and volatility may also lead to a number of other risks, including:

- 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.

<u>We engage in acquisitions and divestitures, including the acquisition of Bucyrus; we may not realize all of the anticipated benefits of these transactions or these benefits may take longer to realize than expected.</u>

From time to time we engage in strategic transactions involving risks, including the possible failure to successfully integrate acquired businesses or realize the expected benefits of such transactions. On July 8, 2011, we acquired Bucyrus, and subsequently announced our intention to sell the Bucyrus distribution business to Caterpillar dealers who support mining customers. We are working to integrate the mining businesses of both companies, to transition the Bucyrus distribution business to our dealers and to realize the benefits of this acquisition. We may not receive sufficient proceeds from the sale of the Bucyrus distribution business to offset the sales and service revenues we will forego as a result of this transfer. Even if the mining businesses are successfully integrated and the Bucyrus distribution business is successfully transferred to our dealers, we may not realize the full benefits of the transaction, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. In addition, the integration may result in material unanticipated problems, expenses, liabilities or competitive responses. The risks associated with this acquisition and our other past or future acquisitions include:

- 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;

- The company 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;

- The company may fail to retain, motivate and integrate key management and other employees of the acquired business;

- Higher than expected finance 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

- The company may experience problems in retaining customers and integrating customer bases.

Many of these factors will be outside of the company's 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.

In addition, 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 the company's 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. These divestitures may 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.

Our introduction of Tier 4 emissions compliant machines and engines may not be successful.

Regulatory agencies have adopted new and more stringent emission standards, including EPA Tier 4 Interim and Tier 4 Final nonroad diesel emission requirements and equivalent standards in the EU, Japan and Canada (Tier 4). The first phase of these standards, Tier 4 Interim, applied to the majority of our nonroad machinery and engine products commencing in 2011. We are using certain technology with state of the art integrated systems, as well as the transitional provisions provided by the regulations in order to comply with the Tier 4 emissions requirements.

Our plans to meet Tier 4 emissions requirements are subject to many variables, including the timing of our Tier 4 engine development and new machine product introduction. If we are unable to meet our plans as projected, it could delay or inhibit our ability to continue placing certain products on the market, which could negatively impact our financial results and competitive position. We are incurring research and development costs to design and introduce products to meet Tier 4 requirements. We are including costs associated with Tier 4 development and production in prices of our products. The level of market acceptance of prices for products that meet Tier 4 requirements could negatively impact our financial results and competitive position.

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 manage and 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 quality and competitive products to the marketplace, to adequately protect our intellectual property rights, to supply products that meet applicable regulatory requirements 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 the company's share of industry sales based on our ability to compete with others in the marketplace. The company competes 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 the company's 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 have announced a number of capacity expansion projects to meet growing demand and to expand our share of industry sales. There can be no assurance that the benefits expected from these projects will be realized as anticipated or at all. 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 sourcing practices of our dealers and our OEM customers.

We sell finished products through an independent dealer network and directly to OEMs. Both carry inventories of finished products as part of ongoing operations and adjust those inventories based on their assessments of future needs. Such adjustments can impact our results either positively or negatively. In particular, 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. While we believe we are in compliance in all material respects with these environmental laws and regulations, 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.

In particular, 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, and our domestic and international tax liabilities are dependent upon the distribution of income 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 and 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 audits and examinations 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 (i) our commercial paper program and (ii) 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.

Although we do not believe any of these covenants presently materially restrict our operations, 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 employee relations issues 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. Any such work stoppages (or potential work stoppages) 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 the company. However, should legislation or regulations be adopted imposing significant operational restrictions and compliance requirements upon us or our products, they could negatively impact the company's 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 accounting guidance setters 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 IT security threats and more sophisticated computer crime pose a risk to our systems, networks, products and services.

We rely upon IT systems and networks in connection with a variety of business activities, and we collect and store sensitive data. Increased IT security threats and more sophisticated computer crime, including advanced persistent threats, pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. A failure of or breach in security could expose the company and our customers, dealers and suppliers to risks of misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions, which in turn 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 as of December 31, 2011.

None.

Item 1C. Executive Officers of the Registrant as of December 31, 2011.

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 (58) ..	Chairman and Chief Executive Officer (2010)	Group President (2001-2010)
Richard P. Lavin (59)	Group President (2007)	Vice President (2004-2007)
Stuart L. Levenick (58)	Group President (2004)	
Edward J. Rapp (54)	Group President (2007) and Chief Financial Officer (2010)	Vice President (2000-2007)
Gerard R. Vittecoq (63)	Group President (2004)	
Steven H. Wunning (60)	Group President (2004)	
James B. Buda (64)	Senior Vice President and Chief Legal Officer (2010)	Vice President, General Counsel and Secretary (2001-2010)
Jananne A. Copeland (49)	Chief Accounting Officer and Corporate Controller (2010)	Corporate Financial Reporting Manager, Global Finance & Strategic Support Division (2006–2007) Chief Accounting Officer (2007)

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 All Other segments 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 All Other segments. 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; Hong Kong, 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 All Other segments in our financial statements. We operate parts distribution centers for our parts in the following locations: Morton, Illinois; Hayward, California; Ontario, 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 and Johannesburg, South Africa.

Cat Logistics distributes other companies' products, using both Caterpillar and non-Caterpillar facilities located both inside and outside the United States. We also own or lease other storage facilities that support distribution activities.

Components, Remanufacturing and Overhaul

Component manufacturing and the remanufacturing and overhaul of our products that is reported in All Other segments 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; Grenoble, France; Bazzano, Italy; Castlevetro, 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, overhaul 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	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: Wuxi, Xuzhou 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 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 China: Shunde, Tianjin, Wuxi Canada: London Germany: Kiel, Mannheim, Rostock India: Hosur, Pondicherry Mexico: San Luis Potosi, Tijuana Switzerland: Riazzino United Kingdom: Larne, Monkstown, Peterborough, Shoreham, Stafford, Wimborne

Item 3. Legal Proceedings.

We have disclosed certain individual legal proceedings in this filing. Additionally, we are involved in other 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.

On May 14, 2007, the EPA issued a Notice of Violation to Caterpillar Inc., alleging various violations of Clean Air Act Sections 203, 206 and 207. EPA claims that Caterpillar violated such sections by shipping engines and catalytic converter after-treatment devices separately, introducing into commerce a number of uncertified and/or misbuilt engines, and failing to timely report emissions-related defects. On July 9, 2010, the Department of Justice issued a penalty demand to Caterpillar seeking a civil penalty of $3.2 million and implementation of injunctive relief involving expanded use of certain technologies. On July 28, 2011, EPA and the U.S. Department of Justice filed and lodged a civil complaint and consent decree with the U.S. District Court for the District of Columbia (Court) regarding the matter. Caterpillar has agreed to the terms of the consent decree, which require payment of a civil penalty of $2.55 million, retirement of a small number of emissions credits and expanded defect-related reporting. On September 7, 2011, the Court entered the consent decree, making it effective on that date, and Caterpillar has paid the penalty due to the United States in accordance with the decree terms. Under the terms of the consent decree, and subject to a settlement agreement, $510,000 of the stipulated $2.55 million penalty will be paid to the California Air Resources Board relating to engines covered by the consent decree that were placed into service in California.

In May 2010, an incident at Caterpillar's Gosselies, Belgium facility resulted in the release of wastewater into the Perupont River. In coordination with local authorities, appropriate remediation measures have been taken. In January 2011, Caterpillar learned that the public prosecutor for the Belgian administrative district of Charleroi had referred the matter to an examining magistrate of the civil court of Charleroi for further investigation. Caterpillar cooperated fully with the Belgian authorities on this investigation. Caterpillar understands that this investigation is complete, that no proceeding was initiated, and that no further action is contemplated.

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, 2011" 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 31 employee stock purchase plans administered outside the United States for our non-U.S. employees. As of December 31, 2011, those plans had approximately 12,700 participants in the aggregate. During the fourth quarter of 2011, approximately 150,000 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 2011.

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, 2011	-	-	N/A	N/A
November 1-30, 2011	14,284	86.45	N/A	N/A
December 1-31, 2011	1,743	96.76	N/A	N/A
Total	16,027	$ 87.57		

(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

Under the supervision and with the participation of our chief executive officer and our chief financial officer, our management conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were 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 is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Exchange Act Rule 13a-15(f). 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, 2011. 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, 2011, the company's internal control over financial reporting was effective based on those criteria.

Management has excluded Bucyrus International, Inc. (Bucyrus) and MWM Holding GmbH (MWM) from our assessment of internal control over financial reporting as of December 31, 2011 because we acquired Bucyrus in July 2011 and MWM in October 2011. Bucyrus and MWM are wholly owned subsidiaries of Caterpillar Inc. whose combined total assets and total revenues represent approximately 17% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

The effectiveness of the company's internal control over financial reporting as of December 31, 2011 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.

In October 2011, we acquired 100 percent of the equity in MWM. 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 MWM from its annual assessment of the effectiveness of the company's internal control over financial reporting (Section 404 of the Sarbanes-Oxley Act) for 2011. This exclusion is in accordance with the general guidance issued by the SEC 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 consolidation.

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 2012 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 2012 Proxy Statement.

Audit Committee Financial Expert

Information required by this Item is incorporated by reference from the 2012 Proxy Statement.

Identification of Audit Committee

Information required by this Item is incorporated by reference from the 2012 Proxy Statement.

Stockholder Recommendation of Board Nominees

Information required by this Item is incorporated by reference from the 2012 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 2012 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 2012 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 2012 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, 2011)

Plan category	(a) Number of securities to be issued upon 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	55,222,273	$ 53.0076	23,788,639
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	55,222,273	$ 53.0076	23,788,639

(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 2012 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information required by this Item is incorporated by reference from the 2012 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 Financial Position
- Statement 3 - Changes in Consolidated Stockholders' Equity
- Statement 4 - 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 (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2010).

3.2 Bylaws amended and restated as of December 8, 2010 (incorporated by reference from Exhibit 3.2 to the 2010 Form 10-K).

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 Floating Rate Senior Note due 2012 (incorporated by reference from Exhibit 4.1 to Form 8-K filed May 26, 2011).

4.8 Form of Floating Rate Senior Note due 2013 (incorporated by reference from Exhibit 4.2 to Form 8-K filed May 26, 2011).

4.9 Form of 1.375% Senior Note due 2014 (incorporated by reference from Exhibit 4.3 to Form 8-K filed May 26, 2011).

4.10 Form of 3.900% Senior Note due 2021 (incorporated by reference from Exhibit 4.4 to Form 8-K filed May 26, 2011).

4.11 Form of 5.200% Senior Note due 2041 (incorporated by reference from Exhibit 4.5 to Form 8-K filed May 26, 2011).

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.*

10.4 Terms Applicable to Awards of Stock Appreciation Rights pursuant to the 2006 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.2 to Form 10-Q filed for the quarter ended March 31, 2011).*

10.5 Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan), as amended and restated through first amendment dated November 1, 2010 (incorporated by reference from Exhibit 10.5 to the 2010 Form 10-K).*

10.6 Caterpillar Inc. Supplemental Employees' Investment Plan, as amended and restated through first amendment dated May 15, 2009 (incorporated by reference from Exhibit 10.4 to the 2009 Form 10-K).*

10.7 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).*

10.8 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).*

10.9 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).*

10.10 Caterpillar Inc. Deferred Employees' Investment Plan, as amended and restated through first amendment dated May 15, 2009 (incorporated by reference from Exhibit 10.8 to the 2009 Form 10-K).*

10.11 Caterpillar Inc. Supplemental Deferred Compensation Plan as amended and restated generally effective as of January 1, 2011 by a document dated October 18, 2010 (incorporated by reference from Exhibit 10.11 to 2010 Form 10-K).*

10.12 Solar Turbines Incorporated Managerial Retirement Objective Plan, as amended through second amendment dated November 4, 2010.*

10.13 Solar Turbines Incorporated Pension Plan for European Foreign Service Employees, as amended through first amendment dated May 10, 2011.*

10.14 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).*

10.15 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).

10.16 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).

10.17 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).

10.18 Credit Agreement (Four-Year Facility) dated as of September 16, 2010 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 21, 2010).

10.19 Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.5 to Form 8-K filed September 21, 2010).

10.20 Japan Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.6 to Form 8-K filed September 21, 2010).

10.21	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)
10.22	Credit Agreement (364-Day 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 99.1 to Form 8-K filed September 16, 2011).
10.23	Local Currency Addendum to the 364-Day Facility (incorporated by reference from Exhibit 99.2 to Form 8-K filed September 16, 2011).
10.24	Japan Local Currency Addendum to the 364-Day Facility (incorporated by reference from Exhibit 99.3 to Form 8-K filed September 16, 2011).
11	Computations of Earnings per Share.
12	Computation of Ratios of Earnings to Fixed Charges.
13	General and Financial Information for 2011 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 Edward J. Rapp, Group President and Chief Financial Officer of Caterpillar Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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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 company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CATERPILLAR INC.
(Registrant)

February 21, 2012 By: */s/ James B. Buda*
James B. Buda, Senior Vice President and Chief Legal Officer

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 21, 2012	*/s/ Douglas R. Oberhelman* (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer
February 21, 2012	*/s/ Richard P. Lavin* (Richard P. Lavin)	Group President
February 21, 2012	*/s/ Stuart L. Levenick* (Stuart L. Levenick)	Group President
February 21, 2012	*/s/ Edward J. Rapp* (Edward J. Rapp)	Group President and Chief Financial Officer
February 21, 2012	*/s/ Gerard R. Vittecoq* (Gerard R. Vittecoq)	Group President
February 21, 2012	*/s/ Steven H. Wunning* (Steven H. Wunning)	Group President
February 21, 2012	*/s/ Jananne A. Copeland* (Jananne A. Copeland)	Chief Accounting Officer and Corporate Controller
February 21, 2012	*/s/ David L. Calhoun* (David L. Calhoun)	Director
February 21, 2012	*/s/ Daniel M. Dickinson* (Daniel M. Dickinson)	Director
February 21, 2012	*/s/ Eugene V. Fife* (Eugene V. Fife)	Director

February 21, 2012	*/s/ Juan Gallardo* (Juan Gallardo)	Director
February 21, 2012	*/s/ David R. Goode* (David R. Goode)	Director
February 21, 2012	*/s/ Jesse J. Greene, Jr.* (Jesse J. Greene, Jr.)	Director
February 21, 2012	*/s/ Peter A. Magowan* (Peter A. Magowan)	Director
February 21, 2012	*/s/ Dennis A. Muilenburg* (Dennis A. Muilenburg)	Director
February 21, 2012	*/s/ William A. Osborn* (William A. Osborn)	Director
February 21, 2012	*/s/ Charles D. Powell* (Charles D. Powell)	Director
February 21, 2012	*/s/ Edward B. Rust, Jr.* (Edward B. Rust, Jr.)	Director
February 21, 2012	*/s/ Susan C. Schwab* (Susan C. Schwab)	Director
February 21, 2012	*/s/ Joshua I. Smith* (Joshua I. Smith)	Director
February 21, 2012	*/s/ Miles D. White* (Miles D. White)	Director

Form 10-K

EXHIBIT INDEX

3.1	Restated Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2010).
3.2	Bylaws amended and restated as of December 8, 2010 (incorporated by reference from Exhibit 3.2 to the 2010 Form 10-K).
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 Floating Rate Senior Note due 2012 (incorporated by reference from Exhibit 4.1 to Form 8-K filed May 26, 2011).
4.8	Form of Floating Rate Senior Note due 2013 (incorporated by reference from Exhibit 4.2 to Form 8-K filed May 26, 2011).
4.9	Form of 1.375% Senior Note due 2014 (incorporated by reference from Exhibit 4.3 to Form 8-K filed May 26, 2011).
4.10	Form of 3.900% Senior Note due 2021 (incorporated by reference from Exhibit 4.4 to Form 8-K filed May 26, 2011).
4.11	Form of 5.200% Senior Note due 2041 (incorporated by reference from Exhibit 4.5 to Form 8-K filed May 26, 2011).
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.*
10.4	Terms Applicable to Awards of Stock Appreciation Rights pursuant to the 2006 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.2 to Form 10-Q filed for the quarter ended March 31, 2011).*
10.5	Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan), as amended and restated through first amendment dated November 1, 2010 (incorporated by reference from Exhibit 10.5 to the 2010 Form 10-K).*
10.6	Caterpillar Inc. Supplemental Employees' Investment Plan, as amended and restated through first amendment dated May 15, 2009 (incorporated by reference from Exhibit 10.4 to the 2009 Form 10-K).*
10.7	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).*
10.8	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).*
10.9	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).*

10.10	Caterpillar Inc. Deferred Employees' Investment Plan, as amended and restated through first amendment dated May 15, 2009 (incorporated by reference from Exhibit 10.8 to the 2009 Form 10-K).*
10.11	Caterpillar Inc. Supplemental Deferred Compensation Plan as amended and restated generally effective as of January 1, 2011 by a document dated October 18, 2010 (incorporated by reference from Exhibit 10.11 to 2010 Form 10-K).*
10.12	Solar Turbines Incorporated Managerial Retirement Objective Plan, as amended through second amendment dated November 4, 2010.*
10.13	Solar Turbines Incorporated Pension Plan for European Foreign Service Employees, as amended through first amendment dated May 10, 2011.*
10.14	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).*
10.15	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).
10.16	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).
10.17	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).
10.18	Credit Agreement (Four-Year Facility) dated as of September 16, 2010 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 21, 2010).
10.19	Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.5 to Form 8-K filed September 21, 2010).
10.20	Japan Local Currency Addendum to the Four-Year Facility (incorporated by reference from Exhibit 99.6 to Form 8-K filed September 21, 2010).
10.21	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)
10.22	Credit Agreement (364-Day 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 99.1 to Form 8-K filed September 16, 2011).
10.23	Local Currency Addendum to the 364-Day Facility (incorporated by reference from Exhibit 99.2 to Form 8-K filed September 16, 2011).
10.24	Japan Local Currency Addendum to the 364-Day Facility (incorporated by reference from Exhibit 99.3 to Form 8-K filed September 16, 2011).
11	Computations of Earnings per Share.
12	Computation of Ratios of Earnings to Fixed Charges.
13	General and Financial Information for 2011 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.
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Caterpillar Inc.
2006 Long-Term Incentive Plan
Restricted Stock Units
Chairman's Award Program

If you were awarded restricted stock units ("RSUs") on [INSERT DATE] (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 your award (the "RSU Award").

Vesting

The RSU Award is subject to a five-year vesting schedule. One-third of the RSU Award will vest on the third anniversary of the Grant Date, the next third of the RSU Award will vest on the fourth anniversary of the Grant Date, and the final one-third of the RSU Award will vest on the fifth anniversary of the Grant Date. If you terminate employment for any reason other than disability, death or in connection with a change of control (as described more fully below) prior to the date the RSU Award becomes fully vested, the non-vested RSUs will be forfeited. For example, if you quit or retire after the third anniversary of the Grant Date but prior to the fourth anniversary of the Grant Date, you will forfeit two-thirds of the RSU Award.

Upon vesting, you will receive unrestricted shares of common stock of Caterpillar Inc. (the "Company") equal to the number of RSUs that vested, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements.

Voting Rights

You are not entitled to any voting rights with respect to the RSUs. When the RSUs vest and shares are actually issued, you then will have the same voting rights with respect to those shares as any other holder of common stock of the Company.

Dividends and Other Distributions

You will not receive dividends or any other distributions (*e.g.,* dividend equivalents) with respect to the RSUs. When the RSUs vest and shares are actually issued, you then will have the same dividend rights with respect to those shares as any other holder of common stock of the Company.

Termination of Employment

Your termination of employment with the Company and its subsidiaries will impact the non-vested portion of the RSU Award as follows:

- **Disability**
  If your employment with the Company and/or any subsidiary or affiliate terminates by reason of disability, your non-vested RSUs will become fully vested and shares of Company common stock will be issued to you as soon as administratively feasible following: (1) the date the RSUs would have otherwise vested had you remained employed (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.

- **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 feasible following the date of your death but in no event later than March 15th 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 and your employment is terminated without cause or for good reason within 12 months of such change of control, your non-vested RSUs will become fully vested and shares of Company common stock will be issued to you as soon as administratively feasible 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.

- **Other**
  If your employment with the Company and/or any subsidiary or affiliate terminates for any reason other than disability, death or in connection with a change of control, all non-vested 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 benefits under the Plan will be paid upon your death. If you do not designate a beneficiary, any 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 Company 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 Company.

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.

Compliance with Securities Laws

The Company will take steps required to achieve compliance with all applicable U.S. federal and state securities laws (and others, including registration requirements) and with the rules and practices of the stock exchanges upon which the stock of the Company is listed. 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 impact the coverage of or the amount of any other employee benefit plans in which you participate that are sponsored by the Company or 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 Web site at Cat@work under the Compensation + Benefits tab. If you have any questions regarding your RSU Award, please contact the Director of Compensation + Benefits.

EXHIBIT 10.12

SOLAR TURBINES INCORPORATED
MANAGERIAL RETIREMENT
OBJECTIVE PLAN

(As Amended Through January 1, 2011)

Table of Contents

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.

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. The Company shall have the right at any time to amend, in whole or in part, any or all of the provisions of this Plan by action of the Board of Directors 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. 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.

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).

EXHIBIT 10.13

Solar Turbines Incorporated Pension Plan

For

European Foreign Service Employees

As Amended Through January 1, 2011

<u>TABLE OF CONTENTS</u>

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.

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 <u>not</u> 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 The Company reserves the right at any time, and from time to time, to modify or amend, in whole or in part, any or all of the provisions of the Plan. 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 intends to continue the Plan indefinitely, nevertheless it assumes no contractual obligation as to its continuance and the Company 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.

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)

	2011	2010	2009
Profit for the period (A):[1]	$ 4,928	$ 2,700	$ 895
Determination of shares (in millions):			
Weighted average number of common shares outstanding (B)	645.0	631.5	615.2
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	21.1	18.9	10.8
Average common shares outstanding for fully diluted computation (C)	666.1	650.4	626.0
Profit per share of common stock:			
Assuming no dilution (A/B)	$ 7.64	$ 4.28	$ 1.45
Assuming full dilution (A/C)	$ 7.40	$ 4.15	$ 1.43
Shares outstanding as of December 31 (in millions)	647.5	638.8	624.7

[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,

	2011	2010	2009	2008	2007
Earnings [(1)]	$ 6,725	$ 3,750	$ 569	$ 4,501	$ 4,990
Plus: Interest expense	1,222	1,257	1,434	1,427	1,420
One-third of rental expense [(2)]	143	120	127	133	119
Adjusted Earnings	8,090	5,127	2,130	6,061	6,529
Fixed charges:					
Interest expense [(3)]	1,222	1,257	1,434	1,427	1,420
Capitalized interest	18	26	25	27	15
One-third of rental expense [(2)]	143	120	127	133	119
Total fixed charges	$ 1,383	$ 1,403	$ 1,586	$ 1,587	$ 1,554
Ratio of earnings to fixed charges	5.8	3.7	1.3	3.8	4.2

(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
2011

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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 under Exchange Act Rule 13a-15(f). 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, 2011. 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, 2011, the company's internal control over financial reporting was effective based on those criteria.

Management has excluded Bucyrus International, Inc. (Bucyrus) and MWM Holding GmbH (MWM) from our assessment of internal control over financial reporting as of December 31, 2011 because we acquired Bucyrus in July 2011 and MWM in October 2011. Bucyrus and MWM are wholly owned subsidiaries of Caterpillar Inc. whose combined total assets and total revenues represent approximately 17% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

The effectiveness of the company's internal control over financial reporting as of December 31, 2011 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/ Edward J. Rapp
Edward J. Rapp
Group President
and Chief Financial Officer

February 21, 2012

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, changes in stockholders' equity, and of cash flow, including pages A-5 through A-80 present fairly, in all material respects, the financial position of Caterpillar Inc. and its subsidiaries at December 31, 2011, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 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, 2011, 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 Bucyrus International, Inc. (Bucyrus) and MWM Holding GmbH (MWM) from its assessment of internal control over financial reporting as of December 31, 2011 because Bucyrus and MWM were acquired by the Company in July 2011 and October 2011, respectively. We have also excluded Bucyrus and MWM from our audit of internal control over financial reporting. Bucyrus and MWM are wholly owned subsidiaries of Caterpillar Inc. whose combined total assets and total revenues represent approximately 17% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP

Peoria, Illinois
February 21, 2012

STATEMENT 1 **Caterpillar Inc.**

Consolidated Results of Operations for the Years Ended December 31

(Dollars in millions except per share data)

	2011	2010	2009
Sales and revenues:			
Sales of Machinery and Power Systems	**$57,392**	$39,867	$29,540
Revenues of Financial Products	**2,746**	2,721	2,856
Total sales and revenues	**60,138**	42,588	32,396
Operating costs:			
Cost of goods sold	**43,578**	30,367	23,886
Selling, general and administrative expenses	**5,203**	4,248	3,645
Research and development expenses	**2,297**	1,905	1,421
Interest expense of Financial Products	**826**	914	1,045
Other operating (income) expenses	**1,081**	1,191	1,822
Total operating costs	**52,985**	38,625	31,819
Operating profit	**7,153**	3,963	577
Interest expense excluding Financial Products	**396**	343	389
Other income (expense)	**(32)**	130	381
Consolidated profit before taxes	**6,725**	3,750	569
Provision (benefit) for income taxes	**1,720**	968	(270)
Profit of consolidated companies	**5,005**	2,782	839
Equity in profit (loss) of unconsolidated affiliated companies	**(24)**	(24)	(12)
Profit of consolidated and affiliated companies	**4,981**	2,758	827
Less: Profit (loss) attributable to noncontrolling interests	**53**	58	(68)
Profit[1]	**$4,928**	$2,700	$895
Profit per common share	**$7.64**	$4.28	$1.45
Profit per common share – diluted [2]	**$7.40**	$4.15	$1.43
Weighted-average common shares outstanding (millions)			
- Basic	**645.0**	631.5	615.2
- Diluted [2]	**666.1**	650.4	626.0
Cash dividends declared per common share	**$1.82**	$1.74	$1.68

[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 Financial Position at December 31

(Dollars in millions)

	2011	2010	2009
Assets			
Current assets:			
Cash and short-term investments	**$3,057**	$3,592	$4,867
Receivables - trade and other	**10,285**	8,494	5,611
Receivables - finance	**7,668**	8,298	8,301
Deferred and refundable income taxes	**1,580**	931	1,216
Prepaid expenses and other current assets	**994**	908	862
Inventories	**14,544**	9,587	6,360
Total current assets	**38,128**	31,810	27,217
Property, plant and equipment - net	**14,395**	12,539	12,386
Long-term receivables - trade and other	**1,130**	793	971
Long-term receivables - finance	**11,948**	11,264	12,279
Investments in unconsolidated affiliated companies	**133**	164	105
Noncurrent deferred and refundable income taxes	**2,157**	2,493	2,714
Intangible assets	**4,368**	805	465
Goodwill	**7,080**	2,614	2,269
Other assets	**2,107**	1,538	1,632
Total assets	**$81,446**	$64,020	$60,038
Liabilities			
Current liabilities:			
Short-term borrowings:			
Machinery and Power Systems	**$93**	$204	$433
Financial Products	**3,895**	3,852	3,650
Accounts payable	**8,161**	5,856	2,993
Accrued expenses	**3,386**	2,880	2,641
Accrued wages, salaries and employee benefits	**2,410**	1,670	797
Customer advances	**2,691**	1,831	1,217
Dividends payable	**298**	281	262
Other current liabilities	**1,967**	1,521	1,281
Long-term debt due within one year:			
Machinery and Power Systems	**558**	495	302
Financial Products	**5,102**	3,430	5,399
Total current liabilities	**28,561**	22,020	18,975
Long-term debt due after one year:			
Machinery and Power Systems	**8,415**	4,505	5,652
Financial Products	**16,529**	15,932	16,195
Liability for postemployment benefits	**10,956**	7,584	7,420
Other liabilities	**3,583**	2,654	2,496
Total liabilities	**68,044**	52,695	50,738
Commitments and contingencies (Notes 20 and 21)			
Redeemable noncontrolling interest (Note 24)	**473**	461	477
Stockholders' equity			
Common stock of $1.00 par:			
Authorized shares: 2,000,000,000			
Issued shares: (2011, 2010 and 2009 – 814,894,624) at paid-in amount	**4,273**	3,888	3,439
Treasury stock: (2011 – 167,361,280 shares; 2010 – 176,071,910 shares; and 2009 – 190,171,905 shares) at cost	**(10,281)**	(10,397)	(10,646)
Profit employed in the business	**25,219**	21,384	19,711
Accumulated other comprehensive income (loss)	**(6,328)**	(4,051)	(3,764)
Noncontrolling interests	**46**	40	83
Total stockholders' equity	**12,929**	10,864	8,823
Total liabilities, redeemable noncontrolling interest and stockholders' equity	**$81,446**	$64,020	$60,038

See accompanying notes to Consolidated Financial Statements.

STATEMENT 3 **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	Comprehensive income (loss)
Balance at January 1, 2009	**$3,057**	**$(11,217)**	**$19,826**	**$(5,579)**	**$103**	**$6,190**	
Profit of consolidated and affiliated companies	—	—	895	—	(68)	827	$827
Foreign currency translation, net of tax of $37	—	—	—	342	21	363	363
Pension and other postretirement benefits							
Current year actuarial gain (loss), net of tax of $401	—	—	—	924	1	925	925
Amortization of actuarial (gain) loss, net of tax of $113	—	—	—	187	—	187	187
Current year prior service credit (cost), net of tax of $249	—	—	—	300	—	300	300
Amortization of prior service (credit) cost, net of tax of $8	—	—	—	(2)	—	(2)	(2)
Amortization of transition (asset) obligation, net of tax of $1	—	—	—	1	—	1	1
Derivative financial instruments							
Gains (losses) deferred, net of tax of $16	—	—	—	19	—	19	19
(Gains) losses reclassified to earnings, net of tax of $36	—	—	—	(54)	(2)	(56)	(56)
Retained interests							
Gains (losses) deferred, net of tax of $9 [4]	—	—	—	(16)	—	(16)	(16)
(Gains) losses reclassified to earnings, net of tax of $11	—	—	—	20	—	20	20
Available-for-sale securities							
Gains (losses) deferred, net of tax of $47	—	—	—	86	—	86	86
(Gains) losses reclassified to earnings, net of tax of $5	—	—	—	8	—	8	8
Dividends declared	—	—	(1,038)	—	—	(1,038)	—
Distributions to noncontrolling interests	—	—	—	—	(10)	(10)	—
Change in ownership for noncontrolling interests	(3)	—	—	—	(15)	(18)	—
Common shares issued from treasury stock for stock-based compensation: 3,571,268	(14)	103	—	—	—	89	—
Common shares issued from treasury stock for benefit plans: 19,624,810 [1]	250	468	—	—	—	718	—
Stock-based compensation expense	132	—	—	—	—	132	—
Net excess tax benefits from stock-based compensation	17	—	—	—	—	17	—
Cat Japan share redemption [3]	—	—	28	—	53	81	—
Balance at December 31, 2009	**$3,439**	**$(10,646)**	**$19,711**	**$(3,764)**	**$83**	**$8,823**	**$2,662**
Adjustment to adopt consolidation of variable interest entities[2]	**—**	**—**	**(6)**	**3**	**—**	**(3)**	
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	$2,758
Foreign currency translation, net of tax of $73	—	—	—	(52)	18	(34)	(34)
Pension and other postretirement benefits							
Current year actuarial gain (loss), net of tax of $214	—	—	—	(539)	(1)	(540)	(540)
Amortization of actuarial (gain) loss, net of tax of $173	—	—	—	307	3	310	310
Current year prior service credit (cost), net of tax of $3	—	—	—	(8)	—	(8)	(8)
Amortization of prior service (credit) cost, net of tax of $12	—	—	—	(17)	—	(17)	(17)
Amortization of transition (asset) obligation, net of tax of $1	—	—	—	1	—	1	1
Derivative financial instruments							
Gains (losses) deferred, net of tax of $29	—	—	—	(50)	—	(50)	(50)
(Gains) losses reclassified to earnings, net of tax of $18	—	—	—	35	—	35	35
Available-for-sale securities							
Gains (losses) deferred, net of tax of $25	—	—	—	37	—	37	37
(Gains) losses reclassified to earnings, net of tax of $2	—	—	—	(4)	—	(4)	(4)
Dividends declared	—	—	(1,103)	—	—	(1,103)	—
Change in ownership for noncontrolling interests	(69)	—	—	—	(66)	(135)	—
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 [3]	—	—	82	—	(55)	27	—
Balance at December 31, 2010	**$3,888**	**$(10,397)**	**$21,384**	**$(4,051)**	**$40**	**$10,864**	**$2,488**

(Continued)

STATEMENT 3 **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	Comprehensive income (loss)
Balance at December 31, 2010	**$3,888**	**$(10,397)**	**$21,384**	**$(4,051)**	**$40**	**$10,864**	
Profit (loss) of consolidated and affiliated companies	—	—	4,928	—	53	4,981	$4,981
Foreign currency translation, net of tax of $3	—	—	—	(345)	33	(312)	(312)
Pension and other postretirement benefits							
Current year actuarial gain (loss), net of tax of $1,276	—	—	—	(2,358)	(6)	(2,364)	(2,364)
Amortization of actuarial (gain) loss, net of tax of $221	—	—	—	410	2	412	412
Current year prior service credit (cost), net of tax of $51	—	—	—	95	—	95	95
Amortization of prior service (credit) cost, net of tax of $11	—	—	—	(21)	—	(21)	(21)
Amortization of transition (asset) obligation, net of tax of $1	—	—	—	1	—	1	1
Derivative financial instruments							
Gains (losses) deferred, net of tax of $12	—	—	—	(21)	—	(21)	(21)
(Gains) losses reclassified to earnings, net of tax of $21	—	—	—	(34)	—	(34)	(34)
Available-for-sale securities							
Gains (losses) deferred, net of tax of $2	—	—	—	(5)	—	(5)	(5)
(Gains) losses reclassified to earnings, net of tax of $1	—	—	—	1	—	1	1
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[3]	—	—	83	—	(66)	17	—
Balance at December 31, 2011	**$4,273**	**$(10,281)**	**$25,219**	**$(6,328)**	**$46**	**$12,929**	**$2,733**

1 See Note 12 regarding shares issued for benefit plans.

2 See Note 6 for additional information.

3 See Note 24 regarding the Cat Japan share redemption.

4 Includes noncredit component of other-than-temporary impairment losses on retained interests of $(8) million, net of tax of $4 million, for the twelve months ended December 31, 2009. See Note 6 and 17 for additional information.

See accompanying notes to Consolidated Financial Statements.

STATEMENT 4 **Caterpillar Inc.**

Consolidated Statement of Cash Flow for the Years Ended December 31

(Millions of dollars)

	2011	2010	2009
Cash flow from operating activities:			
Profit of consolidated and affiliated companies	**$4,981**	$2,758	$827
Adjustments for non-cash items:			
Depreciation and amortization	**2,527**	2,296	2,336
Other	**457**	469	137
Changes in assets and liabilities, net of acquisitions and divestitures:			
Receivables - trade and other	**(1,345)**	(2,320)	4,014
Inventories	**(2,927)**	(2,667)	2,501
Accounts payable	**1,555**	2,570	(1,878)
Accrued expenses	**308**	117	(505)
Accrued wages, salaries and employee benefits	**619**	847	(534)
Customer advances	**173**	604	(646)
Other assets - net	**(91)**	358	235
Other liabilities - net	**753**	(23)	12
Net cash provided by (used for) operating activities	**7,010**	5,009	6,499
Cash flow from investing activities:			
Capital expenditures - excluding equipment leased to others	**(2,515)**	(1,575)	(1,504)
Expenditures for equipment leased to others	**(1,409)**	(1,011)	(968)
Proceeds from disposals of leased assets and property, plant and equipment	**1,354**	1,469	1,242
Additions to finance receivables	**(10,001)**	(8,498)	(7,107)
Collections of finance receivables	**8,874**	8,987	9,288
Proceeds from sale of finance receivables	**207**	16	100
Investments and acquisitions (net of cash acquired)	**(8,184)**	(1,126)	(19)
Proceeds from sale of businesses and investments (net of cash sold)	**376**	—	—
Proceeds from sale of available-for-sale securities	**247**	228	291
Investments in available-for-sale securities	**(336)**	(217)	(349)
Other - net	**(40)**	132	(128)
Net cash provided by (used for) investing activities	**(11,427)**	(1,595)	846
Cash flow from financing activities:			
Dividends paid	**(1,159)**	(1,084)	(1,029)
Distribution to noncontrolling interests	**(3)**	—	(10)
Common stock issued, including treasury shares reissued	**123**	296	89
Excess tax benefit from stock-based compensation	**189**	153	21
Acquisitions of noncontrolling interests	**(8)**	(132)	(6)
Proceeds from debt issued (original maturities greater than three months):			
- Machinery and Power Systems	**4,587**	216	458
- Financial Products	**10,873**	8,108	11,833
Payments on debt (original maturities greater than three months):			
- Machinery and Power Systems	**(2,269)**	(1,298)	(918)
- Financial Products	**(8,324)**	(11,163)	(11,769)
Short-term borrowings - net (original maturities three months or less)	**(43)**	291	(3,884)
Net cash provided by (used for) financing activities	**3,966**	(4,613)	(5,215)
Effect of exchange rate changes on cash	**(84)**	(76)	1
Increase (decrease) in cash and short-term investments	**(535)**	(1,275)	2,131
Cash and short-term investments at beginning of period	**3,592**	4,867	2,736
Cash and short-term investments at end of period	**$3,057**	$3,592	$4,867

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 and 2009, we contributed 1.5 million and 19.6 million shares of company stock with a fair value of $94 million and $718 million, respectively, to our U.S. benefit plans. See Note 12 for further discussion.

See accompanying 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 2009 and 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), 50 located in the United States and 141 located outside the United States. Worldwide, these dealers serve 182 countries and operate 3,504 places of business, including 1,332 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 118 distributors located in 183 countries. The FG Wilson branded electric power generation systems are sold through a worldwide network of 168 distributors located in 179 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. Financial Products activity is conducted primarily 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. We adopted the consolidation of variable interest entities guidance issued in June 2009 effective January 1, 2010. See Note 1K for additional information.

Investments in companies that are owned 20% to 50% or are less than 20% 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 2 include core to be returned for remanufacturing, prepaid rent, prepaid insurance, assets held for sale 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 2. In addition, the core to be returned is recognized as an asset in Prepaid expenses and other current assets in Statement 2 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. In 2011, terms were extended to not more than one year for $341 million of receivables, which represents less than 1% of consolidated sales. In 2010, terms were extended to not more than one year for $221 million of receivables, which represents less than 1% of consolidated sales. In 2009, terms were extended to not more than one year for $312 million of receivables which represents approximately 1% of consolidated sales.

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.

- 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. Accrual is resumed, and previously suspended income is recognized, when the receivable becomes contractually current and/or collection doubts are removed. Cat Financial provides wholesale inventory financing to dealers. 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 65% of total inventories at December 31, 2011, and about 70% of total inventories at December 31, 2010 and 2009.

If the FIFO (first-in, first-out) method had been in use, inventories would have been $2,422 million, $2,575 million and $3,022 million higher than reported at December 31, 2011, 2010 and 2009, respectively.

E. Securitized receivables

Cat Financial periodically transfers certain finance receivables relating to retail installment sale contracts and finance leases to special purpose entities (SPEs) as part of their asset-backed securitization program. When finance receivables are securitized, Cat Financial retains interests in the receivables in the form of subordinated certificates, an interest in future cash flows (excess), reserve accounts and servicing rights. In accordance with the consolidation accounting guidance adopted January 1, 2010, these SPEs were concluded to be VIEs. Cat Financial determined that it was the primary beneficiary based on its power to direct activities through its role as servicer and its obligation to absorb losses and right to receive benefits and therefore consolidated the entities using the carrying amounts of the SPEs' assets and liabilities. Prior to January 1, 2010, the retained interests were recorded in Other assets at fair value. Cat Financial estimated fair value and cash flows using a valuation model and key assumptions for credit losses, prepayment rates and discount rates. See Note 6 and Note 17 for more information.

F. 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 2011, 2010 and 2009, Cat Financial depreciation on equipment leased to others was $690 million, $690 million and $713 million, respectively, and was included in Other operating (income) expenses in Statement 1. In 2011, 2010 and 2009, consolidated depreciation expense was $2,211 million, $2,202 million and $2,254 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.

G. 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 2.

H. 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, commodity price and Caterpillar stock price exposures and not for the purpose of creating speculative positions. Derivatives that we use are primarily foreign currency forward and option contracts, interest rate swaps, commodity forward and option contracts and stock repurchase contracts. All derivatives are recorded at fair value. See Note 3 for more information.

I. Income taxes

The provision for income taxes is determined using the asset and liability approach. 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.

J. 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.

K. New accounting guidance

Fair value measurements - In January 2010, the FASB issued accounting guidance that requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosures on inputs. We adopted this new accounting guidance for the quarterly period ended March 31, 2010. The adoption of this guidance did not have a material impact on our financial statements. See Note 17 for additional information.

Accounting for transfers of financial assets - In June 2009, the FASB issued accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the qualifying special-purpose entity (QSPE) concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires extensive new disclosures regarding an entity's involvement in a transfer of financial assets. Finally, existing QSPEs (prior to the effective date of this guidance) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance upon the elimination of this concept. We adopted this new guidance on January 1, 2010. The adoption of this guidance did not have a material impact on our financial statements.

Consolidation of variable-interest entities - In June 2009, the FASB issued accounting guidance on the consolidation of VIEs. This new guidance revises previous guidance by eliminating the exemption for QSPEs, by establishing a new approach for determining who should consolidate a VIE and by changing when it is necessary to reassess who should consolidate a VIE. We adopted this new guidance on January 1, 2010. The adoption of this guidance resulted in the consolidation of QSPEs related to Cat Financial's asset-backed securitization program that were previously not recorded on our consolidated financial statements. The restricted assets (Receivables-finance, Long-term receivables-finance, Prepaid expenses and other current assets, and Other assets) of the consolidated QSPEs totaled $324 million at January 1, 2010. The liabilities (Accrued expenses, Long-term debt due within one year-Financial Products and Long-term debt due after one year-Financial Products) of the consolidated QSPEs totaled $327 million at January 1, 2010. See Note 6 for additional information.

Disclosures about the credit quality of financing receivables and the allowance for credit losses - In July 2010, the 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. This guidance will be effective January 1, 2012 and we do not expect the adoption to have a material impact on our financial statements.

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 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We have 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.

L. Goodwill

Goodwill represents the excess of the cost of a business combination 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 business combination. 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.

M. Accumulated other comprehensive income (loss)

Comprehensive income (loss) and its components are presented in Statement 3. Accumulated other comprehensive income (loss), net of tax, consisted of the following at December 31:

	December 31,		
(Millions of dollars)	**2011**	2010	2009
Foreign currency translation	**$206**	$551	$603
Pension and other postretirement benefits	**(6,568)**	(4,695)	(4,439)
Derivative financial instruments	**(10)**	45	60
Retained interests	**—**	—	(3)
Available-for-sale securities	**44**	48	15
Total accumulated other comprehensive income (loss)	**$(6,328)**	$(4,051)	$(3,764)

N. 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 8,710,630 for 2011, 12,612,514 for 2010 and 3,571,268 for 2009.

The 2011, 2010 and 2009 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 2009 and 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 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 10 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, 2011, 2010 and 2009, respectively.

	Grant Year		
	2011	2010	2009
Weighted-average dividend yield	**2.2%**	2.3%	3.1%
Weighted-average volatility	**32.7%**	36.4%	36.0%
Range of volatilities	**20.9-45.4%**	35.2-51.8%	35.8-61.0%
Range of risk-free interest rates	**0.25-3.51%**	0.32-3.61%	0.17-2.99%
Weighted-average expected lives	**8 years**	7 years	8 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, 2011, 2010 and 2009 did not have a significant impact on our financial statements.

At December 31, 2011, there was $155 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

	2011		2010		2009	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Stock options/SARs activity:						
Outstanding at beginning of year	**57,882,998**	**$48.50**	63,082,787	$44.24	60,398,074	$45.68
Granted to officers and key employees[1]	**2,960,595**	**$102.13**	7,556,481	$57.85	6,823,227	$22.17
Exercised	**(10,149,476)**	**$41.78**	(12,568,232)	$32.83	(3,906,785)	$28.13
Forfeited / expired	**(321,126)**	**$48.02**	(188,038)	$43.64	(231,729)	$38.05
Outstanding at end of year	**50,372,991**	**$53.01**	57,882,998	$48.50	63,082,787	$44.24
Exercisable at year-end	**35,523,057**	**$52.66**	41,658,033	$48.23	48,256,847	$43.14
RSUs activity:						
Outstanding at beginning of year	**4,650,241**		4,531,545		2,673,474	
Granted to officers and key employees	**1,082,032**		1,711,771		2,185,674	
Vested	**(1,382,539)**		(1,538,047)		(286,413)	
Forfeited	**(68,244)**		(55,028)		(41,190)	
Outstanding at end of year	**4,281,490**		4,650,241		4,531,545	

Stock options/SARs outstanding and exercisable:

	Outstanding				**Exercisable**			
Exercise Prices	**# Outstanding at 12/31/11**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value[2]**	**# Outstanding at 12/31/11**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Aggregate Intrinsic Value[2]**
$22.17 – 26.03	7,058,743	6.14	$22.66	$482	1,799,303	3.13	$24.11	$120
$27.14 – 38.63	9,867,938	2.10	$34.79	554	9,867,938	2.10	$34.79	554
$40.64 – 45.64	7,430,542	3.14	$45.59	337	7,430,542	3.14	$45.59	337
$57.85 – 66.77	11,142,739	7.17	$59.60	349	4,441,851	5.65	$62.24	127
$72.05 – 102.13	14,873,029	5.73	$78.26	188	11,983,423	4.90	$72.51	220
	50,372,991		$53.01	$1,910	35,523,057		$52.66	$1,358

[1] 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. Of the 6,823,227 awards granted during the year ended December 31, 2009, 6,260,647 were SARs.

[2] The difference between a stock award's exercise price and the underlying stock's market price at December 31, 2011, 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, 2011, there were 4,281,490 outstanding RSUs with a weighted average remaining contractual life of 1.0 years.

TABLE II— Additional Stock-based Award Information

(Dollars in millions except per share data)	**2011**	2010	2009
Stock Options/SARs activity:			
Weighted-average fair value per share of stock awards granted	**$36.73**	$22.31	$7.10
Intrinsic value of stock awards exercised	**$618**	$518	$77
Fair value of stock awards vested	**$96**	$124	$213
Cash received from stock awards exercised	**$161**	$325	$89
RSUs activity:			
Weighted-average fair value per share of stock awards granted	**$97.51**	$53.35	$20.22
Fair value of stock awards vested	**$143**	$99	$10

Before tax, stock-based compensation expense for 2011, 2010 and 2009 was $193 million, $226 million and $132 million, respectively, with a corresponding income tax benefit of $61 million, $73 million and $42 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, 2011, 2010 and 2009 were $235 million, $188 million and $26 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 $34 million will be recorded in APIC 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. In addition, the amount of Caterpillar stock that can be repurchased under our stock repurchase program is impacted by movements in the price of the stock. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate, interest rate, commodity price and Caterpillar stock price exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward and option contracts, interest rate swaps, commodity forward and option contracts, and stock repurchase 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 2 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) in Statement 2 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 4. Cash flow from undesignated derivative financial instruments are included in the investing category on Statement 4.

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 2 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 designed to protect our competitive exposure.

As of December 31, 2011, $1 million of deferred net gains, net of tax, included in equity (Accumulated other comprehensive income (loss) in Statement 2), 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. Our policy allows the use of foreign currency forward and option contracts to offset the risk of currency mismatch between our receivables and debt. All such foreign currency forward and option 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 match-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, 2011, $4 million of deferred net losses, net of tax, included in equity (Accumulated other comprehensive income (loss) in Statement 2), 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 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 the Consolidated Statement of Results of Operations. 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 aluminum, copper, lead, nickel and rolled coil steel 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 also subject to price changes on 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 2 are as follows:

	Consolidated Statement of Financial Position Location	Asset (Liability) Fair Value		
		Years ended December 31,		
Designated derivatives		**2011**	2010	2009
Foreign exchange contracts				
Machinery and Power Systems	Receivables – trade and other	**$54**	$65	$27
Machinery and Power Systems	Long-term receivables – trade and other	**19**	52	125
Machinery and Power Systems	Accrued expenses	**(73)**	(66)	(22)
Machinery and Power Systems	Other liabilities	**(10)**	(1)	(3)
Interest rate contracts				
Machinery and Power Systems	Receivables – trade and other	—	1	1
Machinery and Power Systems	Accrued expenses	—	—	(1)
Financial Products	Receivables – trade and other	**15**	14	18
Financial Products	Long-term receivables – trade and other	**233**	197	127
Financial Products	Accrued expenses	**(6)**	(18)	(100)
		$232	$244	$172
Undesignated derivatives				
Foreign exchange contracts				
Machinery and Power Systems	Receivables – trade and other	**$27**	$120	$—
Machinery and Power Systems	Long-term receivables – trade and other	—	—	66
Machinery and Power Systems	Accrued expenses	**(12)**	(46)	—
Machinery and Power Systems	Other liabilities	**(85)**	(58)	(3)
Financial Products	Receivables – trade and other	**7**	6	20
Financial Products	Accrued expenses	**(16)**	(9)	(18)
Interest rate contracts				
Machinery and Power Systems	Accrued expenses	—	(6)	(7)
Financial Products	Receivables – trade and other	—	—	1
Financial Products	Long-term receivables – trade and other	—	—	1
Financial Products	Accrued expenses	**(1)**	(1)	(6)
Commodity contracts				
Machinery and Power Systems	Receivables – trade and other	**2**	17	10
Machinery and Power Systems	Accrued expenses	**(9)**	—	—
		$(87)	$23	$64

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, 2011 Gains (Losses) on Derivatives	Year ended December 31, 2011 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	Year ended December 31, 2010 Gains (Losses) on Borrowings
Interest rate contracts			
Financial Products	Other income (expense)	$107	$(98)
		$107	$(98)

	Classification	Year ended December 31, 2009 Gains (Losses) on Derivatives	Year ended December 31, 2009 Gains (Losses) on Borrowings
Interest rate contracts			
Machinery and Power Systems	Other income (expense)	$1	$(1)
Financial Products	Other income (expense)	(205)	220
		$(204)	$219

Cash Flow Hedges (Millions of dollars)	Year ended December 31, 2011			
		Recognized in Earnings		
	Recognized in AOCI - Effective Portion	**Classification of Gains (Losses)**	**Reclassified from AOCI - Effective Portion**	**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		
	Recognized in AOCI - Effective Portion	Classification of Gains (Losses)	Reclassified from AOCI - Effective Portion	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

	Year ended December 31, 2009			
		Recognized in Earnings		
	Recognized in AOCI - Effective Portion	Classification of Gains (Losses)	Reclassified from AOCI - Effective Portion	Recognized in Earnings - Ineffective Portion
Foreign exchange contracts				
Machinery and Power Systems	$102	Other income (expense)	$176	$2
Interest rate contracts				
Machinery and Power Systems	(30)	Other income (expense)	(3)	—
Financial Products	(37)	Interest expense of Financial Products	(83)	9[1]
	$35		$90	$11

[1] The ineffective portion recognized in earnings is included in Other income (expense).

The effect of derivatives not designated as hedging instruments on Statement 1 is as follows:

(Millions of dollars)	Classification of Gains or (Losses)	Years ended December 31, 2011	2010	2009
Foreign exchange contracts				
Machinery and Power Systems	Other income (expense)	**$62**	$(45)	$35
Financial Products	Other income (expense)	**(15)**	16	(134)
Interest rate contracts				
Machinery and Power Systems	Other income (expense)	**(149)**	(8)	(3)
Financial Products	Other income (expense)	**—**	2	3
Commodity contracts				
Machinery and Power Systems	Other income (expense)	**(17)**	15	10
		$(119)	$(20)	$(89)

D. Stock repurchase risk

Payments for stock repurchase derivatives are accounted for as a reduction in stockholders' equity. In February 2007, the Board of Directors authorized a $7.5 billion stock repurchase program, expiring on December 31, 2011. In December 2011, the Board of Directors extended the $7.5 billion stock repurchase program through December 31, 2015. The amount of Caterpillar stock that can be repurchased under the authorization is impacted by movements in the price of the stock. In August 2007, the Board of Directors authorized the use of derivative contracts to reduce stock repurchase price volatility. There were no stock repurchase derivatives outstanding as of December 31, 2011, 2010 and 2009.

4. Other income (expense)

	Years ended December 31,		
(Millions of dollars)	**2011**	2010	2009
Investment and interest income	**$85**	$86	$98
Foreign exchange gains (losses)[1]	**21**	(55)	184
License fee income	**80**	54	49
Gains (losses) on sale of securities and affiliated companies	**17**	9	(2)
Impairment of available-for-sale securities	**(5)**	(3)	(12)
Miscellaneous income (loss)	**(230)**[2]	39	64
	$(32)	$130	$381

[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 (loss) before taxes were:

	Years ended December 31,		
(Millions of dollars)	**2011**	2010	2009
U.S.	**$2,250**	$778	$(648)
Non-U.S.	**4,475**	2,972	1,217
	$6,725	$3,750	$569

Profit (loss) 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:

	Years ended December 31,		
(Millions of dollars)	**2011**	2010	2009
Current tax provision (benefit):			
U.S.	**$750**	$247	$(443)
Non-U.S.	**1,014**	645	350
State (U.S.)	**72**	44	(13)
	1,836	936	(106)
Deferred tax provision (benefit):			
U.S.	**2**	103	1
Non-U.S.	**(92)**	(75)	(149)
State (U.S.)	**(26)**	4	(16)
	(116)	32	(164)
Total Provision (benefit) for income taxes	**$1,720**	$968	$(270)

We paid net income tax and related interest of $1,369 million and $264 million in 2011 and 2010, respectively, compared to net income tax and related interest refunds of $136 million in 2009.

Reconciliation of the U.S. federal statutory rate to effective rate:

(Millions of dollars)	Years ended December 31,					
	2011		2010		2009	
Taxes at U.S. statutory rate	**$2,354**	**35.0%**	$1,313	35.0%	$199	35.0%
(Decreases) increases in taxes resulting from:						
Non-U.S. subsidiaries taxed at other than 35%	**(467)**	**(6.9)%**	(339)	(9.0)%	(261)	(46.0)%
State and local taxes, net of federal	**30**	**0.4%**	27	0.7%	(19)	(3.3)%
Interest and penalties, net of tax	**25**	**0.4%**	16	0.4%	20	3.5%
U.S. research and production incentives	**(152)**	**(2.3)%**	(74)	(2.0)%	(47)	(8.2)%
Other—net	**(7)**	**(0.1)%**	(5)	(0.1)%	(29)	(5.1)%
	1,783	**26.5%**	938	25.0%	(137)	(24.1)%
Tax law change related to Medicare subsidies	—	—	90	2.4%	—	—
Prior year tax and interest adjustments	**41**	**0.6%**	(34)	(0.9)%	(133)	(23.4)%
Divestiture of non-deductible goodwill	**33**	**0.5%**	—	—	—	—
Release of valuation allowances	**(24)**	**(0.3)%**	(26)	(0.7)%	—	—
Non-U.S. earnings reinvestment changes	**(113)**	**(1.7)%**	—	—	—	—
Provision (benefit) for income taxes	**$1,720**	**25.6%**	$968	25.8%	$(270)	(47.5)%

The provision for income taxes for 2011 included a benefit of $113 million 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.

The prior year tax benefits recorded in 2009 of $133 million primarily resulted from the U.S. settlement of tax years 1995 to 1999 and the true-up of estimated amounts used in the 2008 tax provision to the U.S. tax return as filed. The settlement with the U.S. Internal Revenue Service (IRS) for tax years 1995 through 1999 resulted in a $46 million tax benefit related primarily to the true-up of estimated credits, a $14 million tax benefit to remeasure previously unrecognized tax benefits related to foreign sales corporation (FSC) commissions, and a $25 million benefit to adjust related interest, net of tax.

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 $13 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 guidance 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 2, are as follows:

	December 31,		
(Millions of dollars)	**2011**	2010	2009
Assets:			
Deferred and refundable income taxes	**$1,384**	$824	$802
Noncurrent deferred and refundable income taxes	**2,157**	2,493	2,704
	3,541	3,317	3,506
Liabilities:			
Other current liabilities	**69**	7	11
Other liabilities	**559**	141	138
Deferred income taxes—net	**$2,913**	$3,169	$3,357

Deferred income tax assets and liabilities:

(Millions of dollars)	December 31, 2011	2010	2009
Deferred income tax assets:			
Pension	**$2,130**	$1,065	$1,207
Postemployment benefits other than pensions	**1,622**	1,501	1,362
Tax carryforwards	**821**	1,117	1,185
Unrealized profit excluded from inventories	**372**	269	229
Warranty reserves	**338**	253	243
Stock based compensation	**232**	215	182
Post sale discounts	**141**	142	112
Allowance for credit losses	**131**	111	102
Deferred compensation	**102**	106	95
Other—net	**645**	394	396
	6,534	5,173	5,113
Deferred income tax liabilities:			
Capital and intangible assets	**(2,743)**	(1,423)	(1,185)
Undistributed profits of non-U.S. subs	**(215)**	—	—
Translation	**(193)**	(169)	(96)
	(3,151)	(1,592)	(1,281)
Valuation allowance for deferred tax assets	**(470)**	(412)	(475)
Deferred income taxes—net	**$2,913**	$3,169	$3,357

At December 31, 2011, approximately $776 million of U.S. state tax net operating losses (NOLs) and $140 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 $150 million for those state NOLs and credit carryforwards likely to expire prior to utilization.

At December 31, 2011, approximately $306 million of U.S. foreign tax credits were available to carryforward. These credits expire in 2019 and 2020.

At December 31, 2011, amounts and expiration dates of net operating loss carryforwards in various non-U.S. taxing jurisdictions were:

(Millions of dollars)

2012	2013	2014	2015	2016-2032	Unlimited	Total
$4	$6	$16	$40	$256	$1,015	$1,337

A valuation allowance of $320 million has been recorded at certain non-U.S. entities that have not yet demonstrated consistent and/or sustainable profitability to support the recognition 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, 2011	2010	2009
Balance at January 1,	**$789**	$761	$803
Additions for tax positions related to current year	**118**	21	37
Additions for tax positions related to prior years	**108**	59	43
Reductions for tax positions related to prior years	**(30)**	(49)	(45)
Reductions for settlements [2]	**—**	—	(61)
Reductions for expiration of statute of limitations	**(27)**	(3)	(16)
Balance at December 31,	**$958**	$789	$761
Amount that, if recognized, would impact the effective tax rate	**$835**	$667	$593

[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 interest and penalties of $39 million, $27 million and $(13) million during the years ended December 31, 2011, 2010 and 2009, respectively. The 2009 amount includes a benefit from adjustments for the 1995 through 1999 settlement as discussed above. The total amount of interest and penalties accrued was $240 million, $201 million and $170 million as of December 31, 2011, 2010 and 2009, respectively.

It is reasonably possible that the amount of unrecognized tax benefits will change in the next 12 months. The Internal Revenue Service (IRS) is currently examining U.S. tax returns for 2007 to 2009 and has completed its field examination of our tax returns for 1992 to 2006. For tax years 1992 to 1994, we expect to litigate the unagreed adjustments related to transfer pricing. In 2009, we reached a settlement with the IRS for tax years 1995 to 1999. For tax years 2000 to 2006, we are in the appeals process for unagreed adjustments primarily related to export tax benefits. 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.

In our major non-U.S. jurisdictions, tax years are typically subject to examination for three to eight years.

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 2 and were $1,990 million, $1,361 million, and $937 million at December 31, 2011, 2010 and 2009, respectively.

Contractual maturities of outstanding wholesale inventory receivables:
(Millions of dollars)

	December 31, 2011			
Amounts Due In	**Wholesale Installment Contracts**	**Wholesale Finance Leases**	**Wholesale Notes**	**Total**
2012	**$204**	**$128**	**$1,028**	**$1,360**
2013	**107**	**74**	**95**	**276**
2014	**72**	**58**	**59**	**189**
2015	**23**	**23**	**9**	**55**
2016	**7**	**9**	**2**	**18**
	413	**292**	**1,193**	**1,898**
Guaranteed residual value	**—**	**129**	**—**	**129**
Unguaranteed residual value	**—**	**11**	**—**	**11**
Less: Unearned income	**(7)**	**(33)**	**(8)**	**(48)**
Total	**$406**	**$399**	**$1,185**	**$1,990**

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 2 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, 2011			
Amounts Due In	**Retail Installment Contracts**	**Retail Finance Leases**	**Retail Notes**	**Total**
2012	**$1,771**	**$3,052**	**$2,993**	**$7,816**
2013	**1,199**	**2,002**	**1,941**	**5,142**
2014	**772**	**1,070**	**1,261**	**3,103**
2015	**371**	**458**	**996**	**1,825**
2016	**111**	**211**	**766**	**1,088**
Thereafter	**19**	**125**	**880**	**1,024**
	4,243	**6,918**	**8,837**	**19,998**
Guaranteed Residual value	**—**	**393**	**—**	**393**
Unguaranteed Residual value	**—**	**461**	**—**	**461**
Less: Unearned income	**(59)**	**(738)**	**(75)**	**(872)**
Total	**$4,184**	**$7,034**	**$8,762**	**$19,980**

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 adopted the accounting guidance on disclosures about the credit quality of financing receivables and the allowance for credit losses as of December 31, 2010. See Note 1K for additional information. This guidance requires information to be disclosed at disaggregated levels, defined as portfolio segments and classes.

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 the customer.
- 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, 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, as well as large mining customers worldwide.
- Latin America - Finance receivables originated in Central and South American countries and Mexico.
- Global Power Finance - Finance receivables related to marine vessels with Caterpillar engines, for all countries and Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems, for all countries.

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). 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, 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 2011 and $19 million during 2010, all of which was in the Europe finance receivable class. As of December 31, individually impaired loans and finance leases for customers were as follows:

(Millions of dollars)	As of December 31, 2011 Recorded Investment	As of December 31, 2011 Unpaid Principal Balance	As of December 31, 2011 Related Allowance	As of December 31, 2010 Recorded Investment	As of December 31, 2010 Unpaid Principal Balance	As of December 31, 2010 Related Allowance
Impaired Loans and Finance Leases With No Allowance Recorded[1]						
Customer						
North America	**$77**	**$75**	**$—**	$87	$87	$—
Europe	**5**	**4**	**—**	6	4	—
Asia Pacific	**12**	**12**	**—**	13	13	—
Latin America	**9**	**9**	**—**	3	3	—
Global Power Finance	**175**	**170**	**—**	174	174	—
Total	**$278**	**$270**	**$—**	$283	$281	$—
Impaired Loans and Finance Leases With An Allowance Recorded						
Customer						
North America	**$69**	**$64**	**$15**	$191	$185	$44
Europe	**36**	**33**	**12**	62	57	15
Asia Pacific	**26**	**26**	**7**	27	27	7
Latin America	**25**	**25**	**6**	44	43	9
Global Power Finance	**93**	**92**	**16**	34	33	4
Total	**$249**	**$240**	**$56**	$358	$345	$79
Total Impaired Loans and Finance Leases						
Customer						
North America	**$146**	**$139**	**$15**	$278	$272	$44
Europe	**41**	**37**	**12**	68	61	15
Asia Pacific	**38**	**38**	**7**	40	40	7
Latin America	**34**	**34**	**6**	47	46	9
Global Power Finance	**268**	**262**	**16**	208	207	4
Total	**$527**	**$510**	**$56**	$641	$626	$79

[1] No related allowance for credit losses due to sufficient collateral value.

(Millions of dollars)	Year Ended December 31, 2011 Average Recorded Investment	Year Ended December 31, 2011 Interest Income Recognized	Year Ended December 31, 2010 Average Recorded Investment	Year Ended December 31, 2010 Interest Income Recognized
Impaired Loans and Finance Leases With No Allowance Recorded[1]				
Customer				
North America	**$90**	**$4**	$39	$2
Europe	**5**	**—**	7	—
Asia Pacific	**13**	**1**	9	—
Latin America	**9**	**1**	5	—
Global Power Finance	**212**	**6**	92	—
Total	**$329**	**$12**	$152	$2
Impaired Loans and Finance Leases With An Allowance Recorded				
Customer				
North America	**$142**	**$5**	$271	$11
Europe	**50**	**2**	85	4
Asia Pacific	**22**	**1**	40	3
Latin America	**39**	**2**	39	3
Global Power Finance	**83**	**—**	17	—
Total	**$336**	**$10**	$452	$21
Total Impaired Loans and Finance Leases				
Customer				
North America	**$232**	**$9**	$310	$13
Europe	**55**	**2**	92	4
Asia Pacific	**35**	**2**	49	3
Latin America	**48**	**3**	44	3
Global Power Finance	**295**	**6**	109	—
Total	**$665**	**$22**	$604	$23

[1] No related allowance for credit losses due to sufficient collateral value.

As of December 31, 2009, the impaired loans and finance leases were as follows:

(Millions of dollars)	2009
Impaired loans/finance leases for which there is a related allowance for credit losses (related allowance of $117 million)	$448
Impaired loans/finance leases for which there is no related allowance for credit losses (due to sufficient collateral value)	65
Total investment in impaired loans/finance leases as of December 31,	$513
Average investment in impaired loans/finance leases	$425

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). 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, 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, 2011	December 31, 2010
Customer		
North America	**$112**	$217
Europe	**58**	89
Asia Pacific	**36**	31
Latin America	**108**	139
Global Power Finance	**158**	163
Total	**$472**	$639

As of December 31, 2009, the investments in loans and finance leases on non-accrual status were $678 million.

Past due loans and finance leases were as follows:

(Millions of dollars)	December 31, 2011						
	31-60	**61-90**	**91+**	**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**	**50**	**120**	**4,242**	**4,362**	**14**
Latin America	**32**	**15**	**99**	**146**	**2,339**	**2,485**	**—**
Global 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**	**—**
Latin America	**—**	**—**	**—**	**—**	**480**	**480**	**—**
Global Power Finance	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$194**	**$104**	**$442**	**$740**	**$19,240**	**$19,980**	**$58**

(Millions of dollars)	December 31, 2010						
	31-60	61-90	91+	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	3,412	3,529	12
Latin America	44	16	144	204	2,222	2,426	1
Global 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	—
Latin America	—	—	—	—	457	457	—
Global Power Finance	—	—	—	—	3	3	—
Total	$291	$106	$569	$966	$18,957	$19,923	$91

As of December 31, 2009, the investment in loans and finance leases past due over 90 days and still accruing were $134 million.

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.

The allowance for credit losses as of December 31 were as follows:

(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 period	**$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	**$527**	**$—**	**$527**
Collectively evaluated for impairment	**17,066**	**2,387**	**19,453**
Ending Balance	**$17,593**	**$2,387**	**$19,980**

(Millions of dollars)	December 31, 2010	December 31, 2009
Allowance for Credit Losses:		
Balance at beginning of year	$376	$391
Provision for credit losses	205	225
Receivables written off	(288)	(281)
Recoveries on receivables previously written off	51	28
Adjustment to adopt consolidation of variable-interest entities	18	—
Other—net	—	13
Balance at end of year	$362	$376

(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 and factor in credit enhancements such as additional collateral and contractual third-party guarantees.

As of December 31, the recorded investment of performing and non-performing finance receivables was as follows:

(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	**4,326**	**161**	**4,487**
Latin America	**2,377**	**480**	**2,857**
Global 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	**36**	**—**	**36**
Latin America	**108**	**—**	**108**
Global 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	**4,362**	**161**	**4,523**
Latin America	**2,485**	**480**	**2,965**
Global 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	3,498	151	3,649
Latin America	2,287	457	2,744
Global 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	31	—	31
Latin America	139	—	139
Global 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	3,529	151	3,680
Latin America	2,426	457	2,883
Global 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 and factors in credit enhancements such as additional collateral and contractual third-party guarantees.

There were no loans or finance lease receivables modified as TDRs during the year ended December 31, 2011 for the Dealer portfolio segment.

Loan and finance lease receivables modified as TDRs during the year ended December 31, 2011, were as follows:

(Dollars in millions)	**Year Ended December 31, 2011**		
	Number of Contracts	**Pre-TDR Outstanding Recorded Investment**	**Post-TDR Outstanding Recorded Investment**
Customer			
North America	**71**	**$13**	**$13**
Europe[1]	**7**	**44**	**44**
Latin America	**12**	**10**	**10**
Global Power Finance[2,3]	**35**	**117**	**117**
Total[4]	**125**	**$184**	**$184**

[1] One customer comprises $43 million of the $44 million pre-TDR and post-TDR outstanding recorded investment for the twelve months ended December 31, 2011.

[2] Three customers comprise $104 million of the $117 million pre-TDR and post-TDR outstanding recorded investment for the twelve months ended December 31, 2011.

[3] During the twelve months ended December 31, 2011, $15 million of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The $15 million of additional funds is not reflected in the table above. At December 31, 2011, remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR were $25 million.

[4] Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, and extended skip payment periods.

TDRs with a payment default during the year ended December 31, 2011, which had been modified within twelve months prior to the default date, were as follows:

(Dollars in millions)	**Year Ended December 31, 2011**	
	Number of Contracts	**Post-TDR Recorded Investment**
Customer		
North America	**48**	**$26**
Europe	**1**	**1**
Latin America	**7**	**4**
Global Power Finance[1]	**14**	**70**
Total	**70**	**$101**

[1] Two customers comprise $65 million of the $70 million post-TDR recorded investment for the twelve months ended December 31, 2011.

D. Securitized Retail Installment Sale Contracts and Finance Leases

Cat Financial periodically transfers certain finance receivables relating to retail installment sale contracts and finance leases to SPEs as part of their asset-backed securitization program. The SPEs have limited purposes and generally are only permitted to purchase the finance receivables, issue asset-backed securities and make payments on the securities. The SPEs only issue a single series of securities and generally are dissolved when those securities have been paid in full. The SPEs issue debt to pay for the finance receivables they acquire from Cat Financial. The primary source for repayment of the debt is the cash flows generated from the finance receivables owned by the SPEs. The assets of the SPEs are legally isolated and are not available to pay the creditors of Cat Financial. Cat Financial retains interests in the securitization transactions, including subordinated certificates issued by the SPEs, rights to cash reserves and residual interests. For bankruptcy analysis purposes, Cat Financial has sold the finance receivables to the SPEs in a true sale and the SPEs are separate legal entities. The investors and the SPEs have no recourse to any of Cat Financial's other assets for failure of debtors to pay when due.

In accordance with the new consolidation accounting guidance adopted January 1, 2010, these SPEs were concluded to be VIEs. Cat Financial determined that it was the primary beneficiary based on its power to direct activities through its role as servicer and its obligation to absorb losses and right to receive benefits and therefore consolidated the entities using the carrying amounts of the SPEs' assets and liabilities.

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 a consolidated SPE as of December 31, 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.

Prior to January 1, 2010, the SPEs were considered to be QSPEs and thus not consolidated. Cat Financial's retained interests in the securitized assets were classified as available-for-sale securities and were included in Other assets in Statement 2 at fair value. Cat Financial estimated fair value and cash flows using a valuation model and key assumptions for credit losses, prepayment rates and discount rates. These assumptions were based on Cat Financial's historical experience, market trends and anticipated performance relative to the particular assets securitized. Cat Financial periodically evaluated for impairment and recognized the credit component of an other-than-temporary impairment in Profit and the noncredit component in Accumulated other comprehensive income (loss) for those retained interests in which Cat Financial did not intend to sell and it was not likely that they would be required to sell prior to recovery.

To maintain competitiveness in the capital markets and to have effective and efficient use of alternative funding sources, Cat Financial from time to time provided additional reserve support to previously issued asset-backed securitizations. During the second quarter of 2009, Cat Financial deposited $80 million into supplemental reserve accounts for the securitization transactions to maintain the credit ratings assigned to the transactions, as loss experiences were higher than anticipated primarily due to the adverse economic conditions in the U.S. Due to the significant value of the deposit in second quarter of 2009, written consent was obtained from the third-party beneficial interest holders of the securitization transactions. At the time, the QSPE conditions were reviewed and the trusts continued to maintain QSPE status. These deposits resulted in an increase in Cat Financial's retained interests.

As of December 31, 2009, the fair value of the retained interests in all securitizations of retail finance receivables outstanding totaled $102 million (cost basis of $107 million). The fair value of the retained interests as of December 31, 2009 that have been in a continuous unrealized loss position for twelve months or longer totaled $102 million (cost basis of $107 million). Key assumptions used to determine the fair value of the retained interests were:

	December 31, 2009
Cash flow weighted average discount rates on retained interests	7.7% to 12.4%
Weighted-average maturity in months	22
Expected prepayment rate	18.0%
Expected credit losses	4.7% to 4.8%

During 2009, the assumptions used to determine the expected cash flows for Cat Financial's securitization transactions were revised, which resulted in other-than-temporary impairments to earnings of $34 million. The impairments recognized in earnings were primarily driven by an increase in the credit loss assumption due to the continuing adverse economic conditions in the U.S. The noncredit related losses of $12 million for the year ended December 31, 2009, recorded in Accumulated other comprehensive income (loss) were primarily driven by changes in discount rates.

Cat Financial also retained servicing responsibilities and received a servicing fee of approximately one percent of the remaining value of the finance receivables.

Cash flows from retail securitizations: (Millions of dollars)	Year ended December 31, 2009
Purchases of contracts through clean-up calls	$95
Servicing fees received	$6
Other cash flows received on retained interests	$10

Characteristics of securitized retail receivables: (Millions of dollars)	Year ended December 31, 2009
Total securitized principal balance at December 31,	$346
Average securitized principal balance for the year ended December 31,	$583
Loans > 30 days past due at year ended December 31,	$62
Net credit losses during the year	$36

E. Sales and Servicing of Trade Receivables

Our Machinery and Power Systems operations generate trade receivables from the sale of inventory to dealers and customers. Certain of these receivables are sold to Cat Financial.

During 2009, Cat Financial sold interests in a certain pool of trade receivables through a revolving structure to third-party commercial paper conduits, which are asset-backed commercial paper issuers that are SPEs of the sponsor bank and are not consolidated by Cat Financial. Cat Financial services the sold trade receivables and receives an annual servicing fee of approximately 0.5 percent of the average outstanding principal balance. Consolidated expenses of $4 million related to the sale of trade receivables were recognized during 2009, and are included in Other income (expense) in Statement 1.

As of December 31, 2011, 2010 and 2009, there were no outstanding trade receivables sold to the third-party commercial paper conduits.

The cash collections from this pool of trade receivables are first applied to satisfy any obligations of Cat Financial to the third-party commercial paper conduits. The third-party commercial paper conduits have no recourse to Cat Financial's assets, other than the remaining interest, for failure of debtors to pay when due.

Cash flows from sale of trade receivables:

	Year ended December 31,
(Millions of dollars)	2009
Cash proceeds from sales of receivables to the conduits	$887
Servicing fees received	$1
Cash flows received on the interests that continue to be held	$7,548

7. Inventories

Inventories (principally using the LIFO method) are comprised of the following:

	December 31,		
(Millions of dollars)	**2011**	2010	2009
Raw materials	**$3,872**	$2,766	$1,979
Work-in-process	**2,845**	1,483	656
Finished goods	**7,570**	5,098	3,465
Supplies	**257**	240	260
Total inventories	**$14,544**	$9,587	$6,360

We had long-term material purchase obligations of approximately $1,628 million at December 31, 2011.

During 2009 inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory layers carried at lower costs prevailing in prior years as compared with current costs. In 2009, the effect of this reduction of inventory decreased Cost of goods sold in Statement 1 by approximately $300 million and increased Profit by approximately $240 million or $0.39 per share. There were no significant LIFO liquidations during 2011 or 2010.

8. Property, plant and equipment

(Millions of dollars)	Useful Lives (Years)	December 31, 2011	2010	2009
Land	—	**$753**	$682	$639
Buildings and land improvements	20-45	**5,857**	5,174	4,914
Machinery, equipment and other	3-10	**14,435**	13,414	12,917
Equipment leased to others	1-10	**4,285**	4,444	4,717
Construction-in-process	—	**1,996**	1,192	1,034
Total property, plant and equipment, at cost		**27,326**	24,906	24,221
Less: Accumulated depreciation		**(12,931)**	(12,367)	(11,835)
Property, plant and equipment—net		**$14,395**	$12,539	$12,386

We had commitments for the purchase or construction of capital assets of approximately $746 million at December 31, 2011.

Assets recorded under capital leases [1]:

(Millions of dollars)	December 31, 2011	2010	2009
Gross capital leases [2]	**$131**	$251	$493
Less: Accumulated depreciation	**(75)**	(134)	(258)
Net capital leases	**$56**	$117	$235

[1] Included in Property, plant and equipment table above.
[2] Consists primarily of machinery and equipment.

At December 31, 2011, scheduled minimum rental payments on assets recorded under capital leases were:

(Millions of dollars)

2012	2013	2014	2015	2016	Thereafter
$19	$14	$8	$4	$2	$18

Equipment leased to others (primarily by Cat Financial):

(Millions of dollars)	December 31, 2011	2010	2009
Equipment leased to others—at original cost	**$4,285**	$4,444	$4,717
Less: Accumulated depreciation	**(1,406)**	(1,533)	(1,616)
Equipment leased to others—net	**$2,879**	$2,911	$3,101

At December 31, 2011, scheduled minimum rental payments to be received for equipment leased to others were:

(Millions of dollars)

2012	2013	2014	2015	2016	Thereafter
$739	$509	$296	$150	$53	$27

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, 2011	2010	2009
Results of Operations:			
Sales	**$966**	$812	$569
Cost of sales	**797**	627	434
Gross profit	**$169**	$185	$135
Profit (loss)	**$(46)**	$(36)	$(39)

Financial Position of unconsolidated affiliated companies:

(Millions of dollars)	December 31, 2011[1]	2010	2009
Financial Position:			
Assets:			
Current assets	**$345**	$414	$223
Property, plant and equipment—net	**200**	196	219
Other assets	**9**	39	5
	554	649	447
Liabilities:			
Current liabilities	**220**	274	250
Long-term debt due after one year	**72**	72	41
Other liabilities	**17**	40	17
	309	386	308
Equity	**$245**	$263	$139

[1] The decrease is due to the sale of our ownership in NC^2 Global LLC (NC^2), which occurred on September 29, 2011.

Caterpillar's investments in unconsolidated affiliated companies:

(Millions of dollars)	December 31, 2011	2010	2009
Investments in equity method companies	**$111**	$135	$70
Plus: Investments in cost method companies	**22**	29	35
Total investments in unconsolidated affiliated companies	**$133**	$164	$105

At December 31, 2011, consolidated Profit employed in the business in Statement 2 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, 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**

(Millions of dollars)	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

(Millions of dollars)	Weighted Amortizable Life (Years)	December 31, 2009 Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	18	$396	$(75)	$321
Intellectual property	10	211	(143)	68
Other	11	130	(54)	76
Total intangible assets	15	$737	$(272)	$465

During 2011, we acquired finite-lived intangible assets aggregating $4,167 million primarily due to purchases of Bucyrus International, Inc. ($3,901 million), Pyroban Group Ltd. ($41 million) and MWM Holding GmbH ($221 million). See Note 23 for details on these business combinations.

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 business combinations.

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 $233 million, $76 million and $61 million for 2011, 2010 and 2009, respectively.

Amortization expense related to intangible assets is expected to be:

(Millions of dollars)					
2012	2013	2014	2015	2016	Thereafter
$389	$382	$379	$373	$364	$2,481

B. Goodwill

During 2011, we acquired net assets with related goodwill aggregating $5,026 million primarily due to purchases of Bucyrus International, Inc. ($4,616 million), Pyroban Group Ltd. ($23 million) and MWM Holding GmbH ($387 million). See Note 23 for details on the acquisition of these assets.

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 the acquisition of these assets.

See Note 1L regarding the accounting policy for goodwill and impairment testing. No goodwill was impaired during 2011 or 2010. As described in Note 25, goodwill of $113 million was allocated to divestitures, primarily related to the divestiture of a portion of the Bucyrus distribution business in December 2011. No goodwill was disposed of in 2010 or 2009.

The 2009 annual impairment test, completed in the fourth quarter, indicated the fair value of each of our reporting units was above its respective carrying value with the exception of our Forest Products reporting unit, included in the Resource Industries segment. Because the carrying value of Forest Products exceeded its fair value, step two in the impairment test process was required. We allocated the fair value to the unit's assets and liabilities and determined the implied fair value of the goodwill was insignificant. Accordingly, a goodwill impairment charge of $22 million for Forest Products was recognized in Other operating (income) expense in Statement 1. The primary factor contributing to the impairment was the historic decline in demand for purpose built forest product machines caused by the significant reduction in U.S. housing construction, lower prices for pulp, paper, and wood product commodities, and reduced capital availability in the forest products industry.

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. 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, 2011, 2010 and 2009 were as follows:

(Millions of dollars)	Construction Industries	Resource Industries	Power Systems	Other[1]	Consolidated Total
Balance at January 1, 2009	$319	$66	$1,747	$129	$2,261
Impairments	—	(22)	—	—	(22)
Other adjustments[2]	23	3	4	—	30
Balance at December 31, 2009	342	47	1,751	129	2,269
Business combinations	5	3	326	—	334
Other adjustments[2]	10	1	—	—	11
Balance at December 31, 2010	357	51	2,077	129	2,614
Business combinations	**—**	**4,616**	**410**	**—**	**5,026**
Business divestitures[3]	**—**	**(101)**	**—**	**(12)**	**(113)**
Held for sale[3]	**—**	**(296)**	**—**	**—**	**(296)**
Other adjustments[2]	**21**	**(171)**	**(1)**	**—**	**(151)**
Balance at December 31, 2011	**$378**	**$4,099**	**$2,486**	**$117**	**$7,080**

1 Includes all other operating segments (See Note 22).
2 Other adjustments are comprised primarily of foreign currency translation.
3 See Note 25 for additional information.

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 2. 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 2). 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, 2011			December 31, 2010			December 31, 2009		
(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**	$12	$—	$12	$14	$—	$14
Other U.S. and non-U.S. government bonds	**90**	**2**	**92**	76	1	77	65	—	65
Corporate bonds									
Corporate bonds	**542**	**30**	**572**	481	30	511	455	20	475
Asset-backed securities	**112**	**(1)**	**111**	136	—	136	141	(7)	134
Mortgage-backed debt securities									
U.S. governmental agency mortgage-backed securities	**297**	**13**	**310**	258	15	273	295	13	308
Residential mortgage-backed securities	**33**	**(3)**	**30**	43	(3)	40	61	(10)	51
Commercial mortgage-backed securities	**142**	**3**	**145**	164	4	168	175	(13)	162
Equity securities									
Large capitalization value	**127**	**21**	**148**	100	22	122	76	13	89
Smaller company growth	**22**	**7**	**29**	23	8	31	19	5	24
Total	**$1,375**	**$72**	**$1,447**	$1,293	$77	$1,370	$1,301	$21	$1,322

During 2011, 2010 and 2009, charges for other-than-temporary declines in the market values of securities were $5 million, $3 million and $12 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, 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 mortgage-backed securities	**51**	**1**	**—**	**—**	**51**	**1**
Residential mortgage-backed securities	**3**	**—**	**18**	**3**	**21**	**3**
Commercial mortgage-backed securities	**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:

(Millions of dollars)	December 31, 2010					
	Less than 12 months [1]		12 months or more [1]		Total	
	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 mortgage-backed securities	2	—	25	4	27	4
Commercial mortgage-backed securities	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.

Investments in an unrealized loss position that are not other-than-temporarily impaired:

(Millions of dollars)	December 31, 2009					
	Less than 12 months [1]		12 months or more [1]		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate bonds						
Corporate bonds	$25	$—	$10	$1	$35	$1
Asset-backed securities	4	1	44	10	48	11
Mortgage-backed debt securities						
Residential mortgage-backed securities	—	—	49	10	49	10
Commercial mortgage-backed securities	24	—	73	14	97	14
Equity securities						
Large capitalization value	2	—	23	3	25	3
Total	$55	$1	$199	$38	$254	$39

[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 corporate bonds and 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, 2011.

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, 2011.

Equity Securities. Cat Insurance maintains a well-diversified equity portfolio consisting of two specific mandates: large capitalization value stocks and smaller company growth stocks. U.S. equity valuations remained volatile during 2011 on ongoing concerns over the European debt crisis. In each case where unrealized losses exist, the respective company's management is taking corrective action in order to increase shareholder value. We do not consider these investments to be other-than-temporarily impaired as of December 31, 2011.

The cost basis and fair value of the available-for-sale debt securities at December 31, 2011, 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.

(Millions of dollars)	Cost Basis	Fair Value
Due in one year or less	**$69**	**$70**
Due after one year through five years	**479**	**493**
Due after five years through ten years	**152**	**171**
Due after ten years	**54**	**51**
U.S. agency mortgage-backed securities	**297**	**310**
Residential mortgage-backed securities	**33**	**30**
Commercial mortgage-backed securities	**142**	**145**
Total debt securities – available-for-sale	**$1,226**	**$1,270**

Sales of Securities

	Years Ended December 31,		
(Millions of dollars)	**2011**	2010	2009
Proceeds from the sale of available-for-sale securities	**$247**	$228	$291
Gross gains from the sale of available-for-sale securities	**$4**	$10	$9
Gross losses from the sale of available-for-sale securities	**$1**	$1	$10

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, primarily in our European and Japanese facilities. 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 discussed in Note 26, during 2009 voluntary and involuntary separation programs impacted employees participating in certain U.S. and non-U.S. pension and other postretirement benefit plans. Due to the significance of these events, certain plans were re-measured as follows:

> *U.S. Separation Programs* – Plan re-measurements as of January 31, 2009, March 31, 2009 and December 31, 2009 resulted in net curtailment losses of $127 million to pension and $55 million to other postretirement benefit plans. Early retirement pension benefit costs of $6 million were also recognized.
>
> *Non-U.S. Separation Programs* – Certain plans were re-measured as of March 31, 2009 and December 31, 2009, resulting in pension settlement losses of $34 million, special termination benefits of $2 million to pension and curtailment losses of $1 million to other postretirement benefit plans.

In March 2009, we amended our U.S. support and management other postretirement benefit plan. Beginning in 2010, certain retirees age 65 and older enrolled in individual health plans that work with Medicare and will no longer participate in a Caterpillar-sponsored group health plan. In addition, Caterpillar began funding a tax-advantaged Health Reimbursement Arrangement (HRA) to assist the retirees with medical expenses. The plan amendment required a plan re-measurement as of March 31, 2009, which resulted in a decrease in our Liability for postemployment benefits of $432 million and an increase in Accumulated other comprehensive income (loss) of $272 million, net of tax. The plan was further amended in December 2009 to define the HRA benefit that active employees will receive once they are retired and reach age 65. The plan was re-measured at year-end 2009 and the December amendment resulted in a decrease in our Liability for postemployment benefits of $101 million and an increase in Accumulated other comprehensive income (loss) of $64 million, net of tax. These decreases will be amortized into earnings on a straight-line basis over approximately 7 years, the average remaining service period of active employees in the plan. The amendments reduced other postretirement benefits expense by approximately $110 million in 2011 and 2010 and $60 million in 2009.

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. As of these dates employees will move to the new retirement benefit that will provide a frozen pension benefit and a 401(k) plan that will include a matching contribution and a new 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 March 2010, the Patient Protection and Affordable Care Act (the PPACA) and the Health Care and Education Reconciliation Act of 2010 (H.R. 4872) which amends certain provisions of the PPACA were signed into law. As discussed in Note 5, the Medicare Part D retiree drug subsidies effectively become taxable beginning in 2013.

A. Benefit Obligations

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
(Millions of dollars)	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Change in benefit obligation:									
Benefit obligation, beginning of year	**$13,024**	$12,064	$11,493	**$3,867**	$3,542	$3,219	**$5,184**	$4,537	$5,017
Service cost	**158**	210	176	**115**	92	86	**84**	68	70
Interest cost	**651**	652	688	**182**	162	146	**253**	245	280
Plan amendments	**1**	4	—	**(24)**	35	—	**(121)**	—	(549)
Actuarial losses (gains)	**1,635**	1,140	380	**312**	153	45	**306**	602	(58)
Foreign currency exchange rates	**—**	—	—	**(32)**	34	322	**(19)**	14	29
Participant contributions	**—**	—	—	**9**	9	10	**44**	45	51
Benefits paid - gross	**(823)**	(820)	(796)	**(187)**	(168)	(212)	**(388)**	(379)	(390)
Less: federal subsidy on benefits paid	**—**	—	—	**—**	—	—	**14**	15	21
Curtailments, settlements and special termination benefits	**(3)**	(235)	123	**(83)**	(52)	(74)	**(6)**	—	66
Acquisitions / other[1]	**139**	9	—	**140**	60	—	**30**	37	—
Benefit obligation, end of year	**$14,782**	$13,024	$12,064	**$4,299**	$3,867	$3,542	**$5,381**	$5,184	$4,537
Accumulated benefit obligation, end of year	**$14,055**	$12,558	$11,357	**$3,744**	$3,504	$3,082			
Weighted-average assumptions used to determine benefit obligation:									
Discount rate[2]	**4.3%**	5.1%	5.7%	**4.3%**	4.6%	4.8%	**4.3%**	5.0%	5.6%
Rate of compensation increase[2]	**4.5%**	4.5%	4.5%	**3.9%**	4.2%	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.
[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 2011 service and interest cost components of other postretirement benefit cost	$28	$(23)
Effect on accumulated postretirement benefit obligation	$328	$(277)

B. Plan Assets

(Millions of dollars)	U.S. Pension Benefits 2011	2010	2009	Non-U.S. Pension Benefits 2011	2010	2009	Other Postretirement Benefits 2011	2010	2009
Change in plan assets:									
Fair value of plan assets, beginning of year	**$10,760**	$9,029	$6,745	**$2,880**	$2,797	$2,175	**$996**	$1,063	$1,042
Actual return on plan assets	**(270)**	1,628	2,194	**(83)**	193	390	**(45)**	129	266
Foreign currency exchange rates	**—**	—	—	**(1)**	17	243	**—**	—	—
Company contributions[1]	**212**	919	886	**234**	58	263	**207**	138	94
Participant contributions	**—**	—	—	**9**	9	10	**44**	45	51
Benefits paid	**(823)**	(820)	(796)	**(187)**	(168)	(212)	**(388)**	(379)	(390)
Settlements and special termination benefits	**—**	—	—	**(41)**	(51)	(72)	**—**	—	—
Acquisitions / other[2]	**118**	4	—	**7**	25	—	**—**	—	—
Fair value of plan assets, end of year	**$9,997**	$10,760	$9,029	**$2,818**	$2,880	$2,797	**$814**	$996	$1,063

[1] Includes $650 million of Caterpillar stock contributed to U.S. pension plans in 2009.
[2] 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. Our target allocations for the U.S. pension plans are 70% equities and 30% debt securities. Within equity securities, approximately 60% includes investments in U.S. large and small-cap companies. The remaining portion is invested in international companies, including emerging markets, and private equity. Fixed income securities primarily include corporate bonds, mortgage backed securities and U.S. Treasuries.

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% equities, 34% debt securities, 6% real estate and 2% 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% equities and 20% debt securities. 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 five 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 approximated 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:

(Millions of dollars)	**December 31, 2011**			
U.S. Pension	**Level 1**	**Level 2**	**Level 3**	**Total Assets, at Fair Value**
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			
U.S. Pension	Level 1	Level 2	Level 3	Total Assets, at Fair Value
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, 2009			
U.S. Pension	Level 1	Level 2	Level 3	Total Assets, at Fair Value
Equity securities:				
U.S. equities	$4,634	$2	$17	$4,653
Non-U.S. equities	1,803	—	34	1,837
Fixed income securities:				
U.S. corporate bonds	—	1,179	56	1,235
Non-U.S. corporate bonds	—	70	1	71
U.S. government bonds	—	323	—	323
U.S. governmental agency mortgage-backed securities	—	562	—	562
Non-U.S. government bonds	—	9	—	9
Real estate	—	—	10	10
Cash, short-term instruments and other	113	216	—	329
Total U.S. pension assets	$6,550	$2,361	$118	$9,029

(Millions of dollars)	December 31, 2011			
Non-U.S. Pension	**Level 1**	**Level 2**	**Level 3**	**Total Assets, at Fair Value**
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			
Non-U.S. Pension	Level 1	Level 2	Level 3	Total Assets, at Fair Value
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

(Millions of dollars)	December 31, 2009			
Non-U.S. Pension	Level 1	Level 2	Level 3	Total Assets, at Fair Value
Equity securities:				
U.S. equities	$330	$—	$—	$330
Non-U.S. equities	863	84	5	952
Global equities[1]	144	14	—	158
Fixed income securities:				
U.S. corporate bonds	—	22	1	23
Non-U.S. corporate bonds	—	355	11	366
U.S. government bonds	—	1	—	1
Non-U.S. government bonds	—	156	2	158
Global fixed income[1]	—	361	—	361
Real estate	—	80	71	151
Cash, short-term instruments and other[2]	107	139	51	297
Total non-U.S. pension assets	$1,444	$1,212	$141	$2,797

[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, 2011			
Other Postretirement Benefits	**Level 1**	**Level 2**	**Level 3**	**Total Assets, at Fair Value**
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			
Other Postretirement Benefits	Level 1	Level 2	Level 3	Total Assets, at Fair Value
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

(Millions of dollars)	December 31, 2009			
Other Postretirement Benefits	Level 1	Level 2	Level 3	Total Assets, at Fair Value
Equity securities:				
U.S. equities	$531	$—	$—	$531
Non-U.S. equities	273	6	—	279
Fixed income securities:				
U.S. corporate bonds	—	95	—	95
Non-U.S. corporate bonds	—	8	—	8
U.S. government bonds	—	24	—	24
U.S. governmental agency mortgage-backed securities	—	54	—	54
Non-U.S. government bonds	—	1	—	1
Cash, short-term instruments and other	19	52	—	71
Total other postretirement benefit assets	$823	$240	$—	$1,063

Below are roll-forwards of assets measured at fair value using Level 3 inputs for the years ended December 31, 2011, 2010 and 2009. 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, 2008	$16	$73	$9	$—
Unrealized gains (losses)	3	34	1	—
Realized gains (losses)	—	(2)	—	—
Purchases, issuances and settlements	31	(12)	—	—
Transfers in and/or out of Level 3	1	(36)	—	—
Balance at December 31, 2009	$51	$57	$10	$—
Unrealized gains (losses)	11	1	—	—
Realized gains (losses)	(1)	3	—	—
Purchases, issuances and settlements	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	**30**	**17**	**—**	**—**
Transfers in and/or out of Level 3	**—**	**(12)**	**—**	**—**
Balance at December 31, 2011	**$77**	**$51**	**$8**	**$—**
Non-U.S. Pension				
Balance at December 31, 2008	$—	$5	$61	$67
Unrealized gains (losses)	2	1	10	63
Realized gains (losses)	—	—	—	(41)
Purchases, issuances and settlements	3	6	—	(38)
Transfers in and/or out of Level 3	—	2	—	—
Balance at December 31, 2009	$5	$14	$71	$51
Unrealized gains (losses)	(1)	—	7	1
Realized gains (losses)	1	—	—	5
Purchases, issuances and settlements	(2)	(3)	12	(22)
Transfers in and/or out of Level 3	(2)	(3)	—	—
Balance at December 31, 2010	$1	$8	$90	$35
Unrealized gains (losses)	—	**1**	**7**	—
Realized gains (losses)	—	—	—	**3**
Purchases, issuances and settlements	**(1)**	—	—	**(38)**
Transfers in and/or out of Level 3	—	—	—	—
Balance at December 31, 2011	**$—**	**$9**	**$97**	**$—**

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)	**2011**	2010	2009[2]	**2011**	2010	2009	**2011**	2010	2009
Caterpillar Inc. common stock	**$653**	$779	$1,016	**$1**	$2	$1	**$1**	$3	$1

[1] Amounts represent 7% of total plan assets for 2011 and 2010 and 11% of total plan assets for 2009.
[2] Includes $650 million of Caterpillar stock contributed to U.S. pension plans in 2009.

C. Funded status

The funded status of the plans, reconciled to the amount reported on Statement 2, is as follows:

(Millions of dollars)	U.S. Pension Benefits 2011	U.S. Pension Benefits 2010	U.S. Pension Benefits 2009	Non-U.S. Pension Benefits 2011	Non-U.S. Pension Benefits 2010	Non-U.S. Pension Benefits 2009	Other Postretirement Benefits 2011	Other Postretirement Benefits 2010	Other Postretirement Benefits 2009
End of Year									
Fair value of plan assets	**$9,997**	$10,760	$9,029	**$2,818**	$2,880	$2,797	**$814**	$996	$1,063
Benefit obligations	**14,782**	13,024	12,064	**4,299**	3,867	3,542	**5,381**	5,184	4,537
Over (under) funded status recognized in financial position	**$(4,785)**	$(2,264)	$(3,035)	**$(1,481)**	$(987)	$(745)	**$(4,567)**	$(4,188)	$(3,474)
Components of net amount recognized in financial position:									
Other assets (non-current asset)	**$—**	$—	$—	**$3**	$4	$22	**$—**	$—	$—
Accrued wages, salaries and employee benefits (current liability)	**(21)**	(18)	(17)	**(26)**	(18)	(18)	**(171)**	(171)	(113)
Liability for postemployment benefits (non-current liability)	**(4,764)**	(2,246)	(3,018)	**(1,458)**	(973)	(749)	**(4,396)**	(4,017)	(3,361)
Net liability recognized	**$(4,785)**	$(2,264)	$(3,035)	**$(1,481)**	$(987)	$(745)	**$(4,567)**	$(4,188)	$(3,474)
Amounts recognized in Accumulated other comprehensive income (pre-tax) consist of:									
Net actuarial loss (gain)	**$7,044**	$4,795	$5,132	**$1,712**	$1,273	$1,200	**$1,495**	$1,195	$659
Prior service cost (credit)	**63**	83	132	**15**	43	8	**(188)**	(122)	(177)
Transition obligation (asset)	**—**	—	—	**—**	—	—	**5**	7	9
Total	**$7,107**	$4,878	$5,264	**$1,727**	$1,316	$1,208	**$1,312**	$1,080	$491

The estimated amounts that will be amortized from Accumulated other comprehensive income (loss) at December 31, 2011 into net periodic benefit cost (pre-tax) in 2012 are as follows:

(Millions of dollars)	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Postretirement Benefits
Actuarial loss (gain)	**$496**	**$94**	**$101**
Prior service cost (credit)	**20**	**1**	**(68)**
Transition obligation (asset)	**—**	**—**	**2**
Total	**$516**	**$95**	**$35**

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 2011	U.S. Pension Benefits at Year-end 2010	U.S. Pension Benefits at Year-end 2009	Non-U.S. Pension Benefits at Year-end 2011	Non-U.S. Pension Benefits at Year-end 2010	Non-U.S. Pension Benefits at Year-end 2009
Projected benefit obligation	**$(14,782)**	$(13,024)	$(12,064)	**$(4,293)**	$(3,846)	$(3,350)
Accumulated benefit obligation	**$(14,055)**	$(12,558)	$(11,357)	**$(3,738)**	$(3,485)	$(2,933)
Fair value of plan assets	**$9,997**	$10,760	$9,029	**$2,809**	$2,855	$2,584

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 2011	U.S. Pension Benefits at Year-end 2010	U.S. Pension Benefits at Year-end 2009	Non-U.S. Pension Benefits at Year-end 2011	Non-U.S. Pension Benefits at Year-end 2010	Non-U.S. Pension Benefits at Year-end 2009
Projected benefit obligation	**$(14,782)**	$(13,024)	$(12,064)	**$(4,112)**	$(3,452)	$(1,594)
Accumulated benefit obligation	**$(14,055)**	$(12,558)	$(11,357)	**$(3,600)**	$(3,179)	$(1,503)
Fair value of plan assets	**$9,997**	$10,760	$9,029	**$2,661**	$2,514	$1,145

The accumulated postretirement benefit obligation exceeds plan assets for all of our other postretirement benefit plans.

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:			
2012 (expected)	$570	$430	$200
Expected benefit payments:			
2012	$840	$190	$370
2013	850	180	380
2014	860	190	390
2015	870	200	390
2016	880	200	400
2017-2021	4,540	1,000	2,040
Total	$8,840	$1,960	$3,970

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)	2012	2013	2014	2015	2016	2017-2021	Total
Other postretirement benefits	$15	$15	$20	$20	$20	$110	$200

E. Net periodic cost

(Millions of dollars)	U.S. Pension Benefits 2011	2010	2009	Non-U.S. Pension Benefits 2011	2010	2009	Other Postretirement Benefits 2011	2010	2009
Components of net periodic benefit cost:									
Service cost	**$158**	$210	$176	**$115**	$92	$86	**$84**	$68	$70
Interest cost	**651**	652	688	**182**	162	146	**253**	245	280
Expected return on plan assets	**(798)**	(773)	(777)	**(210)**	(192)	(181)	**(70)**	(93)	(111)
Curtailments, settlements and special termination benefits[1]	**—**	28	133	**19**	22	36	**—**	—	56
Amortization of:									
Transition obligation (asset)	**—**	—	—	**—**	—	—	**2**	2	2
Prior service cost (credit)[2]	**20**	25	29	**3**	1	1	**(55)**	(55)	(40)
Net actuarial loss (gain)	**451**	385	248	**74**	65	35	**108**	33	20
Total cost included in operating profit	**$482**	$527	$497	**$183**	$150	$123	**$322**	$200	$277
Other changes in plan assets and benefit obligations recognized in other comprehensive income (pre-tax):									
Current year actuarial loss (gain)	**$2,700**	$47	$(1,037)	**$526**	$136	$(88)	**$408**	$570	$(200)
Amortization of actuarial (loss) gain	**(451)**	(385)	(248)	**(72)**	(62)	(32)	**(108)**	(33)	(20)
Current year prior service cost (credit)	**—**	(24)	(10)	**(25)**	35	(2)	**(121)**	—	(537)
Amortization of prior service (cost) credit	**(20)**	(25)	(29)	**(3)**	(1)	(1)	**55**	55	40
Amortization of transition (obligation) asset	**—**	—	—	**—**	—	—	**(2)**	(2)	(2)
Total recognized in other comprehensive income	**2,229**	(387)	(1,324)	**426**	108	(123)	**232**	590	(719)
Total recognized in net periodic cost and other comprehensive income	**$2,711**	$140	$(827)	**$609**	$258	$—	**$554**	$790	$(442)
Weighted-average assumptions used to determine net cost:									
Discount rate	**5.1%**	5.4%	6.3%	**4.6%**	4.8%	4.7%	**5.0%**	5.6%	6.3%
Expected return on plan assets[3]	**8.5%**	8.5%	8.5%	**7.1%**	7.0%	6.6%	**8.5%**	8.5%	8.5%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**4.1%**	4.2%	3.8%	**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 costs 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 amendment. 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 costs are amortized using the straight-line method over the remaining life expectancy of those participants.

[3] The weighted-average rates for 2012 are 8.0% and 7.1% for U.S. and non-U.S. 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%) 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% for 2011, 2010 and 2009. 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. To calculate the 2011 benefit expense, we assumed a weighted-average increase of 7.9% for 2011. We expect a weighted-average increase of 7.4% during 2012. The 2011 and 2012 rates are assumed to decrease gradually to the ultimate health care trend rate of 5.0% in 2019. This rate represents 3.0% general inflation plus 2.0% 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% of employee contributions to the plan up to six percent of their 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% of employee contributions to the plan up to six percent of their compensation to 50% of employee contributions up to six 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 three to five 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 and 2009, we made $94 million (1.5 million shares) and $68 million (1.4 million shares) of matching contributions in Caterpillar stock, respectively.

Total company costs related to U.S. and non-U.S. defined contribution plans were as follows:

(Millions of dollars)	**2011**	2010	2009
U.S. plans	**$219**	$231	$206
Non-U.S. plans	**54**	39	29
	$273	$270	$235

H. Summary of long-term liability:

	December 31,		
(Millions of dollars)	**2011**	2010	2009
Pensions:			
U.S. pensions	**$4,764**	$2,246	$3,018
Non-U.S. pensions	**1,458**	973	749
Total pensions	**6,222**	3,219	3,767
Postretirement benefits other than pensions	**4,396**	4,017	3,361
Other postemployment benefits	**73**	69	63
Defined contribution	**265**	279	229
	$10,956	$7,584	$7,420

13. Short-term borrowings

(Millions of dollars)	December 31, 2011	2010	2009
Machinery and Power Systems:			
Notes payable to banks	**$93**	$204	$260
Commercial paper	**—**	—	173
	93	204	433
Financial Products:			
Notes payable to banks	**527**	479	793
Commercial paper	**2,818**	2,710	2,162
Demand notes	**550**	663	695
	3,895	3,852	3,650
Total short-term borrowings	**$3,988**	$4,056	$4,083

The weighted-average interest rates on short-term borrowings outstanding were:

	December 31, 2011	2010	2009
Notes payable to banks	**7.2%**	4.1%	4.6%
Commercial paper	**1.0%**	1.5%	1.2%
Demand notes	**0.9%**	1.1%	2.0%

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, 2011	2010	2009
Machinery and Power Systems:			
Notes—6.550% due 2011	**$—**	$—	$251
Notes—Floating Rate (Three-month USD LIBOR plus 0.17%) due 2013	**750**	—	—
Notes—1.375% due 2014	**750**	—	—
Notes—5.700% due 2016	**510**	512	515
Notes—3.900% due 2021	**1,245**	—	—
Notes—5.200% due 2041	**1,247**	—	—
Debentures—9.375% due 2011	**—**	—	123
Debentures—7.000% due 2013	**350**	350	350
Debentures—7.900% due 2018	**899**	899	899
Debentures—9.375% due 2021	**120**	120	120
Debentures—8.000% due 2023	**82**	82	82
Debentures—6.625% due 2028	**299**	299	299
Debentures—7.300% due 2031	**349**	349	349
Debentures—5.300% due 2035 [1]	**206**	205	204
Debentures—6.050% due 2036	**748**	748	748
Debentures—8.250% due 2038	**248**	248	248
Debentures—6.950% due 2042	**250**	249	249
Debentures—7.375% due 2097	**297**	297	297
Capital lease obligations	**46**	81	211
Other	**19**	66	707
Total Machinery and Power Systems	**8,415**	4,505	5,652
Financial Products:			
Commercial paper	**—**	—	71
Medium-term notes	**15,701**	14,993	15,363
Other	**828**	939	761
Total Financial Products	**16,529**	15,932	16,195
Total long-term debt due after one year	**$24,944**	$20,437	$21,847

[1] Debentures due in 2035 have a face value of $307 million and an effective yield to maturity of 8.56%.

All outstanding notes and debentures are unsecured and rank equally with one another.

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 3.90% Senior Notes due in 2021, and $1.25 billion of 5.20% Senior Notes due in 2041.

We may redeem the 1.375%, 5.70%, 3.90% and 5.20% notes and the 6.625%, 7.30%, 5.30%, 6.05%, 6.95% 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. The terms of other notes and debentures do not specify a redemption option prior to maturity.

Based on Cat Financial's medium-term note issuances subsequent to year-end, $71 million of Financial Products' commercial paper outstanding at December 31, 2009 was classified as long-term debt due after one year. 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 3.9% with remaining maturities up to 17 years at December 31, 2011.

The aggregate amounts of maturities of long-term debt during each of the years 2012 through 2016, including amounts due within one year and classified as current, are:

(Millions of dollars)	December 31, 2012	2013	2014	2015	2016
Machinery and Power Systems	$558	$1,118	$757	$5	$522
Financial Products	5,102	5,816	4,664	987	1,775
	$5,660	$6,934	$5,421	$992	$2,297

The above table includes $220 million of medium-term notes that can be called at par.

Interest paid on short-term and long-term borrowings for 2011, 2010 and 2009 was $1,208 million, $1,247 million and $1,411 million, respectively.

Please refer to Note 17 and Table III for fair value information on long-term debt.

15. Credit commitments

	December 31, 2011		
(Millions of dollars)	Consolidated	Machinery and Power Systems	Financial Products
Credit lines available:			
Global credit facilities	**$8,500**	**$2,000**	**$6,500**
Other external	**4,210**	**388**	**3,822**
Total credit lines available	**12,710**	**2,388**	**10,322**
Less: Global credit facilities supporting commercial paper	**(2,818)**	**—**	**(2,818)**
Less: Utilized credit	**(2,142)**	**(32)**	**(2,110)**
Available credit	**$7,750**	**$2,356**	**$5,394**

We have three global credit facilities with a syndicate of banks totaling $8.5 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial to support their commercial paper programs in the event those programs become unavailable and 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 Cat Financial as of December 31, 2011 was $6.5 billion.

- The 364-day facility of $2.55 billion expires in September 2012.
- The five-year facility of $3.86 billion expires in September 2016.
- The four-year facility of $2.09 billion expires in September 2014.

Other consolidated credit lines with banks as of December 31, 2011 totaled $4.21 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, 2011, Caterpillar's consolidated net worth was $19.50 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, 2011, Cat Financial's covenant interest coverage ratio was 1.60 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.

In addition, at December 31, 2011, Cat Financial's covenant leverage ratio was 7.88 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, 2011, 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)	**2011**	2010	2009
Profit for the period (A) [1]	**$4,928**	$2,700	$895
Determination of shares (in millions):			
Weighted average number of common shares outstanding (B)	**645.0**	631.5	615.2
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	**21.1**	18.9	10.8
Average common shares outstanding for fully diluted computation (C)	**666.1**	650.4	626.0
Profit per share of common stock:			
Assuming no dilution (A/B)	**$7.64**	$4.28	$1.45
Assuming full dilution (A/C)	**$7.40**	$4.15	$1.43
Shares outstanding as of December 31 (in millions)	**647.5**	638.8	624.7

[1] Profit attributable to common stockholders.

SARs and stock options to purchase 2,902,533, 5,228,763 and 18,577,553 common shares were outstanding in 2011, 2010 and 2009, 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.

The guidance on fair value measurements expanded the definition of fair value to include 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 our 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 (Level 2 and 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 and option 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>Securitized retained interests</u>
The fair value of securitized retained interests is based upon a valuation model that calculates the present value of future expected cash flows using key assumptions for credit losses, prepayment rates and discount rates. These assumptions are based on our historical experience, market trends and anticipated performance relative to the particular assets securitized.

<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 2 as of December 31, 2011, 2010 and 2009 are summarized below:

(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 mortgage-backed securities	**—**	**310**	**—**	**310**
Residential mortgage-backed securities	**—**	**30**	**—**	**30**
Commercial mortgage-backed securities	**—**	**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**

(Millions of dollars)	December 31, 2010			
	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 mortgage-backed securities	—	273	—	273
Residential mortgage-backed securities	—	40	—	40
Commercial mortgage-backed securities	—	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

(Millions of dollars)	December 31, 2009			
	Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	$14	$—	$—	$14
Other U.S. and non-U.S. government bonds	—	65	—	65
Corporate bonds				
Corporate bonds	—	475	—	475
Asset-backed securities	—	134	—	134
Mortgage-backed debt securities				
U.S. governmental agency mortgage-backed securities	—	308	—	308
Residential mortgage-backed securities	—	51	—	51
Commercial mortgage-backed securities	—	162	—	162
Equity securities				
Large capitalization value	89	—	—	89
Smaller company growth	24	—	—	24
Total available-for-sale securities	127	1,195	—	1,322
Derivative financial instruments, net	—	236	—	236
Securitized retained interests	—	—	102	102
Total Assets	$127	$1,431	$102	$1,660
Liabilities				
Guarantees	$—	$—	$17	$17
Total Liabilities	$—	$—	$17	$17

Below are roll-forwards of assets and liabilities measured at fair value using Level 3 inputs for the years ended December 31, 2011, 2010 and 2009. These instruments, primarily related to Cat Financial, were valued using pricing models that, in management's judgment, reflect the assumptions of a marketplace participant.

(Millions of dollars)	Securitized Retained Interests	Guarantees
Balance at December 31, 2008	$52	$14
Gains or losses included in earnings (realized and unrealized)	(31)	—
Changes in Accumulated other comprehensive income (loss)	6	—
Purchases, issuances and settlements	75	3
Balance at December 31, 2009	$102	$17
Adjustment to adopt accounting for variable-interest entities	(102)	—
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**

The amount of unrealized losses on securitized retained interests recognized in earnings for the year ended December 31, 2009 related to assets still held at December 31, 2009 was $28 million. These losses were reported in Revenues of Financial Products in Statement 1. There were no unrealized losses on guarantees recognized in earnings for the years ended December 31, 2011, 2010 or 2009 related to liabilities still held at December 31, 2011, 2010 or 2009, respectively.

In addition to the amounts above, Cat Financial had impaired loans of $141 million, $171 million and $208 million for the years ended December 31, 2011, 2010 and 2009, respectively. 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 is 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.

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 2.

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 Machinery and Power Systems and Financial Products 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)	**2011** Carrying Amount	**2011** Fair Value	2010 Carrying Amount	2010 Fair Value	2009 Carrying Amount	2009 Fair Value	Reference
Assets at December 31,							
Cash and short-term investments	**$3,057**	**$3,057**	$3,592	$3,592	$4,867	$4,867	Statement 2
Restricted cash and short-term investments	**87**	**87**	91	91	37	37	Statement 2
Available-for-sale securities	**1,447**	**1,447**	1,370	1,370	1,322	1,322	Notes 11 & 18
Finance receivables—net (excluding finance leases[1])	**12,689**	**12,516**	12,568	12,480	13,077	13,234	Note 6
Wholesale inventory receivables—net (excluding finance leases[1])	**1,591**	**1,505**	1,062	1,017	660	646	Note 6
Foreign currency contracts—net	—	—	63	63	192	192	Notes 3 & 18
Interest rate swaps—net	**241**	**241**	187	187	34	34	Note 3
Commodity contracts—net	—	—	17	17	10	10	Note 3
Securitized retained interests	—	—	—	—	102	102	Note 6
Liabilities at December 31,							
Short-term borrowings	**3,988**	**3,988**	4,056	4,056	4,083	4,083	Note 13
Long-term debt (including amounts due within one year):							
Machinery and Power Systems	**8,973**	**10,737**	5,000	5,968	5,954	6,674	Note 14
Financial Products	**21,631**	**22,674**	19,362	20,364	21,594	22,367	Note 14
Foreign currency contracts—net	**89**	**89**	—	—	—	—	Notes 3 & 18
Commodity contracts—net	**7**	**7**	—	—	—	—	Note 3
Guarantees	**7**	**7**	10	10	17	17	Note 20

[1] Total excluded items have a net carrying value at December 31, 2011, 2010 and 2009 of $7,324 million, $7,292 million and $7,780 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 2, 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, 2011, 2010 and 2009, the maximum exposure to credit loss was $443 million, $576 million and $514 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 $429 million, $359 million, and $381 million for 2011, 2010 and 2009, 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)						
2012	2013	2014	2015	2016	Thereafter	Total
$314	$237	$196	$151	$115	$386	$1,399

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 has provided a limited indemnity to a third-party bank resulting from the assignment of certain leases to that bank. The indemnity is for the possibility that the insurers of these leases would become insolvent. The indemnity expires December 15, 2012 and is unsecured.

No loss has been experienced or is anticipated under any of these guarantees. At December 31, 2011, 2010 and 2009, the related liability was $7 million, $10 million and $17 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)	2011	2010	2009
Caterpillar dealer guarantees	**$140**	$185	$313
Customer guarantees	**186**	170	226
Limited indemnity	**11**	17	20
Other guarantees	**28**	48	64
Total guarantees	**$365**	$420	$623

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 our 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, 2011, 2010 and 2009, the SPC's assets of $586 million, $365 million and $231 million, respectively, are primarily comprised of loans to dealers, and the SPC's liabilities of $586 million, $365 million and $231 million, respectively, are primarily comprised of commercial paper. No loss has been experienced or is anticipated under this loan purchase agreement. Cat Financial's assets are not available to pay creditors of the SPC, except to the extent Cat Financial may be obligated to perform under the guarantee, and assets of the SPC are not available to pay Cat Financial's creditors.

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, 2011, 2010 and 2009 was $6,469 million, $6,408 million and $7,312 million, respectively. The amount of the unused commitments and lines of credit for customers as of December 31, 2011, 2010 and 2009 was $2,785 million, $2,613 million and $2,089 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)	2011	2010	2009
Warranty liability, January 1	**$1,035**	$1,049	$1,201
Reduction in liability (payments)	**(926)**	(855)	(1,032)
Increase in liability (new warranties)	**1,199**	841	880
Warranty liability, December 31	**$1,308**	$1,035	$1,049

The 2009 provision includes $181 million for changes in estimates for pre-existing warranties due to higher than expected actual warranty claim experience. These amounts for 2011 and 2010 were not significant. 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. Compliance with these existing laws has not had a material impact on our capital expenditures, earnings or global competitive position.

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 the Consolidated Statement of Financial Position.

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 have disclosed certain individual legal proceedings in this filing. Additionally, we are involved in other 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.

On May 14, 2007, the U.S. Environmental Protection Agency (EPA) issued a Notice of Violation to Caterpillar Inc., alleging various violations of Clean Air Act Sections 203, 206 and 207. EPA claims that Caterpillar violated such sections by shipping engines and catalytic converter after-treatment devices separately, introducing into commerce a number of uncertified and/or misbuilt engines, and failing to timely report emissions-related defects. On July 9, 2010, the Department of Justice issued a penalty demand to Caterpillar seeking a civil penalty of $3.2 million and implementation of injunctive relief involving expanded use of certain technologies. On July 28, 2011, EPA and the U.S. Department of Justice filed and lodged a civil complaint and consent decree with the U.S. District Court for the District of Columbia (Court) regarding the matter. Caterpillar has agreed to the terms of the consent decree, which require payment of a civil penalty of $2.55 million, retirement of a small number of emissions credits and expanded defect-related reporting. On September 7, 2011, the Court entered the consent decree, making it effective on that date, and Caterpillar has paid the penalty due to the United States in accordance with the decree terms. Under the terms of the consent decree, and subject to a settlement agreement, $510,000 of the stipulated $2.55 million penalty will be paid to the California Air Resources Board relating to engines covered by the consent decree that were placed into service in California.

In May 2010, an incident at Caterpillar's Gosselies, Belgium facility resulted in the release of wastewater into the Perupont River. In coordination with local authorities, appropriate remediation measures have been taken. In January 2011, Caterpillar learned that the public prosecutor for the Belgian administrative district of Charleroi had referred the matter to an examining magistrate of the civil court of Charleroi for further investigation. Caterpillar cooperated fully with the Belgian authorities on this investigation. Caterpillar understands that this investigation is complete, that no proceeding was initiated, and that no further action is contemplated.

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 three smaller operating segments that are included in All Other operating segments.

B. Description of segments

We have seven operating segments, of which four are reportable segments. Following is a brief description of our reportable segments and the business activities included in All Other operating segments:

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, 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. On July 8, 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. 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 and 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 and development, manufacturing, marketing, sales and product support of turbines and turbine related services; the business strategy, product design, product management and development, manufacturing, remanufacturing, maintenance, marketing, sales, 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 division 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 for Caterpillar and other companies; 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 (NC^2) until it became a wholly owned subsidiary of Navistar effective September 29, 2011. Inter-segment sales are a source of revenue for this segment. Results for All Other operating segments are included as reconciling items 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 is amortized using a fixed amount based on a twenty year useful life. This methodology difference only impacts segment assets; no goodwill amortization expense is included in segment results.

- 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 results. 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 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-66 to A-72 for financial information regarding significant reconciling items. Most of our reconciling items are self-explanatory given the above explanations. For the reconciliation of profit (loss), 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.

- **Redundancy costs:** Redundancy costs include pension and other postretirement benefit plan curtailments, settlements and special termination benefits as well as employee separation charges. Most of these costs are reconciling items between profit and consolidated profit before tax. A table, Reconciliation of Redundancy Costs on page A-69, has been included to illustrate how segment profit would have been impacted by the redundancy costs. See Notes 12 and 26 for more information.

- **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 & revenues	Total sales and revenues	Depreciation and amortization	Segment profit (loss)	Segment assets at December 31	Capital expenditures
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**	**14,559**	**717**
Power Systems	**20,114**	**2,339**	**22,453**	**544**	**3,053**	**8,917**	**834**
Machinery and Power Systems	**$55,410**	**$4,076**	**$59,486**	**$1,533**	**$8,443**	**$31,418**	**$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**	**$63,165**	**$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
2009							
Construction Industries	$8,507	$516	$9,023	$555	$(768)	$6,600	$403
Resource Industries	5,857	414	6,271	313	288	3,773	243
Power Systems	13,389	855	14,244	439	1,660	6,665	531
Machinery and Power Systems	$27,753	$1,785	$29,538	$1,307	$1,180	$17,038	$1,177
Financial Products Segment	3,139	—	3,139	742	399	32,230	976
Total	$30,892	$1,785	$32,677	$2,049	$1,579	$49,268	$2,153

Reconciliation of Sales and Revenues:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2011				
Total external sales and revenues from reportable segments	**$55,410**	**$3,003**	**$—**	**$58,413**
All other operating segments	**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 segments	2,156	—	—	2,156
Other	(65)	40	(265)[1]	(290)
Total sales and revenues	$39,867	$2,986	$(265)	$42,588
2009				
Total external sales and revenues from reportable segments	$27,753	$3,139	$—	$30,892
All other operating segments	1,791	—	—	1,791
Other	(4)	29	(312)[1]	(287)
Total sales and revenues	$29,540	$3,168	$(312)	$32,396

[1] Elimination of Financial Products revenues from Machinery and Power Systems.

Reconciliation of Profit Before Taxes:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidated Total
2011			
Total profit from reportable segments	**$8,443**	**$587**	**$9,030**
All other operating segments	**837**	—	**837**
Cost centers	**14**	—	**14**
Corporate costs	**(1,173)**	—	**(1,173)**
Timing	**(203)**	—	**(203)**
Redundancy charges	**(1)**	—	**(1)**
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 profit before taxes	**$6,105**	**$620**	**$6,725**
2010			
Total profit from reportable segments	$4,860	$429	$5,289
All other operating segments	720	—	720
Cost centers	(11)	—	(11)
Corporate costs	(954)	—	(954)
Timing	(185)	—	(185)
Redundancy charges	(33)	—	(33)
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 profit before taxes	$3,303	$447	$3,750
2009			
Total profit from reportable segments	$1,180	$399	$1,579
All other operating segments	625	—	625
Cost centers	(50)	—	(50)
Corporate costs	(654)	—	(654)
Timing	249	—	249
Redundancy charges	(654)	(10)	(664)
Methodology differences:			
Inventory/cost of sales	56	—	56
Postretirement benefit expense	(346)	—	(346)
Financing costs	(348)	—	(348)
Equity in profit of unconsolidated affiliated companies	12	—	12
Currency	256	—	256
Interest rate swap	(1)		(1)
Other income/expense methodology differences	(157)	—	(157)
Other methodology differences	6	6	12
Total profit before taxes	$174	$395	$569

Reconciliation of Redundancy costs:

As noted above, redundancy costs are a reconciling item between Segment profit (loss) and Consolidated profit (loss) before tax. For the year ended December 31, 2009, redundancy costs of $42 million were charged to operating segments. Had we included the remaining amounts in the segments' results, the profit (loss) would have been as shown below:

(Millions of dollars)	Segment profit (loss)	Redundancy costs	Segment profit (loss) with redundancy costs
2009			
Construction Industries	$(768)	$(256)	$(1,024)
Resource Industries	288	(183)	105
Power Systems	1,660	(139)	1,521
Financial Products Segment	399	(10)	389
All other operating segments	625	(76)	549
Consolidated Total	$2,204	$(664)	$1,540

Reconciliation of Assets:

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2011				
Total assets from reportable segments	**$31,418**	**$31,747**	**$—**	**$63,165**
All other operating segments	**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	**2,025**	**—**	**—**	**2,025**
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 segments	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
2009				
Total assets from reportable segments	$17,038	$32,230	$—	$49,268
All other operating segments	2,373	—	—	2,373
Items not included in segment assets:				
Cash and short-term investments	2,239	—	—	2,239
Intercompany receivables	106	—	(106)	—
Investment in Financial Products	4,514	—	(4,514)	—
Deferred income taxes	4,177	—	(434)	3,743
Goodwill, intangible assets and other assets	1,329	—	—	1,329
Operating lease methodology difference	(578)	—	—	(578)
Liabilities included in segment assets	5,053	—	—	5,053
Inventory methodology differences	(2,780)	—	—	(2,780)
Other	725	(255)	(1,079)	(609)
Total assets	$34,196	$31,975	$(6,133)	$60,038

Reconciliation of Depreciation and amortization

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2011				
Total depreciation and amortization from reportable segments	**$1,533**	**$710**	**$—**	**$2,243**
Items not included in segment depreciation and amortization:				
All other operating segments	**172**	**—**	**—**	**172**
Cost centers	**99**	**—**	**—**	**99**
Other	**(2)**	**15**	**—**	**13**
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 segments	194	—	—	194
Cost centers	97	—	—	97
Other	(16)	8	—	(8)
Total depreciation and amortization	$1,573	$723	$—	$2,296
2009				
Total depreciation and amortization from reportable segments	$1,307	$742	$—	$2,049
Items not included in segment depreciation and amortization:				
All other operating segments	177	—	—	177
Cost centers	128	—	—	128
Other	(18)	—	—	(18)
Total depreciation and amortization	$1,594	$742	$—	$2,336

Reconciliation of Capital expenditures

(Millions of dollars)	Machinery and Power Systems	Financial Products	Consolidating Adjustments	Consolidated Total
2011				
Total capital expenditures from reportable segments	**$2,466**	**$1,191**	**$—**	**$3,657**
Items not included in segment capital expenditures:				
All other operating segments	**343**	**—**	**—**	**343**
Cost centers	**177**	**—**	**—**	**177**
Timing	**(211)**	**—**	**—**	**(211)**
Other	**(129)**	**163**	**(76)**	**(42)**
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 segments	285	—	—	285
Cost centers	105	—	—	105
Timing	(180)	—	—	(180)
Other	(29)	32	(69)	(66)
Total capital expenditures	$1,663	$992	$(69)	$2,586
2009				
Total capital expenditures from reportable segments	$1,177	$976	$—	$2,153
Items not included in segment capital expenditures:				
All other operating segments	87	—	—	87
Cost centers	65	—	—	65
Timing	156	—	—	156
Other	15	—	(4)	11
Total capital expenditures	$1,500	$976	$(4)	$2,472

Enterprise-wide Disclosures:

Information about Geographic Areas:

(Millions of dollars)	External Sales & Revenues[1]			Net property, plant and equipment December 31,		
	2011	2010	2009	**2011**	2010	2009
Inside United States	**$18,004**	$13,674	$10,560	**$7,388**	$6,427	$6,260
Outside United States	**42,134**	28,914	21,836	**7,007[2]**	6,112[2]	6,126[2]
Total	**$60,138**	$42,588	$32,396	**$14,395**	$12,539	$12,386

[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% of total net property, plant and equipment for the periods presented, other than the United States, is Japan with $1,220 million, $1,266 million and $1,432 million as of December 31, 2011, 2010, and 2009, respectively.

23. Business Combinations

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 preliminary purchase price, net of $94 million of acquired cash, was approximately $774 million (€574 million). The purchase price included preliminary net working capital and other purchase price adjustments anticipated to be finalized in the first quarter of 2012.

The transaction was financed with available cash. Tangible assets acquired of $535 million, recorded at their fair values, primarily were 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 of $275 million, recorded at their fair values, primarily included accounts payable of $77 million, net deferred tax liabilities of $67 million and advance payments of $43 million. Goodwill of $387 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. 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 "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. 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 3.90% Senior Notes due in 2021, and $1.25 billion of 5.20% Senior Notes due in 2041. The Notes are unsecured obligations of Caterpillar and rank equally with all other senior unsecured indebtedness.

In December 2011, we finalized the first in a series of divestitures of the Bucyrus distribution business. The following disclosures do not reflect the impact of these divestitures (see Bucyrus Distribution Divestiture Note 25 for additional discussion).

Bucyrus contributed sales of $2,524 million and a pretax loss of $403 million (inclusive of deal-related and integration costs) from July 8, 2011 to December 31, 2011. 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.

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date at estimated fair value. These values represent a revision to the initial allocation of the purchase price subject to finalization of post-closing procedures. The purchase accounting summarized below is preliminary and is subject to further analysis. Receipt of additional information to complete such analysis and finalization of the valuation is still in process. The acquisition accounting adjustments and fair value adjustments are based on analysis performed on information as of the acquisition date that was available through December 31, 2011 and will be updated through the measurement period, if necessary.

(Millions of dollars)	**July 8, 2011**	
	Initial	*Revised*
Assets		
Cash	$203	$204
Receivables – Trade & Other	693	689
Prepaid expenses	154	161
Inventories	2,305	2,248
Property, plant and equipment – net	692	699
Intangible assets	3,901	3,901
Goodwill	5,263	4,616
Other assets	48	79
Liabilities		
Short-term borrowings	24	24
Current portion - long-term debt	16	16
Accounts payable	444	465
Accrued expenses	405	427
Customer advances	668	668
Other current liabilities	426	78
Long-term debt	1,514	1,528
Other liabilities	2,308	1,937
Net assets acquired	$7,454	$7,454

During the three months ended December 31, 2011 goodwill was reduced by $647 million, the net result of purchase accounting adjustments to the fair value of acquired assets and assumed liabilities. 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 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, 2011:

(Millions of dollars)	**Estimated fair value of asset /(liability)**	**Weighted-average useful life (in years)**	**Accumulated amortization**
Customer relationships	$2,337	15	$75
Intellectual property	1,489	12	58
Other	75	4	10
Total	$3,901	14	$143

The identifiable intangibles recorded as a result of the acquisition have been amortized from the acquisition date. Amortization expense related to intangible assets was $143 million in 2011. Estimated aggregate amortization expense for the five succeeding years and thereafter is as follows:

(Millions of dollars)					
2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**
$299	$299	$299	$290	$280	$2,291

Goodwill in the amount of $4,616 million was recorded for the acquisition of Bucyrus and is included in the Resource Industries segment. 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 were adjusted to exclude $373 million of acquisition related costs, including consulting, legal and advisory fees, severance costs and financing expense prior to debt issuance. 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.

(Dollars in millions except per share data)	**Years ended December 31,**	
	2011	**2010**
Total Sales and revenues	$62,281	$46,239
Profit (loss)	$5,401	$2,385
Profit (loss) per common share	$8.37	$3.78
Profit (loss) 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 acquired of $82 million, recorded at their fair values, included receivables of $18 million, inventory of $12 million, and property, plant and equipment of $52 million. Liabilities assumed of $22 million, recorded at their fair values, primarily were 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 acquired of $890 million, recorded at their fair values, primarily were 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 of $518 million, recorded at their fair values, 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 an additional $1 million post-closing adjustment paid in October 2010. There is also an additional $5 million to be paid by 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 acquired of $93 million, primarily consisting of property, plant and equipment, were recorded at their fair values. 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 of $82 million, including $59 million of assumed debt, were recorded at their fair values. 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. 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. 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" category 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). Both Cat Japan and MHI had options, exercisable beginning August 1, 2013, to require the redemption of the remaining shares owned by MHI, which if exercised, would make Caterpillar the sole owner of Cat Japan. In October 2011, Caterpillar and MHI reached an agreement to accelerate the redemption of the 33 percent shares owned by MHI in Cat Japan, making the options exercisable beginning in the second quarter of 2012 at an agreed upon redemption value. The remaining terms of the original agreement are unchanged. This transaction is expected to close in the second quarter of 2012.

The remaining 33 percent of Cat Japan owned by MHI has been reported as redeemable noncontrolling interest and classified as mezzanine equity (temporary equity) in Statement 2. The redeemable noncontrolling interest is reported at its estimated redemption value. Any adjustment to the redemption value impacts Profit employed in the business, but does not impact Profit. If the fair value of the redeemable noncontrolling interest falls below the redemption value, profit available to common stockholders would be reduced by the difference between the redemption value and the fair value. This would result in lower profit in the profit per common share computation in that period. Reductions impacting the profit per common share computation may be partially or fully reversed in subsequent periods if the fair value of the redeemable noncontrolling interest increases relative to the redemption value. Such increases in profit per common share would be limited to cumulative prior reductions. During 2011, the estimated redemption value decreased, resulting in adjustments to the carrying value of the redeemable noncontrolling interest. Profit employed in the business increased by $17 million due to these adjustments. This decrease in the estimated redemption value was offset by the strengthening of Japanese yen against the U.S. dollar, resulting in a $12 million net increase of the redeemable noncontrolling interest. During 2010, the estimated redemption value decreased, resulting in adjustments to the carrying value of the redeemable noncontrolling interest. Profit employed in the business increased by $27 million due to these adjustments. During 2009, the estimated redemption value decreased, resulting in adjustments to the carrying value of the redeemable noncontrolling interest. Profit employed in the business increased by $81 million due to these adjustments. As of December 31, 2011, 2010 and 2009, the fair value of the redeemable noncontrolling interest remained greater than the estimated redemption value.

We estimate the fair value of the redeemable noncontrolling interest using a discounted five year forecasted cash flow with a year-five residual value. Based on our current expectations for Cat Japan, we expect the fair value of the redeemable noncontrolling interest to remain greater than the redemption value. However, if economic conditions deteriorate and Cat Japan's business forecast is negatively impacted, it is possible that the fair value of the redeemable noncontrolling interest may fall below the estimated redemption value. Should this occur, profit would be reduced in the profit per common share computation by the difference between the redemption value and the fair value. Lower long-term growth rates, reduced long-term profitability as well as changes in interest rates, costs, pricing, capital expenditures and general market conditions may reduce the fair value of the redeemable noncontrolling interest.

With the consolidation of Cat Japan's results of operations, 33 percent of Cat Japan's comprehensive income or loss is attributed to the redeemable noncontrolling interest, impacting its carrying value. Because the redeemable noncontrolling interest must be reported at its estimated future redemption value, the impact from attributing the comprehensive income or loss is offset by adjusting the carrying value to the redemption value. This adjustment impacts Profit employed in the business, but not Profit. In 2011 and 2010, the carrying value had increased by $66 million and $55 million, respectively, due to Cat Japan's comprehensive income. This resulted in an offsetting adjustment of $66 million and $55 million in 2011 and 2010, respectively, to decrease the carrying value to the redemption value and a corresponding increase to Profit employed in the business. In 2009, the carrying value had decreased by $53 million due to Cat Japan's comprehensive loss. This resulted in an offsetting adjustment of $53 million to increase the carrying value to the redemption value and a corresponding reduction to Profit employed in the business. As Cat Japan's functional currency is the Japanese yen, changes in exchange rates affect the reported amount of the redeemable noncontrolling interest. At December 31, 2011, 2010 and 2009, the redeemable noncontrolling interest was $473 million, $461 million and $477 million, respectively.

25. Divestitures and Assets held for sale

Bucyrus Distribution Business Divestiture

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. We expect these transitions will occur 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. There have been no impairments related to the Bucyrus distribution business.

In November 2011, we entered into agreements and committed to sell portions of the Bucyrus distribution business to three Caterpillar dealers.

In December 2011, one of the sale transactions was completed whereby we sold a portion of the Bucyrus distribution business to the Industrial Division of Sime Darby Berhad operated by Hastings Deering for $360 million, subject to certain working capital adjustments. 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 other operating income 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.

The other two transactions were classified as held for sale at December 31, 2011 and are expected to close in the first half of 2012. 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 the Consolidated Statement of Financial Position. The major classes of assets held for sale were as follows:

(Millions of dollars)	December 31, 2011
Receivables	$25
Inventory	109
Current assets held for sale	$134
Property, plant and equipment - net	$28
Intangible assets	186
Goodwill	296
Non-current assets held for sale	$510

In February 2012, we received board approval to sell additional portions of the Bucyrus distribution business to three additional Caterpillar dealers. These disposal groups qualified as held for sale in February 2012. The related assets were considered held and used at December 31, 2011. The major classes of assets that were held and used at December 31, 2011 but subsequently qualified as assets held for sale were as follows:

(Millions of dollars)	December 31, 2011
Inventory	$13
Property, plant and equipment - net	$2
Intangible assets	$31
Goodwill	$47

Carter Machinery

In March 2011, we sold 100 percent of the equity in Carter Machinery Company Inc. for $364 million, which includes a final purchase price adjustment of $6 million in the fourth quarter of 2011. 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 the Consolidated Statement of Financial Position. We recorded a pre-tax gain of $24 million included in Other operating (income) expenses in the Consolidated Statement of Results of Operations. The sale does not qualify as discontinued operations because Caterpillar expects significant continuing direct cash flows from 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 2011, 2010 and 2009 were $112 million, $33 million and $481 million, respectively, and were recognized in Other operating (income) expenses in Statement 1. The separation charges in 2011 were primarily related to the acquisition of Bucyrus. The separation charges in 2010 and 2009 primarily were related to voluntary and involuntary separation programs in response to the global recession in 2008 and 2009 and 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 addition to the separation charges noted above, in 2009 we reported $225 million of costs associated with certain pension and other postretirement benefit plans, which were also recognized in Other operating (income) expenses in Statement 1. See Note 12 for additional information.

In 2011, the majority of separation charges were assigned primarily to Resource Industries. For 2010 and 2009, the majority of the separation charges, made up primarily of cash severance payments, pension and other postretirement benefit costs, and stock-based compensation costs noted above were not assigned to operating segments. The 2009 charges are included in the reconciliation of total accountable profit from reportable segments to total profit before taxes. See Note 22 for additional details surrounding this reconciliation.

The following table summarizes the 2009, 2010 and 2011 separation activity:

(Millions of dollars)	**Total**
Liability balance at December 31, 2008	$11
Increase in liability (separation charges)	$481
Reduction in liability (payments and other adjustments)	(443)
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**

The remaining liability balances as of December 31, 2011 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 2012.

27. Selected quarterly financial results (unaudited)

(Dollars in millions except per share data)	**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 (loss) [1]	**$1,225**	**$1,015**	**$1,141**	**$1,547**
Profit (loss) per common share	**$1.91**	**$1.57**	**$1.76**	**$2.39**
Profit (loss) per common share—diluted [2]	**$1.84**	**$1.52**	**$1.71**	**$2.32**

	2010 Quarter [3]			
	1st	2nd	3rd	4th
Sales and revenues	$8,238	$10,409	$11,134	$12,807
Less: Revenues	(687)	(686)	(682)	(666)
Sales	7,551	9,723	10,452	12,141
Cost of goods sold	5,894	7,372	7,752	9,349
Gross margin	1,657	2,351	2,700	2,792
Profit (loss) [1]	$233	$707	$792	$968
Profit (loss) per common share	$0.37	$1.12	$1.25	$1.52
Profit (loss) per common share—diluted [2]	$0.36	$1.09	$1.22	$1.47

[1] Profit (loss) attributable to common stockholders.
[2] Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.
[3] See Note 23 – Business Combinations and Note 25 – Divestitures and assets held for sale for additional information.

Five-year Financial Summary
(Dollars in millions except per share data)

	2011	2010	2009	2008	2007
Years ended December 31,					
Sales and revenues	**$60,138**	$42,588	$32,396	$51,324	$44,958
Sales	**$57,392**	$39,867	$29,540	$48,044	$41,962
Percent inside the United States	**30%**	32%	31%	33%	37%
Percent outside the United States	**70%**	68%	69%	67%	63%
Revenues	**$2,746**	$2,721	$2,856	$3,280	$2,996
Profit[4]	**$4,928**	$2,700	$895	$3,557	$3,541
Profit per common share[1]	**$7.64**	$4.28	$1.45	$5.83	$5.55
Profit per common share—diluted[2]	**$7.40**	$4.15	$1.43	$5.66	$5.37
Dividends declared per share of common stock	**$1.820**	$1.740	$1.680	$1.620	$1.380
Return on average common stockholders' equity[3, 5]	**41.4%**	27.4%	11.9%	46.8%	44.4%
Capital expenditures:					
Property, plant and equipment	**$2,515**	$1,575	$1,504	$2,320	$1,682
Equipment leased to others	**$1,409**	$1,011	$968	$1,566	$1,340
Depreciation and amortization	**$2,527**	$2,296	$2,336	$1,980	$1,797
Research and development expenses	**$2,297**	$1,905	$1,421	$1,728	$1,404
As a percent of sales and revenues	**3.8%**	4.5%	4.4%	3.4%	3.1%
Wages, salaries and employee benefits	**$10,994**	$9,187	$7,416	$9,076	$8,331
Average number of employees	**113,620**	98,554	99,359	106,518	97,444
December 31,					
Total assets	**$81,446**	$64,020	$60,038	$67,782	$56,132
Long-term debt due after one year:					
Consolidated	**$24,944**	$20,437	$21,847	$22,834	$17,829
Machinery and Power Systems	**$8,415**	$4,505	$5,652	$5,736	$3,639
Financial Products	**$16,529**	$15,932	$16,195	$17,098	$14,190
Total debt:					
Consolidated	**$34,592**	$28,418	$31,631	$35,535	$28,429
Machinery and Power Systems	**$9,066**	$5,204	$6,387	$7,824	$4,006
Financial Products	**$25,526**	$23,214	$25,244	$27,711	$24,423

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 2011 sales and revenues were $60.138 billion, an increase of 41 percent from $42.588 billion in 2010. Profit in 2011 was $4.928 billion, an increase of 83 percent from $2.700 billion in 2010. Profit per share of $7.40 was up 78 percent from $4.15 in 2010. Excluding the impact of the acquisition of Bucyrus, 2011 profit was $7.79 per share.

Fourth-quarter sales and revenues in 2011 were $17.243 billion, an increase of 35 percent compared with $12.807 billion in the fourth quarter of 2010. Fourth-quarter profit was $1.547 billion compared with $968 million in the fourth quarter of 2010. Profit of $2.32 per share was 58 percent higher than the $1.47 per share in the fourth quarter of 2010.

The 2011 increase in sales and revenues was the largest percentage increase in any year since 1947, with most of it driven by demand for Caterpillar products and services outside of the United States. 2011 profit per share was more than 30 percent higher than our previous 2008 profit record of $5.66 per share. We improved our cash generation as well with our ***Machinery and Power Systems (M&PS)*** operating cash flow near $8 billion.

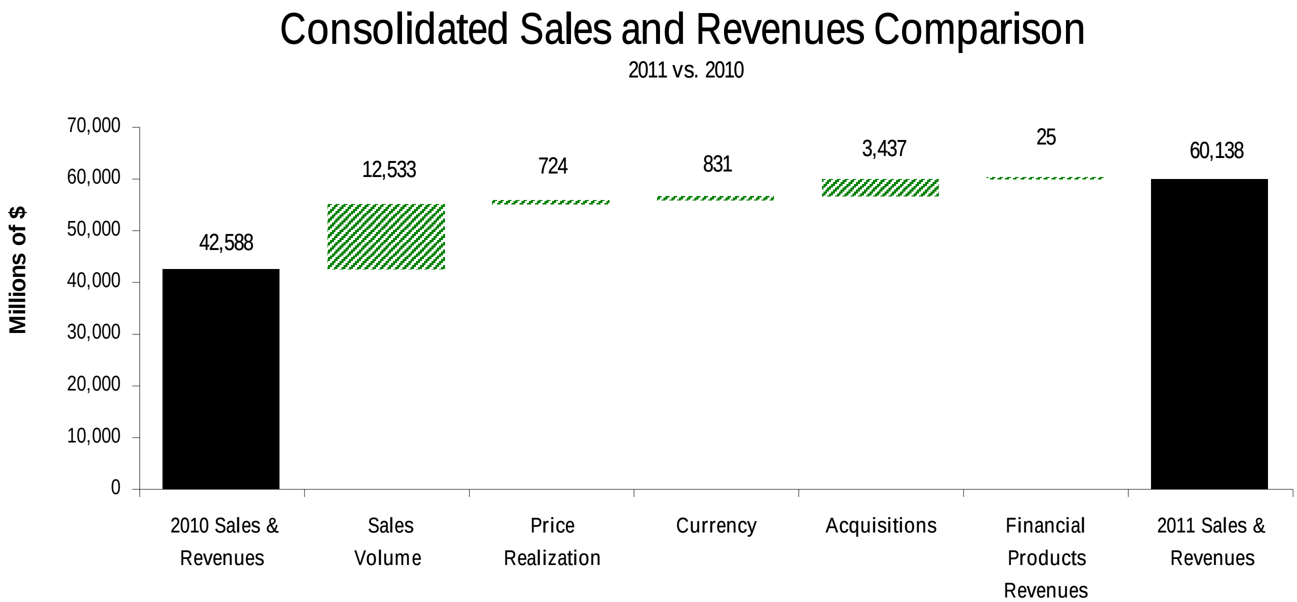
Highlights for 2011 include:

- 2011 sales and revenues were $60.138 billion, an all-time record. Sales and revenues excluding Bucyrus were $57.614 billion.
- Profit per share was $7.40 in 2011, an all-time record. Profit per share excluding Bucyrus was $7.79—up 88 percent from 2010.
- M&PS operating cash flow was a record $7.972 billion in 2011, compared with $5.638 billion in 2010—an increase of 41 percent—our best year ever.

*Glossary of terms included on pages A-104 to A-105; first occurrence of terms shown in bold italics.

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.

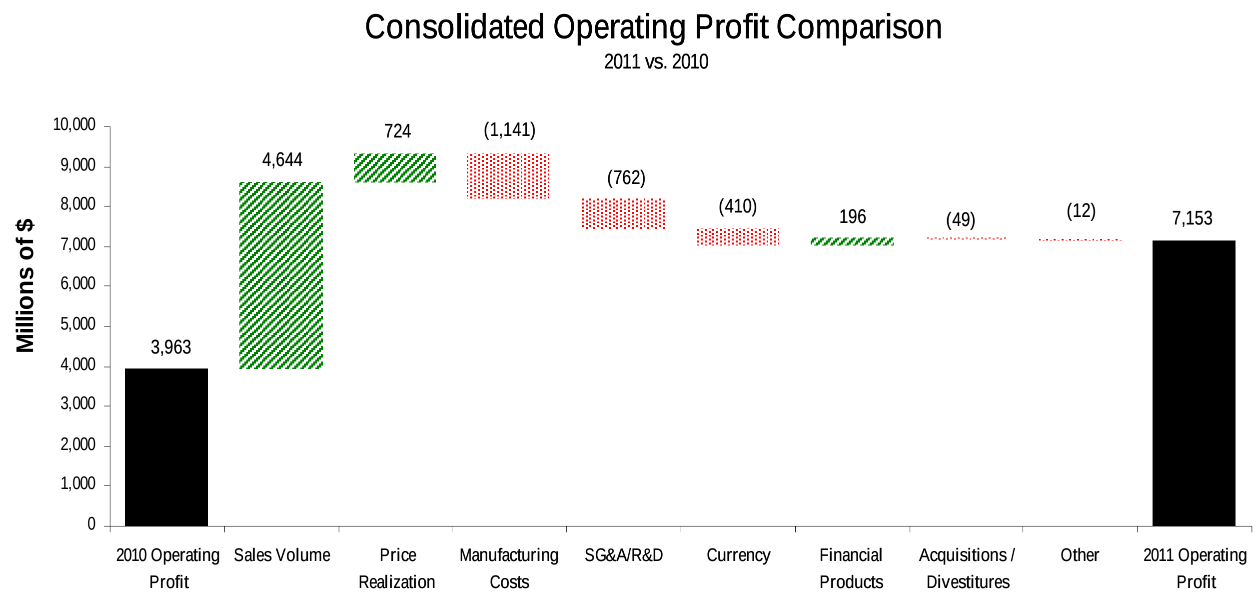
The improvement in sales volume occurred across the world in all geographic regions and in nearly all segments. The volume increase was primarily the result of higher end user demand. In addition, dealers added about $2.5 billion to new machine inventories in 2011 compared with about $900 million in 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 selling, general and administrative (SG&A) and research and development (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 Segments[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 Segments[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 Segments	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 Segments	**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 a year ago, 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.

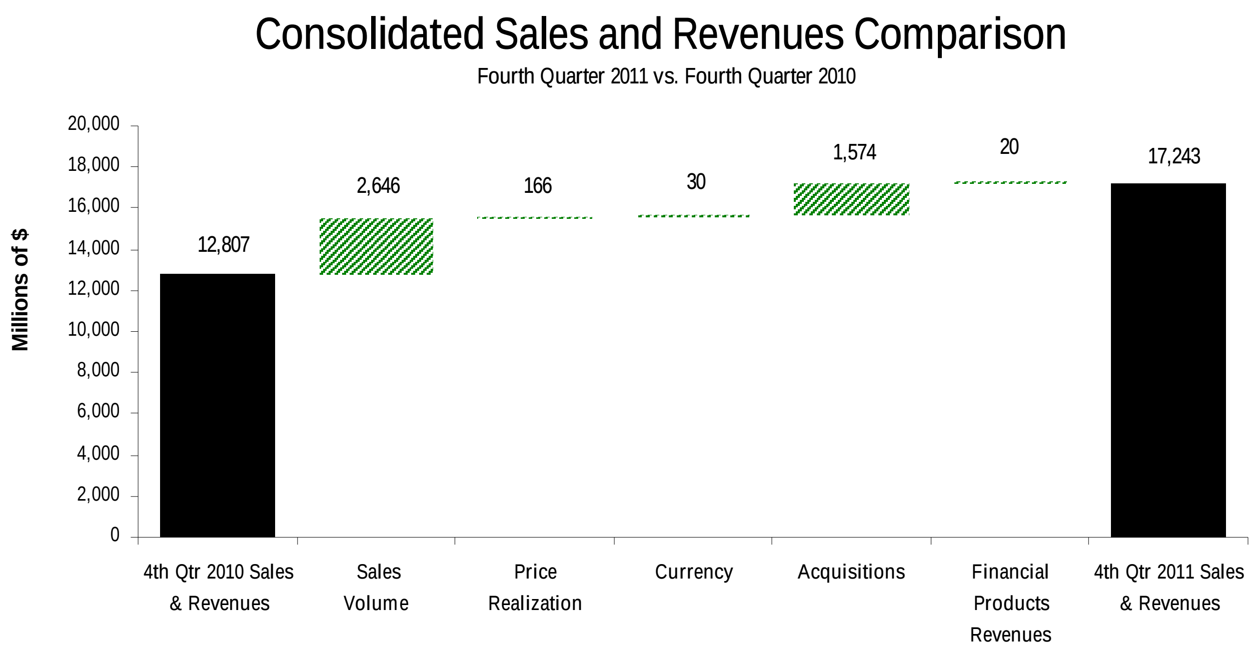
Corporate Items and Eliminations

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.

FOURTH QUARTER 2011 COMPARED WITH FOURTH QUARTER 2010

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between the fourth quarter of 2010 (at left) and the fourth quarter of 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. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were $17.243 billion in the fourth quarter of 2011, an increase of $4.436 billion, or 35 percent, from the fourth quarter of 2010.

The improvement was largely a result of $2.646 billion higher sales volume. While sales for both new equipment and after-market parts improved, the more significant increase was for new equipment. Price realization improved $166 million, and currency impacts added $30 million. Bucyrus added $1.389 billion in sales, EMD sales increased $133 million, and MWM added sales of $52 million. Financial Products revenues improved 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. Dealer-reported new machine inventory levels were up more than $700 million during the quarter, similar to the increase in the fourth quarter of 2010.

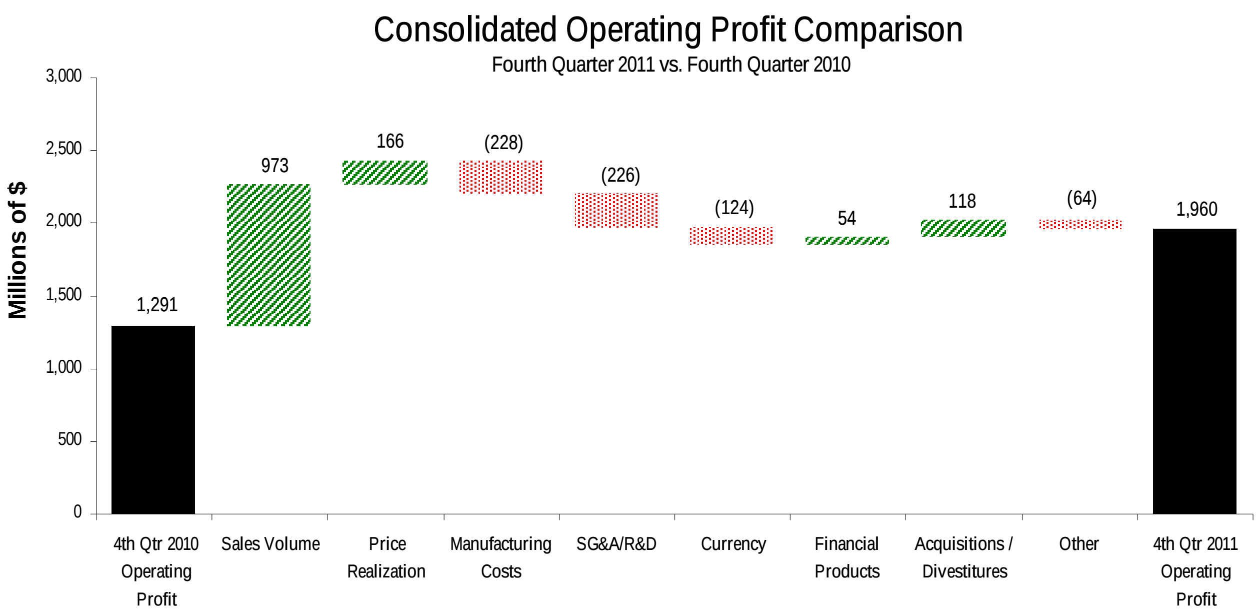
Growth in the global economy improved demand for commodities, and commodity prices remained attractive for investment. This was positive for mining in all regions of the world.

Construction activity continued to grow in many developing countries. In developed countries, despite a weak but improving level of construction activity, sales increased as a result of customers upgrading machine fleets by replacing older equipment and dealers refreshing equipment in their rental fleets.

Worldwide demand for energy, at prices 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, and sales of our rail products and services also increased.

While sales and revenues were up in all regions, the most significant growth was in Asia/Pacific. In total, sales and revenues in Asia/Pacific were up 49 percent in the fourth quarter of 2011 compared with the fourth quarter of 2010. Excluding our Bucyrus acquisition, sales and revenues in Asia/Pacific were up about 32 percent. Although the construction equipment industry has decreased in China, and dealer deliveries to end users of new construction equipment have declined, our competitive position has improved and dealer deliveries of new machines have not declined as much as the industry overall. In addition, our sales of engines, turbines and aftermarket parts in China have performed better than machine deliveries to end users. China sales improved from the fourth quarter of 2010, and other countries in the Asia/Pacific region have performed much better. China sales make up less than a quarter of our total Asia/Pacific sales.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between the fourth quarter of 2010 (at left) and the fourth quarter of 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 for the fourth quarter of 2011 was $1.960 billion compared with $1.291 billion for the fourth quarter of 2010. The increase was primarily the result of higher sales volume and improved price realization. The improvements were partially offset by higher costs and the negative impact of currency.

Manufacturing costs were up $228 million primarily due to higher period costs related to incentive compensation, production volume and capacity expansion programs. Material costs were up from the fourth quarter of 2010 primarily due to higher steel costs.

SG&A and R&D expenses increased $226 million primarily due to higher volume and increased incentive compensation.

Currency had a $124 million unfavorable impact on operating profit as the benefit from $30 million on sales was more than offset by a negative $154 million impact on costs. The unfavorable currency impact was primarily due to the Japanese yen.

Financial Products' operating profit improved by $54 million.

Acquisitions/divestitures impacted operating profit by $118 million primarily related to Bucyrus.

Other costs negatively impacted operating profit by $64 million primarily due to restructuring costs at Cat Japan.

Short-term incentive compensation was about $360 million in the fourth quarter of 2011 compared to about $225 million in the fourth quarter of 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 $4.436 billion from the fourth quarter of 2010 to the fourth quarter of 2011, and operating profit increased $669 million. The resulting incremental operating profit rate is 15 percent. Excluding the acquisition of Bucyrus, EMD and MWM, incremental margin was about 19 percent. Excluding the acquisition of Bucyrus, EMD and MWM and currency impacts, incremental margin was approximately 24 percent.

OTHER PROFIT/LOSS ITEMS

- **Interest expense excluding Financial Products** increased $32 million from the fourth quarter of 2010 due to debt issued to complete the acquisition of Bucyrus.
- **Other income/expense** was income of $125 million compared with income of $16 million in the fourth quarter of 2010. The increase was due to the favorable impact of currency gains and losses.
- **The provision for income taxes** in the fourth quarter of 2011 reflects an effective tax rate of 26.5 percent compared with 25 percent for the fourth quarter of 2010, excluding the items discussed below. The 2011 tax rate is higher than 2010 primarily due to changes in our geographic mix of profits from a tax perspective.

  The 2011 fourth quarter tax provision also included a $117 million benefit related to a decrease from the third quarter estimated annual effective tax rate of 29 percent and a $24 million benefit for the release of a valuation allowance offset by a negative impact of $33 million from nondeductible goodwill primarily related to the divestiture of a portion of the Bucyrus distribution business. The decrease in the estimated annual effective tax rate for 2011 is primarily due to a more favorable than expected geographic mix of profits from a tax perspective. This compared to a $75 million benefit in the fourth quarter of 2010 related to a decrease in the estimated annual effective tax rate.

- **Equity in profit/loss of unconsolidated affiliated companies** favorably impacted profit by $11 million compared with the fourth quarter of 2010. The change is primarily related to the absence of NC^2 Global LLC.

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 2011										
Construction Industries[1]	$5,355	31%	$1,743	31%	$777	29%	$1,222	35%	$1,613	28%
Resource Industries[2]	5,056	80%	1,694	88%	771	51%	962	48%	1,629	117%
Power Systems[3]	5,672	22%	2,203	14%	722	24%	1,693	27%	1,054	31%
All Other Segments[4]	496	(15)%	235	(28)%	26	24%	145	4%	90	(5)%
Corporate Items and Eliminations	(22)		(15)		(1)		(4)		(2)	
Machinery & Power Systems Sales	16,557	36%	5,860	31%	2,295	34%	4,018	33%	4,384	51%
Financial Products Segment	752	4%	413	(4)%	94	16%	110	7%	135	18%
Corporate Items and Eliminations	(66)		(38)		(7)		(13)		(8)	
Financial Products Revenues	686	3%	375	—	87	12%	97	(6)%	127	14%
Consolidated Sales and Revenues	$17,243	35%	$6,235	28%	$2,382	33%	$4,115	31%	$4,511	49%
Fourth Quarter 2010										
Construction Industries[1]	$4,103		$1,334		$601		$906		$1,262	
Resource Industries[2]	2,807		899		511		648		749	
Power Systems[3]	4,664		1,936		584		1,337		807	
All Other Segments[4]	583		328		21		139		95	
Corporate Items and Eliminations	(16)		(12)		—		(3)		(1)	
Machinery & Power Systems Sales	12,141		4,485		1,717		3,027		2,912	
Financial Products Segment	726		428		81		103		114	
Corporate Items and Eliminations	(60)		(54)		(3)		—		(3)	
Financial Products Revenues	666		374		78		103		111	
Consolidated Sales and Revenues	$12,807		$4,859		$1,795		$3,130		$3,023	

[1] Does not include inter-segment sales of $142 million and $193 million in fourth-quarter 2011 and 2010, respectively.
[2] Does not include inter-segment sales of $314 million and $342 million in fourth-quarter 2011and 2010, respectively.
[3] Does not include inter-segment sales of $644 million and $555 million in fourth-quarter 2011 and 2010, respectively.
[4] Does not include inter-segment sales of $865 million and $762 million in fourth-quarter 2011 and 2010, respectively.

Sales and Revenues by Segment

(Millions of dollars)	Fourth Quarter 2010	Sales Volume	Price Realization	Currency	Acquisitions	Other	Fourth Quarter 2011	$ Change	% Change
Construction Industries	$4,103	$1,171	$48	$33	$—	$—	$5,355	$1,252	31%
Resource Industries	2,807	814	58	(12)	1,389	—	5,056	2,249	80%
Power Systems	4,664	723	94	6	185	—	5,672	1,008	22%
All Other Segments	583	(87)	(3)	3	—	—	496	(87)	(15)%
Corporate Items and Eliminations	(16)	25	(31)	—	—	—	(22)	(6)	
Machinery & Power Systems Sales	12,141	2,646	166	30	1,574	—	16,557	4,416	36%
Financial Products Segment	726	—	—	—	—	26	752	26	4%
Corporate Items and Eliminations	(60)	—	—	—	—	(6)	(66)	(6)	
Financial Products Revenues	666	—	—	—	—	20	686	20	3%
Consolidated Sales and Revenues	$12,807	$2,646	$166	$30	$1,574	$20	$17,243	$4,436	35%

Operating Profit by Segment

(Millions of dollars)	Fourth Quarter 2011	Fourth Quarter 2010	$ Change	% Change
Construction Industries	$534	$287	$247	86%
Resource Industries	997	606	391	65%
Power Systems	823	708	115	16%
All Other Segments	236	140	96	69%
Corporate Items and Eliminations	(721)	(497)	(224)	
Machinery & Power Systems	1,869	1,244	625	50%
Financial Products Segment	134	105	29	28%
Corporate Items and Eliminations	22	(3)	25	
Financial Products	156	102	54	53%
Consolidating Adjustments	(65)	(55)	(10)	
Consolidated Operating Profit	$1,960	$1,291	$669	52%

Construction Industries

Construction Industries' sales were $5.355 billion in the fourth quarter of 2011, an increase of $1.252 billion, or 31 percent, from the fourth quarter of 2010. The improvement in sales was a result of significantly 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.

Continuing economic growth in most developing countries resulted in higher sales overall. Despite an economic slowdown in China, our sales in China were higher in the fourth quarter of 2011 than in the fourth quarter of 2010 as dealer deliveries to end users, while down, held up better than the industry overall, and machine production was sufficient to allow dealers to build inventory for the upcoming 2012 selling season.

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 to replace older equipment and dealers refreshing equipment in their rental fleets. Despite the increase from a year ago, 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 $534 million in the fourth quarter of 2011 compared with $287 million in the fourth quarter of 2010. The increase in profit was primarily due to higher sales volume, which included the impact of a favorable mix of products, and improved price realization. The benefits from increased sales were partially offset by higher period manufacturing and freight costs. Period manufacturing costs increased as a result of increased production volume and global capacity expansion. In addition, the quarter included restructuring costs at Cat Japan.

Resource Industries

Resource Industries' sales were $5.056 billion in the fourth quarter of 2011, an increase of $2.249 billion, or 80 percent, from the fourth quarter of 2010. The sales increase was primarily due to the acquisition of Bucyrus in 2011 and higher sales volume.

While commodity prices are off their highs from earlier in 2011, they remain favorable for investment, and that is driving significant demand for our large mining products and aftermarket parts. While demand for product was strong, the supply of many of our mining products was limited by our capacity.

Bucyrus sales were $1.389 billion in the fourth quarter of 2011, with $344 million in North America, $244 million in Latin America, $268 million in EAME and $533 million in Asia/Pacific.

Resource Industries' profit was $997 million in the fourth quarter of 2011 compared with $606 million in the fourth quarter of 2010. The acquisition of Bucyrus increased segment profit by $146 million. See further discussion of the Bucyrus distribution business divestiture beginning on page A-100.

Excluding Bucyrus, Resource Industries' profit increased $245 million, primarily due to higher sales volume and improved price realization. The improvement was partially offset by higher period manufacturing, material and freight costs. SG&A and R&D expenses also increased as a result of higher volume, costs to support product programs and increased incentive compensation.

Power Systems

Power Systems' sales were $5.672 billion in the fourth quarter of 2011, an increase of $1.008 billion, or 22 percent, from the fourth quarter of 2010. The improvement was a result of higher sales volume for both new equipment and parts, the acquisitions of EMD and MWM and improved price realization. Sales were up in all geographic regions.

Worldwide demand for energy at price levels that encourage continued investment has resulted in higher demand for engines and turbines for petroleum applications. Strong demand for electric power resulted in higher sales of turbines. Sales of our rail products and services also increased.

Power Systems' profit was $823 million in the fourth quarter of 2011 compared with $708 million in the fourth quarter of 2010. The increase was primarily due to higher sales volume and improved price realization. The improvements were partially offset by higher costs, primarily driven by growth, incentive compensation and costs to support product programs.

Sales for EMD increased $133 million, while profit decreased $28 million. MWM, acquired during the fourth quarter of 2011, added sales of $52 million, and was about neutral to profit.

Financial Products Segment

Financial Products' revenues were $752 million, an increase of $26 million, or 4 percent, from the fourth quarter of 2010. The increase was primarily due to the 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.

Financial Products' profit was $134 million in the fourth quarter of 2011, compared with $105 million in the fourth quarter of 2010. The increase was primarily due to a $17 million favorable change from returned or repossessed equipment and a $15 million favorable impact from higher average earning assets. These increases were partially offset by an increase in SG&A expenses.

All Other Segments

All Other segments includes groups that provide services such as component manufacturing, remanufacturing and logistics to both Caterpillar and external customers. The increase in profit from the fourth quarter of 2010 to the fourth quarter of 2011 was primarily due to internal recoveries from other segments that were in excess of costs incurred.

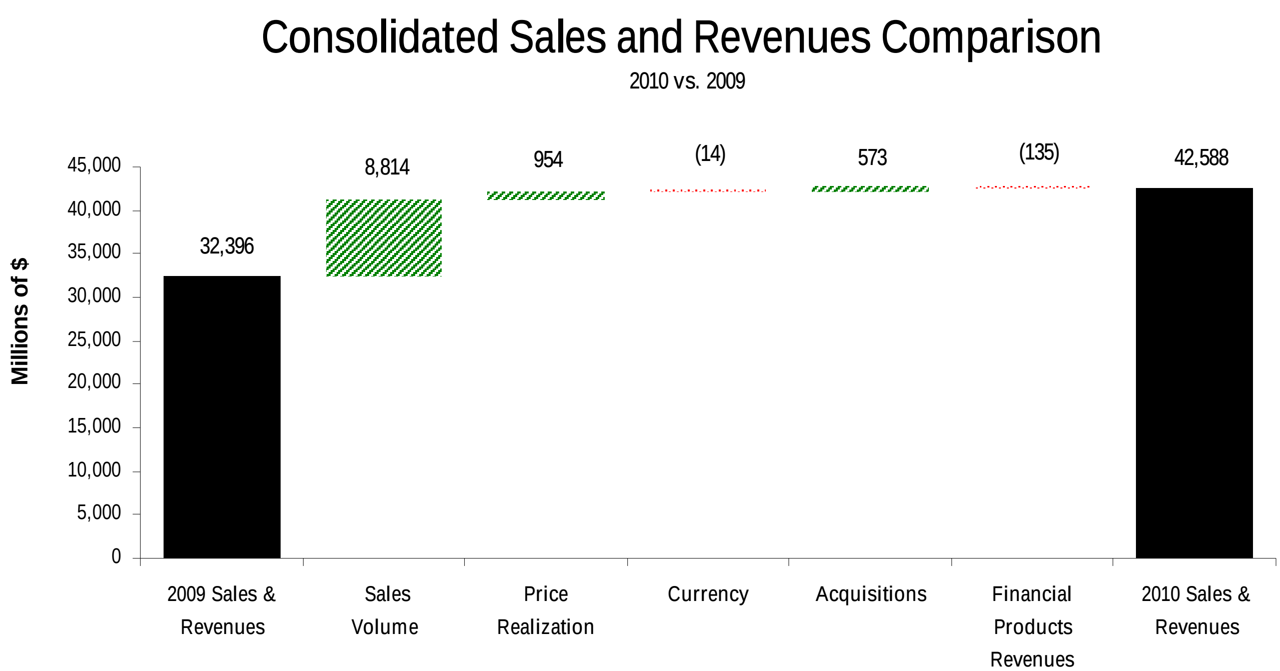
Corporate Items and Eliminations

Expense for corporate items and eliminations was $699 million in the fourth quarter of 2011, an increase of $199 million from the fourth quarter of 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 fourth-quarter 2011 actual exchange rates were unfavorable compared with 2011 fixed exchange rates. In addition, corporate-level expenses and retirement benefit costs not allocated to the segments increased.

2010 COMPARED WITH 2009

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between 2009 (at left) and 2010 (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.

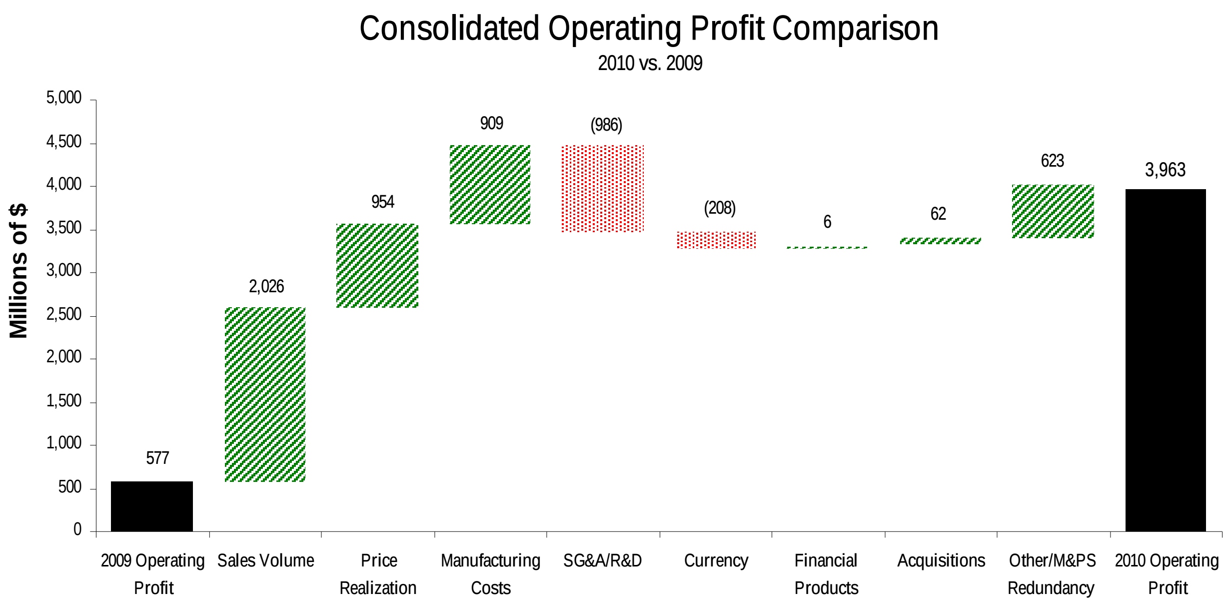
Sales and revenues for 2010 were $42.588 billion, up $10.192 billion, or 31 percent, from 2009. Sales volume was up $8.814 billion primarily due to higher end-user demand for Construction Industries and Resource Industries products and the absence of dealer new machine inventory reductions that occurred in 2009. While sales for new equipment and aftermarket parts improved, the increase for new equipment was more significant. Price realization improved $954 million, and currency had a negative impact on sales of $14 million. Electro-Motive Diesel (EMD), which was acquired in the third quarter of 2010, added $573 million. Financial Products revenues decreased $135 million primarily due to lower average earning assets.

Economic recoveries in most countries encouraged users to increase machine purchases, either to expand fleets or slow their deterioration. The improvement in volume required our factories to increase machine shipments in 2010 by the largest amount, in both dollars and percent, in more than 30 years. Recovery in machine sales is further along in developing economies where recessions were less severe and governments acted aggressively to promote growth. Dealer deliveries in Asia/Pacific were a record high in 2010, and those in Latin America were near record highs. Developed economies responded slowly to economic downturns, and high unemployment remains a problem for the United States, Europe and Japan.

Dealers added about $800 million to inventories in 2010. In 2009 dealers reduced new machine inventories about $3.4 billion. However, in months of supply, dealer inventories were lower at the end of 2010 than both year-end 2009 and the historical average.

Power Systems' sales increased 16 percent from 2009, primarily because of higher sales of engines for electric power and industrial applications partially offset by lower sales of engines for marine and petroleum applications.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between 2009 (at left) and 2010 (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. The bar entitled Other/M&PS Redundancy includes consolidating adjustments and Machinery and Power Systems other operating (income) expenses, which include Machinery and Power Systems redundancy costs. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Operating profit in 2010 was $3.963 billion compared to $577 million in 2009. The improvement was primarily the result of higher sales volume, which included the impact of an unfavorable change in product mix of more than $1 billion. In addition, price realization improved, and manufacturing costs were lower. The improvements were partially offset by higher selling, general and administrative (SG&A) and research and development (R&D) expenses and a $208 million unfavorable impact from currency.

The negative change in product mix in 2010 compared to 2009 was primarily due to three key factors. First, product mix within Machinery and Power Systems segments was negative as sales growth was higher in lower margin machines and engines than higher margin products. Second, Power Systems had a higher operating margin than Construction Industries and Resource Industries. Construction Industries and Resource Industries combined sales grew 55 percent compared with a 16 percent increase for Power Systems. Lastly, aftermarket parts sales were a lower percent of total sales in 2010 compared to 2009 which negatively impacted product mix as aftermarket parts have higher operating margins than new equipment.

Manufacturing costs improved $909 million primarily due to variable labor and burden efficiencies and lower warranty and material costs, partially offset by the absence of $300 million of LIFO inventory decrement benefits.

SG&A and R&D expenses increased by $986 million primarily due to provisions for incentive pay and increased costs to support new product development programs, including those related to emissions requirements.

Redundancy costs were $706 million in 2009.

We believe the amount of incremental operating profit we earn on incremental sales and revenues is an important performance metric. Excluding EMD, sales and revenues increased $9.619 billion from 2009 to 2010. Excluding redundancy costs and LIFO decrement benefits in 2009 and EMD operating profit of $62 million in 2010, operating profit increased $2.918 billion. The resulting incremental operating profit rate was 30 percent.

OTHER PROFIT/LOSS ITEMS

- **Interest expense excluding Financial Products** decreased $46 million from 2009 primarily due to a reduction in debt.
- **Other income/expense** was income of $130 million compared with income of $381 million in 2009. The decrease was primarily driven by an unfavorable impact from currency gains and losses. Machinery and Power Systems currency derivative losses were near $50 million in 2010 compared with gains of more than $200 million in 2009.
- **The provision for income taxes** of $968 million for 2010 reflects a tax rate of 25 percent, excluding the discrete items discussed below, which is less than the U.S. corporate tax rate of 35 percent primarily due to profits in tax jurisdictions with rates lower than the U.S. rate.

  The provision for income taxes for 2010 also includes a deferred tax charge of $90 million due to the enactment of U.S. health care legislation, effectively making government subsidies received for Medicare equivalent prescription drug coverage taxable. This deferred tax charge was partially 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.

  In 2009, income taxes were a benefit of $270 million, driven primarily by a favorable geographic mix of profits and losses from a tax perspective along with tax benefits related to prior-year tax returns of $133 million.
- **Equity in profit/loss of unconsolidated affiliated companies** negatively impacted profit by $12 million compared to 2009. The change is primarily related to start-up expenses from NC^2 Global LLC, our joint venture with Navistar.
- **Profit/loss attributable to noncontrolling interests** negatively impacted profit by $126 million compared to 2009, primarily due to improved financial performance of ***Caterpillar Japan Ltd*. *(Cat Japan).*** Caterpillar owns two-thirds of Cat Japan, meaning one-third of its profits or losses are attributable to our partner, Mitsubishi Heavy Industries.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
2010										
Construction Industries[1]	$13,572	60%	$4,108	62%	$2,048	88%	$2,941	43%	$4,475	58%
Resource Industries[2]	8,667	48%	2,866	37%	1,809	57%	1,737	30%	2,255	77%
Power Systems[3]	15,537	16%	6,376	25%	1,900	44%	4,393	—%	2,868	12%
All Other Segments [4]	2,156	20%	1,208	29%	108	44%	538	(11)%	302	73%
Corporate Items and Eliminations	(65)		(36)		(8)		(14)		(7)	
Machinery & Power Systems Sales	39,867	35%	14,522	36%	5,857	61%	9,595	14%	9,893	44%
Financial Products Segment	2,946	(6)%	1,773	(10)%	308	9%	427	(14)%	438	11%
Corporate Items and Eliminations	(225)		(202)		(11)		—		(12)	
Financial Products Revenues	2,721	(5)%	1,571	(8)%	297	11%	427	(14)%	426	12%
Consolidated Sales and Revenues	$42,588	31%	$16,093	30%	$6,154	58%	$10,022	13%	$10,319	43%
2009										
Construction Industries[1]	$8,507		$2,532		$1,087		$2,057		$2,831	
Resource Industries[2]	5,857		2,085		1,155		1,341		1,276	
Power Systems[3]	13,389		5,093		1,319		4,405		2,572	
All Other Segments [4]	1,791		936		75		605		175	
Corporate Items and Eliminations	(4)		(1)		(1)		(1)		(1)	
Machinery & Power Systems Sales	29,540		10,645		3,635		8,407		6,853	
Financial Products Segment	3,139		1,968		282		495		394	
Corporate Items and Eliminations	(283)		(254)		(14)		—		(15)	
Financial Products Revenues	2,856		1,714		268		495		379	
Consolidated Sales and Revenues	$32,396		$12,359		$3,903		$8,902		$7,232	

[1] Does not include inter-segment sales of $674 million and $516 million in 2010 and 2009, respectively.
[2] Does not include inter-segment sales of $894 million and $414 million in 2010 and 2009, respectively.
[3] Does not include inter-segment sales of $1.684 billion and $855 million in 2010 and 2009, respectively.
[4] Does not include inter-segment sales of $2.808 billion and $2.153 billion in 2010 and 2009, respectively.

Sales and Revenues by Segment

(Millions of dollars)	2009	Sales Volume	Price Realization	Currency	Acquisitions	Other	2010	$ Change	% Change
Construction Industries	$8,507	$4,561	$373	$131	$—	$—	$13,572	$5,065	60%
Resource Industries	5,857	2,457	386	(33)	—	—	8,667	2,810	48%
Power Systems	13,389	1,460	214	(99)	573		15,537	2,148	16%
All Other Segments	1,791	335	43	(13)	—	—	2,156	365	20%
Corporate Items and Eliminations	(4)	1	(62)	—	—	—	(65)	(61)	
Machinery & Power Systems Sales	29,540	8,814	954	(14)	573	—	39,867	10,327	35%
Financial Products Segment	3,139	—	—	—	—	(193)	2,946	(193)	(6)%
Corporate Items and Eliminations	(283)	—	—	—	—	58	(225)	58	
Financial Products Revenues	2,856	—	—	—	—	(135)	2,721	(135)	(5)%
Consolidated Sales and Revenues	$32,396	$8,814	$954	$(14)	$573	$(135)	$42,588	$10,192	31%

Operating Profit by Segment

(Millions of dollars)	2010	2009	$ Change	% Change
Construction Industries	$783	$(768)	$1,551	N/A[1]
Resource Industries	1,789	288	1,501	521%
Power Systems	2,288	1,660	628	38%
All Other Segments	720	625	95	15%
Corporate Items and Eliminations	(1,793)	(1,348)	(445)	
Machinery & Power Systems	3,787	457	3,330	729%
Financial Products Segment	429	399	30	8%
Corporate Items and Eliminations	(42)	(18)	(24)	
Financial Products	387	381	6	2%
Consolidating Adjustments	(211)	(261)	50	
Consolidated Operating Profit	$3,963	$577	$3,386	587%

[1] Because 2009 was a loss for Construction Industries, the percent change is not meaningful.

Construction Industries

Construction Industries' sales were $13.572 billion in 2010, an increase of $5.065 billion, or 60 percent, from 2009. The improvement in sales was a result of significantly higher sales volume in all geographic regions and across all major products. In addition to volume, sales were higher as a result of improved price realization and the impact of currency.

Economic improvements in most countries encouraged users to increase machine purchases, either to expand fleets or slow their deterioration. Nearly all countries kept interest rates low, and financial conditions improved. As a result, significant sales increases occurred in all geographic regions.

Most Asia/Pacific governments maintained accommodative interest rate and budget policies implemented in response to the financial crisis. As a result, economic recoveries in Asia/Pacific were among the strongest in the world, which raised demand for construction. China, the world's largest user of construction equipment, accounted for roughly half of the region's volume growth. While the Chinese government took actions to slow the economy, industrial production still increased 16 percent. Housing spending increased 33 percent. Nonresidential spending was up 19 percent.

Construction Industries' profit was $783 million in 2010 compared with a loss of $768 million in 2009. The increase in profit was due to higher sales volume, which includes the impact of an unfavorable mix of products, improved manufacturing costs and favorable price realization. These improvements were partially offset by higher R&D expenses due to additional investment in new product development programs related to emissions requirements and the negative impact of currency.

Resource Industries

Resource Industries' sales were $8.667 billion in 2010, an increase of $2.810 billion, or 48 percent, from 2009. The sales growth was driven by higher sales volume and improved price realization.

Resource Industries sales benefited from low interest rates and higher commodity prices. For example, Australian thermal coal prices increased 38 percent, and copper, gold and tin prices reached record highs. Higher prices lifted mining output in many countries, which increased demand for our equipment.

Resource Industries' profit was $1.789 billion in 2010 compared with $288 million in 2009. The profit improvement was largely driven by higher sales volume. In addition, lower manufacturing costs and favorable price realization contributed to the higher profit. These improvements were partially offset by higher R&D expenses due to additional investment in new product development programs related to emissions requirements.

Power Systems

Power Systems' sales were $15.537 billion in 2010, an increase of $2.148 billion, or 16 percent, from 2009. The sales growth was driven by higher sales volume and price realization. EMD, which was acquired in the third quarter of 2010, added $573 million.

Power Systems' sales for electric power applications, industrial applications and rail improved while sales for marine and petroleum applications declined. Demand for electric power improved as a result of better economic growth, and sales of industrial engines to customers that manufacture agricultural and construction equipment also improved. Sales for marine applications decreased in all geographic regions due to weak industry demand. Sales for petroleum applications decreased in all geographic regions except Latin America, which benefited from one large turbine order.

Power Systems' sales were up in all geographic regions except EAME. The increased sales in North America were due to higher rail sales and increased sales of engines for industrial and electric power applications. The acquisition of EMD added sales of $260 million in North America. Sales in EAME declined slightly as lower sales for petroleum and marine applications were partially offset by increased sales of engines for industrial applications and EMD sales of $160 million. Sales in Latin America increased primarily due to two large turbine orders for petroleum and electric power applications and increased industry demand for electric power applications. Asia/Pacific sales increased due to higher sales for electric power and industrial applications partially offset by sales for marine and petroleum applications. The acquisition of EMD added sales of $145 million in Asia/Pacific.

Power Systems' profit was $2.288 billion in 2010 compared with $1.660 billion in 2009. The profit improvement was largely driven by higher sales volume, which includes the impact of an unfavorable mix of products. In addition, favorable price realization and lower manufacturing costs contributed to the higher profit. These improvements were partially offset by higher SG&A and R&D expenses due to provisions for incentive pay and additional investment in new product development programs related to emissions requirements. EMD added $62 million.

Financial Products Segment

Financial Products' revenues were $2.946 billion in 2010, a decrease of $193 million, or 6 percent, from 2009. The decrease was primarily due to a $223 million unfavorable impact from lower average earning assets and a $30 million decrease in Cat Insurance revenues, partially offset by a $53 million favorable change from returned or repossessed equipment and the absence of $34 million in write-downs on retained interests related to the securitized asset portfolio in 2009.

Financial Products' profit was $429 million in 2010 compared with $399 million in 2009. The increase was primarily due to a $53 million favorable change from returned or repossessed equipment, the absence of $34 million in write-downs on retained interests related to the securitized asset portfolio in 2009, a $28 million favorable impact from net currency exchange gains and losses and a $27 million favorable impact from increased net yield on average earning assets, partially offset by a $79 million unfavorable impact from lower average earning assets and a $36 million increase in SG&A expenses (excluding the provision for credit losses).

At the end of 2010, past dues at Cat Financial were 3.87 percent, which decreased from 5.54 percent at the end of 2009. Write-offs, net of recoveries, were $237 million for 2010, down from $253 million for 2009.

As of December 31, 2010, Cat Financial's allowance for credit losses totaled $363 million or 1.57 percent of net finance receivables, compared with $377 million or 1.64 percent at the end of 2009. The trend reflects improving portfolio performance metrics and the write-off of accounts previously identified as potential credit losses in the allowance account.

Corporate Items and Eliminations

Expense for corporate items and eliminations was $1.835 billion in 2010, an increase of $469 million from 2009. Corporate items and eliminations include corporate-level expenses, timing differences as some expenses are reported in segment results on a cash basis, retirement benefit costs other than service cost and inter-segment eliminations.

The increase was primarily due to the absence of $300 million of LIFO inventory decrement benefits, increased retirement benefit costs not allocated to segments, higher corporate-level expenses and an increase in the provision for warranty due to higher sales volume. The absence of $664 million of 2009 redundancy costs not allocated to segments partially offset this increase.

ACQUISITIONS AND DIVESTITURES

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 preliminary purchase price, net of $94 million of acquired cash, was approximately $774 million (€574 million). The purchase price included preliminary net working capital and other purchase price adjustments anticipated to be finalized in the first quarter of 2012.

The transaction was financed with available cash. Tangible assets acquired of $535 million, recorded at their fair values, primarily were 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 of $275 million, recorded at their fair values, primarily included accounts payable of $77 million, net deferred tax liabilities of $67 million and advance payments of $43 million. Goodwill of $387 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. 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 "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 3.90% Senior Notes due in 2021, and $1.25 billion of 5.20% Senior Notes due in 2041. The Notes are unsecured obligations of Caterpillar and rank equally with all other senior unsecured indebtedness.

Bucyrus contributed sales of $2,524 million and a pretax loss of $403 million (inclusive of deal-related and integration costs) from July 8, 2011 to December 31, 2011. 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.

The following table summarizes the assets acquired and liabilities assumed as of the acquisition date at estimated fair value. These values represent a revision to the initial allocation of the purchase price subject to finalization of post-closing procedures. The purchase accounting summarized below is preliminary and is subject to further analysis. Receipt of additional information to complete such analysis and finalization of the valuation is still in process. The acquisition accounting adjustments and fair value adjustments are based on analysis performed on information as of the acquisition date that was available through December 31, 2011 and will be updated through the measurement period, if necessary.

(Millions of dollars)	**July 8, 2011**	
	Initial	*Revised*
Assets		
Cash	$203	$204
Receivables – Trade & Other	693	689
Prepaid expenses	154	161
Inventories	2,305	2,248
Property, plant and equipment – net	692	699
Intangible assets	3,901	3,901
Goodwill	5,263	4,616
Other assets	48	79
Liabilities		
Short-term borrowings	24	24
Current portion - long-term debt	16	16
Accounts payable	444	465
Accrued expenses	405	427
Customer advances	668	668
Other current liabilities	426	78
Long-term debt	1,514	1,528
Other liabilities	2,308	1,937
Net assets acquired	$7,454	$7,454

During the three months ended December 31, 2011 goodwill was reduced by $647 million, the net result of purchase accounting adjustments to the fair value of acquired assets and assumed liabilities. 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 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, 2011:

(Millions of dollars)	**Estimated fair value of asset /(liability)**	**Weighted-average useful life (in years)**	**Accumulated amortization**
Customer relationships	$2,337	15	$75
Intellectual property	1,489	12	58
Other	75	4	10
Total	$3,901	14	$143

The identifiable intangibles recorded as a result of the acquisition have been amortized from the acquisition date. Amortization expense related to intangible assets was $143 million in 2011. Estimated aggregate amortization expense for the five succeeding years and thereafter is as follows:

(Millions of dollars)					
2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**
$299	$299	$299	$290	$280	$2,291

Goodwill in the amount of $4,616 million was recorded for the acquisition of Bucyrus and is included in the Resource Industries segment. 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 were adjusted to exclude $373 million of acquisition related costs, including consulting, legal and advisory fees, severance costs and financing expense prior to debt issuance. 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.

(Dollars in millions except per share data)	**Years ended December 31,**	
	2011	**2010**
Total Sales and revenues	$62,281	$46,239
Profit (loss)	$5,401	$2,385
Profit (loss) per common share	$8.37	$3.78
Profit (loss) per common share — diluted	$8.11	$3.67

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. We expect these transitions will occur 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. There have been no impairments related to the Bucyrus distribution business.

In November 2011, we entered into agreements and committed to sell portions of the Bucyrus distribution business to three Caterpillar dealers.

In December 2011, one of the sale transactions was completed whereby we sold a portion of the Bucyrus distribution business to the Industrial Division of Sime Darby Berhad operated by Hastings Deering for $360 million, subject to certain working capital adjustments. 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 other operating income 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 Consolidated Profit (Loss) Before Tax

(Millions of Dollars except per share data)

Impact excluding Divestiture

Impact by Results of Operations Line Item	2011
Sales	$2,524
Cost of goods sold	(2,159)
SG&A	(351)
R&D	(26)
Other operating costs	(84)
Operating profit (loss)	(96)
Interest expense	(79)
Other income (expense)	(228)
Profit (loss) before tax	$(403)
Impact by Category	
Operating profit excluding acquisition costs	$484
Incremental intangible amortization	(109)
Inventory step-up	(303)
Deal-related & integration costs	(168)
Impact on operating profit (loss)	(96)
Interest expense	(79)
Other income (expense)	(228)
Impact on profit (loss) before tax	$(403)
Profit (loss) before tax	$(403)
Income tax (provision)/benefit	133
Profit/(Loss) after tax of Consolidated Companies	(270)
Profit/(Loss) attributable to non-controlling interest	(1)
Profit/(Loss)	$(271)
Distribution Business Divestiture Impact	
SG&A	$(32)
Other operating income (costs)	96
Impact on operating profit	64
Income tax (provision)/benefit	(55)
Profit/(Loss)	$9

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 acquired of $890 million, recorded at their fair values, primarily were 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 of $518 million, recorded at their fair values, 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. 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.

GLOSSARY OF TERMS

1. **All Other Segments** – 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 for Caterpillar and other companies; 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 (NC^2) until it became a wholly owned subsidiary of Navistar effective September 29, 2011.

2. **Bucyrus Impact** – This includes Bucyrus results as a wholly owned subsidiary of Caterpillar since the acquisition date of July 8, 2011, acquisition-related costs incurred during 2011 and the impact related to divestiture of a portion of the Bucyrus distribution business. Bucyrus acquisition costs relate to losses on interest rate swaps put in place in anticipation of issuing debt for the acquisition, costs for a bridge financing facility, integration costs (including severance-related costs), advisory and legal costs and interest expense on new debt.

3. **Caterpillar Production System** – The Caterpillar Production System is the common Order-to-Delivery process being implemented enterprise-wide to achieve our safety, quality, velocity, earnings and growth goals.

4. **Consolidating Adjustments** – Eliminations of transactions between Machinery and Power Systems and Financial Products.

5. **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.

6. **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 and option 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.

7. **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.

8. **EAME** – A geographic region including Europe, Africa, the Middle East and the Commonwealth of Independent States (CIS).

9. **Earning Assets** – Assets consisting primarily of total finance receivables net of unearned income, plus equipment on operating leases, less accumulated depreciation at Cat Financial.

10. **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 division also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment.

11. **Latin America** – Geographic region including Central and South American countries and Mexico.

12. **Machinery and Power Systems (M&PS)** – Represents the aggregate total of Construction Industries, Resource Industries, Power Systems, and All Other segments and related corporate items and eliminations.

13. **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.

14. **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.

15. **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.

16. **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.

17. **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. On July 8, 2011, the acquisition of Bucyrus International 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 a portion of the Bucyrus distribution business.

18. **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.

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 2011, we experienced favorable liquidity conditions globally in both our Machinery and Power Systems and Financial Products operations. On a consolidated basis, we ended 2011 with $3.1 billion of cash, a decrease of $0.5 billion from year-end 2010. 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 U.S.

Consolidated operating cash flow for 2011 was $7.01 billion, up from $5.01 billion in 2010. Operating cash flow in 2011 benefited from profit of consolidated and affiliated companies of $4.98 billion, and an increase in accounts payable resulting primarily from higher material purchases. Partially offsetting these items were higher inventories and receivables, primarily related to higher production volumes and sales, as well as the payment of short-term incentive compensation to employees during the first quarter of 2011. Operating cash flow in 2010 benefited from profit of consolidated and affiliated companies of $2.76 billion and an increase in accounts payable, reflecting higher levels of material purchases for a production ramp-up to meet increasing demand. This was offset by an increase in inventory, also related to production ramp-up, and higher receivables. See further discussion of operating cash flow under Machinery and Power Systems and Financial Products.

Total debt as of December 31, 2011, was $34.59 billion, an increase of $6.17 billion from year-end 2010. Debt related to Machinery and Power Systems increased $3.86 billion in 2011, primarily due to the issuance of $4.5 billion of debt in May 2011 to fund the Bucyrus acquisition. Debt related to Financial Products increased $2.31 billion reflecting increasing portfolio balances at Cat Financial.

We have three global credit facilities with a syndicate of banks totaling $8.5 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial to support their commercial paper programs in the event those programs become unavailable and 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 Cat Financial as of December 31, 2011 was $6.5 billion.

- The 364-day facility of $2.55 billion expires in September 2012.
- The five-year facility of $3.86 billion expires in September 2016.
- The four-year facility of $2.09 billion expires in September 2014.

At December 31, 2011, Caterpillar's consolidated net worth was $19.50 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, 2011, Cat Financial's covenant interest coverage ratio was 1.60 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.

In addition, at December 31, 2011, Cat Financial's covenant leverage ratio was 7.88 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, 2011, there were no borrowings under the Credit Facility.

Our total credit commitments as of December 31, 2011 were:

(Millions of dollars)	December 31, 2011 Consolidated	Machinery and Power Systems	Financial Products
Credit lines available:			
Global credit facilities	**$8,500**	**$2,000**	**$6,500**
Other external	**4,210**	**388**	**3,822**
Total credit lines available	**12,710**	**2,388**	**10,322**
Less: Global credit facilities supporting commercial paper	**(2,818)**	**—**	**(2,818)**
Less: Utilized credit	**(2,142)**	**(32)**	**(2,110)**
Available credit	**$7,750**	**$2,356**	**$5,394**

Other consolidated credit lines with banks as of December 31, 2011 totaled $4.21 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 $7.97 billion in 2011, compared with $5.64 billion in 2010. The change was primarily due to increased profit and favorable changes in receivables, partially offset by less significant increases in accounts payable and customer advances, continued increases in inventories, and short-term incentive compensation payments in 2011. Profit of consolidated and affiliated companies in 2011 was $4.97 billion compared with $2.75 billion for the same period a year ago. During 2011, receivables declined primarily due to increased sales of receivables to Cat Financial to provide cash to fund the Bucyrus acquisition. In addition, accounts payable and inventories increased, primarily reflecting higher material purchases for continued increases in production. During 2010, we experienced sharply increased demand and a production ramp-up, resulting in an increase in accounts payable and customer advances, which was more than offset by increases in inventory and receivables. Net cash used for investing activities in 2011 was $9.33 billion compared with net cash used for investing activities of $3.18 billion in 2010. The change was primarily due to the use of cash for the Bucyrus and MWM acquisitions and higher capital expenditures, partially offset by proceeds from divestitures and loan repayments from Cat Financial in 2011, compared with payments for the acquisition of EMD and net loans to Cat Financial in 2010. Net cash provided by financing activities in 2011 was $1.49 billion, primarily a result of long-term debt issued in May 2011 to fund the Bucyrus acquisition, partially offset by the $2.27 billion repayment of Bucyrus' term loan and other long-term debt as well as dividend payments. During 2010, net cash used for financing activities was $2.86 billion, primarily driven by payments for long-term debt, loans with Cat Financial and dividends.

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 42.7 percent at December 31, 2011, within our target range of 30 to 45 percent, compared with 34.8 percent at December 31, 2010. Higher debt levels, primarily due to the $4.5 billion long-term debt issuance in May 2011, increased the debt-to-capital ratio approximately 12 percentage points. Changes in the pension and other postretirement benefits balance within Accumulated other comprehensive income (loss), primarily driven by a $2.3 billion after-tax charge to recognize the change in funded status of our plans during 2011, increased the debt-to-capital ratio by about 3 percentage points. Other changes in stockholders' equity, primarily driven by strong profit in 2011, resulted in a decrease in the debt-to-capital ratio of approximately 7 percentage points.

Capital to support growth – Capital expenditures during 2011 were $2.65 billion, an increase of $983 million compared with 2010. We expect capital expenditures for 2012 to be about $4.0 billion. On July 8, 2011, we completed the acquisition of Bucyrus for approximately $8.8 billion. The Bucyrus transaction value consisted of a payment to Bucyrus shareholders of $7.4 billion and the assumption of debt of $1.6 billion, net of $0.2 billion of acquired cash. The Bucyrus acquisition was funded with available cash, commercial paper borrowings and the proceeds from the $4.5 billion May 2011 long-term debt issuance. On October 31, 2011, we completed our acquisition of MWM for approximately $774 million, net of $94 million of acquired cash. The acquisition of MWM was funded with available cash. In November 2011, we announced a pre-conditional voluntary offer to acquire all of the issued shares of ERA Mining Machinery Limited (ERA). The offer values ERA at between HK$4,490 million and HK$6,885 million (approximately $575 million and $900 million, respectively) on a fully diluted basis. The acquisition of ERA is planned to be funded with available non-U.S. cash and is expected to close in 2012.

Appropriately funded employee benefit plans – We contributed $446 million to our pension plans during 2011. Total pension contributions are expected to be approximately $1 billion in 2012, of which $440 million are required contributions.

Paying dividends – Dividends paid totaled $1.16 billion in 2011, representing 44 cents per share paid in the first and second quarters and 46 cents per share paid in the third and fourth quarters. 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. On June 8, 2011, we increased the quarterly cash dividend 4.5 percent to 46 cents per share.

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 the first quarter of 2009. We do not currently expect to buy back stock in 2012. Basic shares outstanding as of December 31, 2011 were 648 million.

Financial Products

Financial Products operating cash flow was $1.12 billion in 2011, compared with $878 million in 2010. Net cash used in investing activities in 2011 was $2.95 billion, compared to a source of cash of $1.02 billion in 2010. This change is primarily the result of higher additions to finance receivables at Cat Financial, partially offset by higher collections. The increased activity is primarily due to higher purchases of trade receivables from Caterpillar and subsequent collections of those receivables. Net cash provided by financing activities in 2011 was $1.24 billion, compared to a use of cash of $2.69 billion in 2010, primarily related to higher funding requirements, partially offset by the net impact of intercompany borrowings.

Dividends paid per common share

Quarter	**2011**	2010	2009
First	**$.440**	$.420	$.420
Second	**.440**	.420	.420
Third	**.460**	.440	.420
Fourth	**.460**	.440	.420
	$1.800	$1.720	$1.680

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)	2012	2013	2014	2015	2016	After 2016	Total
Long-term debt:							
Machinery and Power Systems (excluding capital leases)................	$539	$1,104	$749	$1	$520	$5,995	$8,908
Machinery and Power Systems-capital leases	19	14	8	4	2	18	65
Financial Products	5,102	5,816	4,664	987	1,775	3,287	21,631
Total long-term debt.....................	5,660	6,934	5,421	992	2,297	9,300	30,604
Operating leases.....................................	314	237	196	151	115	386	1,399
Postretirement obligations[1]	1,185	1,350	1,540	1,500	1,470	3,800	10,845
Purchase obligations:							
Accounts payable[2]	8,161	—	—	—	—	—	8,161
Purchase orders[3]	12,318	1	—	—	—	—	12,319
Other contractual obligations[4]	362	278	239	246	223	280	1,628
Total purchase obligations............	20,841	279	239	246	223	280	22,108
Interest on long-term debt[5].....................	1,132	916	707	623	605	7,011	10,994
Other long-term obligations[6]..................	173	114	81	51	30	53	502
Total contractual obligations..................	$29,305	$9,830	$8,184	$3,563	$4,740	$20,830	$76,452

1 Amounts represent expected contributions to our pension and other postretirement benefit plans through 2021, offset by expected Medicare Part D subsidy receipts.

2 Amount represents invoices received and recorded as liabilities in 2011, but scheduled for payment in 2012. 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, 2011 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 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 $958 million at December 31, 2011. 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. 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 based on our 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.

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. Additionally, Caterpillar's market capitalization has remained significantly above the net book value of the company. The 2009 annual impairment test indicated the fair value of each of our reporting units was above its respective carrying value, including goodwill, with the exception of our Forest Products reporting unit. Because the carrying value of Forest Products exceeded its fair value, step two in the impairment test process was required. We allocated the fair value to the unit's assets and liabilities and determined the implied fair value of the goodwill was insignificant. Accordingly, we recognized a $22 million non-cash goodwill impairment charge in 2009 for Forest Products' entire goodwill amount. The primary factor contributing to the impairment was the historic decline in demand for purpose built forest product machines caused by the significant reduction in U.S. housing construction, lower prices for pulp, paper and wood product commodities, and reduced capital availability in the forest products industry.

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 of loss and may be deemed other-than-temporarily impaired at any time. Once a security's fair value has been twenty 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 the security is other-than-temporarily impaired requires an analysis of the securities' historical sector returns and volatility. This information is utilized to estimate the security's future fair value to assess whether the security has the ability to recover to its original cost over a reasonable period of time as follows:

- Historical annualized sector returns over a two-year period are analyzed to estimate the security's fair value over the next two years.

- The volatility factor for the security is applied to the sector historical returns to further estimate the fair value of the security over the next two years.

In the event the estimated future fair value is less than the original cost, qualitative factors are then considered in determining whether a security is other-than-temporarily impaired, which includes 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%) 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 $937 million, $779 million and $662 million as of December 31, 2011, 2010 and 2009, 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 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 the customer operates.

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 current fair value of collateral and factor in 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 125,099 at the end of 2011 compared with 104,490 at year-end 2010, an increase of 20,609 full-time employees.

The increase was primarily a result of higher sales volume across all geographic regions. Acquisitions, primarily Bucyrus and MWM, added 13,720 people, while the sale of Carter Machinery and a portion of the Bucyrus distribution business reduced the workforce by 1,506 people.

Full-Time Employees at Year-End

	2011	2010	2009
Inside U.S.	**53,236**	47,319	43,251
Outside U.S.	**71,863**	57,171	50,562
Total	**125,099**	104,490	93,813
By Region:			
North America	**54,880**	48,540	43,999
EAME	**28,778**	22,977	22,790
Latin America	**19,111**	15,220	10,776
Asia/Pacific	**22,330**	17,753	16,248
Total	**125,099**	104,490	93,813

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. Compliance with these existing laws has not had a material impact on our capital expenditures, earnings or global competitive position.

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 the Consolidated Statement of Financial Position.

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 have disclosed certain individual legal proceedings in this filing. Additionally, we are involved in other 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.

On May 14, 2007, the U.S. Environmental Protection Agency (EPA) issued a Notice of Violation to Caterpillar Inc., alleging various violations of Clean Air Act Sections 203, 206 and 207. EPA claims that Caterpillar violated such sections by shipping engines and catalytic converter after-treatment devices separately, introducing into commerce a number of uncertified and/or misbuilt engines, and failing to timely report emissions-related defects. On July 9, 2010, the Department of Justice issued a penalty demand to Caterpillar seeking a civil penalty of $3.2 million and implementation of injunctive relief involving expanded use of certain technologies. On July 28, 2011, EPA and the U.S. Department of Justice filed and lodged a civil complaint and consent decree with the U.S. District Court for the District of Columbia (Court) regarding the matter. Caterpillar has agreed to the terms of the consent decree, which require payment of a civil penalty of $2.55 million, retirement of a small number of emissions credits and expanded defect-related reporting. On September 7, 2011, the Court entered the consent decree, making it effective on that date, and Caterpillar has paid the penalty due to the United States in accordance with the decree terms. Under the terms of the consent decree, and subject to a settlement agreement, $510,000 of the stipulated $2.55 million penalty will be paid to the California Air Resources Board relating to engines covered by the consent decree that were placed into service in California.

In May 2010, an incident at Caterpillar's Gosselies, Belgium facility resulted in the release of wastewater into the Perupont River. In coordination with local authorities, appropriate remediation measures have been taken. In January 2011, Caterpillar learned that the public prosecutor for the Belgian administrative district of Charleroi had referred the matter to an examining magistrate of the civil court of Charleroi for further investigation. Caterpillar cooperated fully with the Belgian authorities on this investigation. Caterpillar understands that this investigation is complete, that no proceeding was initiated, and that no further action is contemplated.

RETIREMENT BENEFITS

We recognized pension expense of $665 million in 2011 as compared to $677 million in 2010. The decrease in expense is due to lower service cost and $28 million in curtailment expense recognized in 2010 due to changes in our U.S. pension plans (discussed below), partially offset by increased amortization of net actuarial losses due to lower discount rates at the end of 2010 and significant asset losses in 2008. 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 2011, total actuarial losses recognized in Accumulated other comprehensive income (loss) for pension plans were $8.76 billion, as compared to $6.07 billion in 2010. 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 $2.69 billion increase from 2010 to 2011 was primarily the result of a decrease in discount rates and current year plan asset losses, partially offset by amortization of net actuarial losses into earnings during 2011.

In 2011, we recognized other postretirement benefit expense of $322 million compared to $200 million in 2010. The increase in expense was primarily the result of increased amortization of net actuarial losses due to lower discount rates at the end of 2010 and changes in our health care trend assumption, partially offset by gains from lower than expected health care costs. Actuarial losses recognized in Accumulated other comprehensive income (loss) for other postretirement benefit plans were $1.50 billion at the end of 2011 as compared to $1.20 billion at the end of 2010. 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. The losses were $300 million higher at the end of 2011 as compared to 2010 due to a decrease in discount rates and current year 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, the losses are amortized using the straight-line method over the remaining life expectancy of those participants. At the end of 2011, the average remaining service period of active employees or life expectancy for fully eligible employees was 11 years for our U.S. pension plans, 13 years for our non-U.S. pension plans and 10 years for other postretirement benefit plans. We expect our amortization of net actuarial losses to increase approximately $60 million in 2012 as compared to

2011, primarily due to a decrease in discount rates and plan asset losses during 2011, partially offset by higher amortization of plan asset gains from 2009 and 2010. We expect our total pension and other postretirement benefits expense to remain flat in 2012. Pension expense is expected to increase approximately $35 million, which will be offset by a decrease in other postretirement benefit expense of approximately $35 million.

During 2009, voluntary and involuntary separation programs impacted employees participating in certain U.S. and non-U.S. pension and other postretirement benefit plans. Due to the significance of these events, certain plans were re-measured as of January 31, 2009, March 31, 2009 and December 31, 2009. Re-measurements for U.S. separation programs resulted in curtailment losses of $127 million to pension and $55 million to other postretirement benefit plans. Special termination benefits of $6 million were also recognized for a U.S. pension early retirement program. Re-measurements for non-U.S. separation programs resulted in pension settlement losses of $34 million, special termination benefits of $2 million to pension and curtailment losses of $1 million to other postretirement benefit plans.

In March 2009, we amended our U.S. support and management other postretirement benefit plan. Beginning in 2010, certain retirees age 65 and older enrolled in individual health plans that work with Medicare, such as Medicare Advantage and Medicare Supplement plans, and no longer participate in a Caterpillar-sponsored group health plan. In addition, Caterpillar began funding a tax-advantaged Health Reimbursement Arrangement (HRA) to assist the retirees with medical expenses. The plan amendment required a plan re-measurement as of March 31, 2009, which resulted in a decrease in our Liability for postemployment benefits of $432 million and an increase in Accumulated other comprehensive income (loss) of $272 million net of tax. The plan was further amended in December 2009 to define the HRA benefit that active employees will receive once they are retired and reach age 65. The plan was re-measured at year-end 2009 and the December amendment resulted in a decrease in our Liability for postemployment benefits of $101 million and an increase in Accumulated other comprehensive income (loss) of $64 million net of tax. These decreases will be amortized into earnings on a straight-line basis over approximately 7 years, the average remaining service period of active employees in the plan. The amendments reduced other postretirement benefits expense by approximately $110 million in 2011 and 2010 and $60 million in 2009.

In March 2010, the Patient Protection and Affordable Care Act (the PPACA) and the Health Care and Education Reconciliation Act of 2010 (H.R. 4872) which amends certain provisions of the PPACA were signed into law. The Medicare Part D retiree drug subsidies effectively become taxable beginning 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. As of these dates employees will move to the new retirement benefit that will provide a frozen pension benefit and a 401(k) plan that will include a matching contribution and a new 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.

For our U.S. pension plans, our year-end 2011 asset allocation was 67 percent equity securities, 28 percent debt securities and 5 percent other. The target allocation for 2012 is 70 percent equity securities and 30 percent debt securities. The year-end 2011 asset allocation for our non-U.S. pension plans was 53 percent equity securities, 35 percent debt securities, 7 percent real estate and 5 percent other. The 2012 target allocation for our non-U.S. pension plans is 58 percent equity securities, 34 percent debt securities, 6 percent real estate and 2 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 U.S. plans are rebalanced to plus or minus five 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.

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 2011, we made contributions of $212 million to our U.S. defined benefit pension plans and $234 million to our non-U.S. pension plans. We made contributions of $919 million to our U.S. defined benefit pension plans and $58 million to our non-U.S. pension plans in 2010. We expect to make approximately $1 billion of contributions in 2012, of which $440 million are required contributions. 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 2011 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 2011 pension and other postretirement benefits costs and obligations:

(Millions of dollars)	2011 Benefit Cost		Year-end Benefit Obligation	
	One percentage-point increase	One percentage-point decrease	One percentage-point increase	One percentage-point decrease
Pension benefits:				
Assumed discount rate	**$(161)**	**$164**	**$(2,241)**	**$2,586**
Expected rate of compensation increase	**47**	**(42)**	**266**	**(254)**
Expected long-term rate of return on plan assets	**(124)**	**124**	**—**	**—**
Other postretirement benefits:				
Assumed discount rate	**(60)**	**68**	**(565)**	**635**
Expected rate of compensation increase	**—**	**—**	**1**	**(1)**
Expected long-term rate of return on plan assets	**(8)**	**8**	**—**	**—**
Assumed health care cost trend rate	**70**	**(59)**	**328**	**(277)**

Primary Actuarial Assumptions

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Weighted-average assumptions used to determine benefit obligations, end of year:									
Discount rate	**4.3%**	5.1%	5.7%	**4.3%**	4.6%	4.8%	**4.3%**	5.0%	5.6%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**3.9%**	4.2%	4.2%	**4.4%**	4.4%	4.4%
Weighted-average assumptions used to determine net cost:									
Discount rate	**5.1%**	5.4%	6.3%	**4.6%**	4.8%	4.7%	**5.0%**	5.6%	6.3%
Expected return on plan assets	**8.5%**	8.5%	8.5%	**7.1%**	7.0%	6.6%	**8.5%**	8.5%	8.5%
Rate of compensation increase	**4.5%**	4.5%	4.5%	**4.1%**	4.2%	3.8%	**4.4%**	4.4%	4.4%
Health care cost trend rates at year-end:									
Health care trend rate assumed for next year							**7.4%**	7.9%	7.0%
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	2016

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 2012 cash flow for our Machinery and Power Systems operations by approximately $569 million. Last year similar assumptions and calculations yielded a potential $421 million adverse impact on 2011 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 2012 pretax earnings of Machinery and Power Systems by $15 million. Last year, similar assumptions and calculations yielded a potential $66 million adverse impact on 2011 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, 2011 balance sheet under these assumptions, the analysis estimates the impact of a 100 basis point immediate and sustained parallel rise in interest rates to be a $9 million annual decrease to pretax earnings. Last year, similar assumptions and calculations yielded a potential $18 million adverse impact on 2011 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.

Bucyrus-Related Profit-Per-Share Impacts

We acquired Bucyrus International, Inc. on July 8, 2011. The full-year loss was primarily due to inventory step-up, deal-related and integration costs (including severance-related costs), loss on interest rate swaps, incremental amortization of intangible assets, interest expense and bridge financing facility costs, partially offset by operating profit from ongoing operations and the impact related to divestiture of a portion of the Bucyrus distribution business. We believe it is important to separately quantify the sales and revenues and profit-per-share impacts in order for our 2011 actual results to be meaningful to our readers and more comparable to prior period results. Reconciliation of sales and revenues and profit per share excluding Bucyrus impacts to the most directly comparable GAAP measure, is as follows:

(Dollars in billions except per share data)	Full Year 2011
Sales and Revenues	$60.138
Bucryus Sales impact	2.524
Sales and Revenues excluding Bucyrus	$57.614
Profit per share	$7.40
Profit per share Bucyrus impact	(0.39)
Profit per share excluding Bucyrus	$7.79

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-119 to A-121 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-119 to A-121 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

(Millions of dollars)	Consolidated			Supplemental consolidating data: Machinery & Power Systems[1]			Financial Products			Consolidating Adjustments		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Sales and revenues:												
Sales of Machinery and Power Systems	**$57,392**	$39,867	$29,540	**$57,392**	$39,867	$29,540	**$—**	$—	$—	**$—**	$—	$—
Revenues of Financial Products	**2,746**	2,721	2,856	**—**	—	—	**3,057**	2,986	3,168	**(311)[2]**	(265)[2]	(312)[2]
Total sales and revenues	**60,138**	42,588	32,396	**57,392**	39,867	29,540	**3,057**	2,986	3,168	**(311)**	(265)	(312)
Operating costs:												
Cost of goods sold	**43,578**	30,367	23,886	**43,578**	30,367	23,886	**—**	—	—	**—**	—	—
Selling, general and administrative expenses	**5,203**	4,248	3,645	**4,631**	3,689	3,085	**621**	603	579	**(49)[3]**	(44)[3]	(19)[3]
Research and development expenses	**2,297**	1,905	1,421	**2,297**	1,905	1,421	**—**	—	—	**—**	—	—
Interest expense of Financial Products	**826**	914	1,045	—	—	—	**827**	916	1,048	**(1)[4]**	(2)[4]	(3)[4]
Other operating (income) expenses	**1,081**	1,191	1,822	**63**	119	691	**1,026**	1,080	1,160	**(8)[3]**	(8)[3]	(29)[3]
Total operating costs	**52,985**	38,625	31,819	**50,569**	36,080	29,083	**2,474**	2,599	2,787	**(58)**	(54)	(51)
Operating profit	**7,153**	3,963	577	**6,823**	3,787	457	**583**	387	381	**(253)**	(211)	(261)
Interest expense excluding Financial Products	**396**	343	389	**439**	407	475	**—**	—	—	**(43)[4]**	(64)[4]	(86)[4]
Other income (expense)	**(32)**	130	381	**(279)**	(77)	192	**37**	60	14	**210[5]**	147[5]	175[5]
Consolidated profit before taxes	**6,725**	3,750	569	**6,105**	3,303	174	**620**	447	395	**—**	—	—
Provision (benefit) for income taxes	**1,720**	968	(270)	**1,568**	882	(342)	**152**	86	72	**—**	—	—
Profit of consolidated companies	**5,005**	2,782	839	**4,537**	2,421	516	**468**	361	323	**—**	—	—
Equity in profit (loss) of unconsolidated affiliated companies	**(24)**	(24)	(12)	**(24)**	(24)	(12)	**—**	—	—	**—**	—	—
Equity in profit of Financial Products'subsidiaries	**—**	—	—	**453**	350	307	**—**	—	—	**(453)[6]**	(350)[6]	(307)[6]
Profit of consolidated and affiliated companies	**4,981**	2,758	827	**4,966**	2,747	811	**468**	361	323	**(453)**	(350)	(307)
Less: Profit (loss) attributable to noncontrolling interests	**53**	58	(68)	**38**	47	(84)	**15**	11	16	**—**	—	—
Profit [7]	**$4,928**	$2,700	$895	**$4,928**	$2,700	$895	**$453**	$350	$307	**$(453)**	$(350)	$(307)

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

(Millions of dollars)	Consolidated		Supplemental consolidating data: Machinery & Power Systems[1]		Supplemental consolidating data: Financial Products		Supplemental consolidating data: Consolidating Adjustments	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets								
Current assets:								
Cash and short-term investments	$3,057	$3,592	$1,829	$1,825	$1,228	$1,767	$—	$—
Receivables - trade and other	10,285	8,494	5,497	5,893	430	482	4,358[2,3]	2,119[2,3]
Receivables - finance	7,668	8,298	—	—	12,202	11,158	(4,534)[3]	(2,860)[3]
Deferred and refundable income taxes	1,580	931	1,515	823	65	108	—	—
Prepaid expenses and other current assets	994	908	525	371	481	550	(12)[4]	(13)[4]
Inventories	14,544	9,587	14,544	9,587	—	—	—	—
Total current assets	38,128	31,810	23,910	18,499	14,406	14,065	(188)	(754)
Property, plant and equipment – net	14,395	12,539	11,492	9,662	2,903	2,877	—	—
Long-term receivables - trade and other	1,130	793	281	271	271	236	578[2,3]	286[2,3]
Long-term receivables - finance	11,948	11,264	—	—	12,556	11,586	(608)[3]	(322)[3]
Investments in unconsolidated affiliated companies	133	164	133	156	—	8	—	—
Investments in Financial Products subsidiaries	—	—	4,035	4,275	—	—	(4,035)[5]	(4,275)[5]
Noncurrent deferred and refundable income taxes	2,157	2,493	2,593	2,922	97	90	(533)[6]	(519)[6]
Intangible assets	4,368	805	4,359	795	9	10	—	—
Goodwill	7,080	2,614	7,063	2,597	17	17	—	—
Other assets	2,107	1,538	813	314	1,294	1,224	—	—
Total assets	$81,446	$64,020	$54,679	$39,491	$31,553	$30,113	$(4,786)	$(5,584)
Liabilities								
Current liabilities:								
Short-term borrowings	$3,988	$4,056	$157	$306	$3,895	$4,452	$(64)[7]	$(702)[7]
Accounts payable	8,161	5,856	8,106	5,717	165	177	(110)[8]	(38)[8]
Accrued expenses	3,386	2,880	2,957	2,422	443	470	(14)[9]	(12)[9]
Accrued wages, salaries and employee benefits	2,410	1,670	2,373	1,642	37	28	—	—
Customer advances	2,691	1,831	2,691	1,831	—	—	—	—
Dividends payable	298	281	298	281	—	—	—	—
Other current liabilities	1,967	1,521	1,590	1,142	382	393	(5)[6]	(14)[6]
Long-term debt due within one year	5,660	3,925	558	495	5,102	3,430	—	—
Total current liabilities	28,561	22,020	18,730	13,836	10,024	8,950	(193)	(766)
Long-term debt due after one year	24,944	20,437	8,446	4,543	16,529	15,932	(31)[7]	(38)[7]
Liability for postemployment benefits	10,956	7,584	10,956	7,584	—	—	—	—
Other liabilities	3,583	2,654	3,145	2,203	965	956	(527)[6]	(505)[6]
Total liabilities	68,044	52,695	41,277	28,166	27,518	25,838	(751)	(1,309)
Commitments and contingencies								
Redeemable noncontrolling interest	473	461	473	461	—	—	—	—
Stockholders' equity								
Common stock	4,273	3,888	4,273	3,888	906	902	(906)[5]	(902)[5]
Treasury stock	(10,281)	(10,397)	(10,281)	(10,397)	—	—	—	—
Profit employed in the business	25,219	21,384	25,219	21,384	2,880	3,027	(2,880)[5]	(3,027)[5]
Accumulated other comprehensive income (loss)	(6,328)	(4,051)	(6,328)	(4,051)	154	263	(154)[5]	(263)[5]
Noncontrolling interests	46	40	46	40	95	83	(95)[5]	(83)[5]
Total stockholders' equity	12,929	10,864	12,929	10,864	4,035	4,275	(4,035)	(4,275)
Total liabilities, redeemable noncontrolling interest and stockholders' equity	$81,446	$64,020	$54,679	$39,491	$31,553	$30,113	$(4,786)	$(5,584)

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 Cat Financial and Cat Financial's 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

			Supplemental consolidating data					
(Millions of dollars)	Consolidated		Machinery & Power Systems[1]		Financial Products		Consolidating Adjustments	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Cash flow from operating activities:								
Profit of consolidated and affiliated companies	**$4,981**	$2,758	**$4,966**	$2,747	**$468**	$361	**$(453)**[2]	$(350)[2]
Adjustments for non-cash items:								
Depreciation and amortization	**2,527**	2,296	**1,802**	1,573	**725**	723	**—**	—
Other	**457**	469	**342**	457	**(112)**	(120)	**227**[4]	132[4]
Financial Products' dividend in excess of profit	**—**	—	**147**	250	**—**	—	**(147)**[3]	(250)[3]
Changes in assets and liabilities, net of acquisitions and divestitures:								
Receivables - trade and other	**(1,345)**	(2,320)	**286**	(1,264)	**5**	44	**(1,636)**[4,5]	(1,100)[4,5]
Inventories	**(2,927)**	(2,667)	**(2,924)**	(2,665)	**—**	—	**(3)**[4]	(2)[4]
Accounts payable	**1,555**	2,570	**1,635**	2,533	**(8)**	(25)	**(72)**[4]	62[4]
Accrued expenses	**308**	117	**282**	98	**28**	4	**(2)**[4]	15[4]
Accrued wages, salaries and employee benefits	**619**	847	**610**	826	**9**	21	**—**	—
Customer advances	**173**	604	**173**	604	**—**	—	**—**	—
Other assets—net	**(91)**	358	**(139)**	316	**35**	(30)	**13**[4]	72[4]
Other liabilities—net	**753**	(23)	**792**	163	**(26)**	(100)	**(13)**[4]	(86)[4]
Net cash provided by (used for) operating activities	**7,010**	5,009	**7,972**	5,638	**1,124**	878	**(2,086)**	(1,507)
Cash flow from investing activities:								
Capital expenditures—excluding equipment leased to others	**(2,515)**	(1,575)	**(2,503)**	(1,579)	**(12)**	(7)	**—**	11[4]
Expenditures for equipment leased to others	**(1,409)**	(1,011)	**(143)**	(84)	**(1,342)**	(985)	**76**[4]	58[4]
Proceeds from disposals of leased assets and property, plant and equipment	**1,354**	1,469	**259**	145	**1,173**	1,376	**(78)**[4]	(52)[4]
Additions to finance receivables	**(10,001)**	(8,498)	**—**	—	**(49,126)**	(28,320)	**39,125**[5,9]	19,822[5]
Collections of finance receivables	**8,874**	8,987	**—**	—	**46,164**	27,919	**(37,290)**[5]	(18,932)[5]
Proceeds from sale of finance receivables	**207**	16	**—**	—	**207**	16	**—**	—
Net intercompany borrowings	—	—	**600**	(574)	**41**	931	**(641)**[6]	(357)[6]
Investments and acquisitions (net of cash acquired)	**(8,184)**	(1,126)	**(8,184)**	(1,093)	—	(33)	**—**	—
Proceeds from sale of businesses and investments (net of cash sold)	**376**	—	**712**	—	**11**	—	**(347)**[9]	—
Proceeds from sale of available-for-sale securities	**247**	228	**13**	10	**234**	218	**—**	—
Investments in available-for-sale securities	**(336)**	(217)	**(15)**	(12)	**(321)**	(205)	**—**	—
Other—net	**(40)**	132	**(70)**	7	**26**	105	**4**[7]	20[7]
Net cash provided by (used for) investing activities	**(11,427)**	(1,595)	**(9,331)**	(3,180)	**(2,945)**	1,015	**849**	570
Cash flow from financing activities:								
Dividends paid	**(1,159)**	(1,084)	**(1,159)**	(1,084)	**(600)**	(600)	**600**[8]	600[8]
Distribution to noncontrolling interests	**(3)**	—	**(3)**	—	**—**	—	**—**	—
Common stock issued, including treasury shares reissued	**123**	296	**123**	296	**4**	20	**(4)**[7]	(20)[7]
Excess tax benefit from stock-based compensation	**189**	153	**189**	153	**—**	—	**—**	—
Acquisitions of noncontrolling interests	**(8)**	(132)	**(1)**	(132)	**(7)**	—	**—**	—
Net intercompany borrowings	**—**	—	**(41)**	(931)	**(600)**	574	**641**[6]	357[6]
Proceeds from debt issued (original maturities greater than three months)	**15,460**	8,324	**4,587**	216	**10,873**	8,108	**—**	—
Payments on debt (original maturities greater than three months)	**(10,593)**	(12,461)	**(2,269)**	(1,298)	**(8,324)**	(11,163)	**—**	—
Short-term borrowings - net (original maturities three months or less)	**(43)**	291	**60**	(78)	**(103)**	369	**—**	—
Net cash provided by (used for) financing activities	**3,966**	(4,613)	**1,486**	(2,858)	**1,243**	(2,692)	**1,237**	937
Effect of exchange rate changes on cash	**(84)**	(76)	**(123)**	(14)	**39**	(62)	**—**	—
Increase (decrease) in cash and short-term investments	**(535)**	(1,275)	**4**	(414)	**(539)**	(861)	**—**	—
Cash and short-term investments at beginning of period	**3,592**	4,867	**1,825**	2,239	**1,767**	2,628	**—**	—
Cash and short-term investments at end of period	**$3,057**	$3,592	**$1,829**	$1,825	**$1,228**	$1,767	**$—**	$—

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 Cat Financial's 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.

SUPPLEMENTAL STOCKHOLDER INFORMATION

Stockholder Services

Registered stockholders should contact:

Stock Transfer Agent
BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015

Phone:	(866) 203-6622 (U.S. and Canada)
	(201) 680-6578 (Outside U.S. and Canada)
Hearing Impaired:	(800) 231-5469 (U.S. or Canada)
	(201) 680-6610 (Outside U.S. or Canada)
Internet:	www.bnymellon.com/shareowner/equityaccess

Caterpillar Corporate Secretary
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 the Investor Services Program sponsored and administered by our Transfer Agent. Current stockholders can get more information on the program from our Transfer Agent using the contact information provided above. Non-stockholders can request program materials by calling: (866) 353-7849. The Investor Services Program materials are available on-line from our Transfer Agent's website or by following a link from www.caterpillar.com/dspp.

Investor Relations

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

Director of Investor Relations

Mike DeWalt	*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) 244-2080 (Outside U.S. or Canada) to request company publications by mail, listen to a summary of Caterpillar's latest financial results and current outlook, or to request a copy of results by fax or mail
- request, view, or download materials on-line by visiting www.caterpillar.com/materialsrequest or register for e-mail alerts by visiting www.caterpillar.com/investor

Historical information -
- view/download on-line at www.caterpillar.com/historical

Annual Meeting

On Wednesday, June 13, 2012, at 8:00 a.m., Central Time, the annual meeting of stockholders will be held in San Antonio, Texas. We expect to send proxy materials to stockholders on or about May 2, 2012.

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:

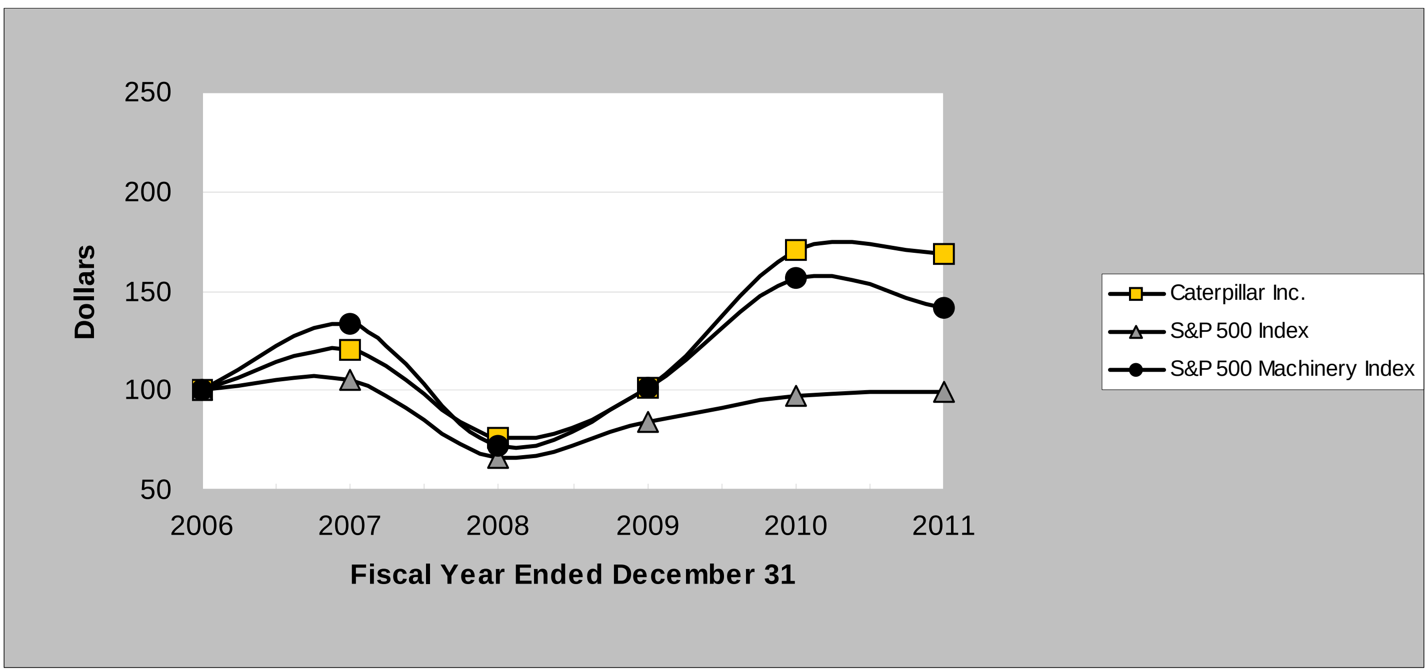
	2011		2010	
Quarter	**High**	**Low**	High	Low
First	**$111.98**	**$92.30**	$64.42	$50.50
Second	**$116.55**	**$94.21**	$72.83	$54.89
Third	**$112.65**	**$72.60**	$80.08	$58.06
Fourth	**$98.20**	**$67.54**	$94.89	$76.51

Number of Stockholders: Stockholders of record at year-end totaled 38,401, compared with 39,353 at the end of 2010. Approximately 60 percent of our issued shares are held by institutions and banks, 32 percent by individuals, and 8 percent by employees through company stock plans.

Caterpillar tax qualified defined contribution retirement plans held 36,772,534 shares at year-end, including 5,306,454 shares acquired during 2011. Non-U.S. employee stock purchase plans held an additional 4,508,402 shares at year-end, including 606,011 shares acquired during 2011.

Performance Graph: Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2011

The graph below shows the cumulative stockholder return assuming an investment of $100 on December 31, 2006, and reinvestment of dividends issued thereafter.



	2006	2007	2008	2009	2010	2011
Caterpillar Inc.	$100.00	$120.48	$76.16	$101.36	$170.98	$168.36
S&P 500	$100.00	$105.49	$66.47	$84.06	$96.74	$98.76
S&P 500 Machinery	$100.00	$133.88	$72.46	$101.46	$156.60	$141.24

Directors/Committee Membership (as of February 1, 2012)

	Audit	Compensation	Governance	Public Policy
David L. Calhoun		√		
Daniel M. Dickinson	√			
Eugene V. Fife			√*	
Juan Gallardo				√
David R. Goode		√*		
Jesse J. Greene, 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, 2012, except as noted)

Douglas R. Oberhelman	Chairman and Chief Executive Officer
Richard P. Lavin	Group President
Stuart L. Levenick	Group President
Edward J. Rapp	Group President and Chief Financial Officer
Gerard R. Vittecoq	Group President
Steven H. Wunning	Group President
James B. Buda	Senior Vice President and Chief Legal Officer
Kent M. Adams	Vice President
William P. Ainsworth	Vice President
Ali M. Bahaj	Vice President
Mary H. Bell	Vice President
Thomas J. Bluth	Vice President
David P. Bozeman	Vice President
Richard J. Case (1)	Vice President
Robert B. Charter	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 (2)	Vice President
Stephen A. Gosselin	Vice President
Hans A. Haefeli	Vice President
Bradley M. Halverson	Vice President
Kimberly S. Hauer	Vice President
Gwenne A. Henricks	Vice President
Randy M. Krotowski	Vice President
Luis de Leon	Vice President
Stephen P. Larson	Vice President
William J. Rohner	Vice President
Christiano V. Schena (3)	Vice President
William F. Springer	Vice President
Gary A. Stampanato	Vice President
Mark E. Sweeney	Vice President
Donald J. Umpleby III	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	Controller and Chief Accounting Officer
Christopher M. Reitz	Corporate Secretary
Robin D. Beran	Assistant Treasurer
Laurie J. Huxtable	Assistant Secretary

(1) will resign effective 5/1/2012
(2) effective 4/1/2012
(3) will retire effective 7/1/2012

EXHIBIT 21

CATERPILLAR INC.
Subsidiaries and Affiliated Companies
(as of December 31, 2011)

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
Anchor Coupling Inc.	Delaware
Ankexin Ex Consulting (Beijing) Co., Ltd.	China
Asia Power Systems (Tianjin) Ltd.	China
AsiaTrak (Tianjin) Ltd.	China
AsiaTrak (Xuzhou) Ltd.	China
Banco Caterpillar S.A.	Brazil
BI Hong Kong AFC Manufacturing Co. Limited	Hong Kong
Booneville Mining Services LLC	Delaware
Broadland Radiators and Heat Exchangers Limited	Hong Kong
Bucyrus (Brasil) Ltda.	Brazil
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 Australia Underground Proprietary Limited	Australia
Bucyrus Botswana (Proprietary) Limited	Botswana
Bucyrus Canada Acquisition, Ltd.	Canada
Bucyrus Central Asia LLC	Mongolia
Bucyrus Colombia S.A.S.	Columbia
Bucyrus Czech Republic, a.s.	Czech Republic
Bucyrus Equipamentos de Mineracao Ltda.	Brazil
Bucyrus Equipment LLC	Delaware
Bucyrus Europe GmbH	Germany
Bucyrus Europe Holdings, Ltd.	England and Wales
Bucyrus Europe Limited	England and Wales
Bucyrus Germany Holdings GmbH	Germany
Bucyrus HEX GmbH	Germany
Bucyrus Holdings GmbH	Germany
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 Polska Sp. z.o.o.	Poland

Bucyrus Services Mexico S. de R.L. de C.V.	Mexico
Bucyrus UK Limited	England and Wales
Bucyrus Wisconsin Property, LLC	Delaware
BWC Gear LLC	Delaware
BWP Gear 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 (Shanghai) Trading Co., Ltd.	China
Caterpillar (Suzhou) Co., Ltd.	China
Caterpillar (Suzhou) Logistics Co., Ltd.	China
Caterpillar (Thailand) Limited	Thailand
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 Co.	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 CMC, LLC	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., Sociedad Financiera de Objecto Multiple, E.N.R.	Mexico
Caterpillar DC Pension Trust	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 Member Company	Delaware
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 Finansal Kiralama Anomim Sirketi	Turkey
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 Equipment LLC	Delaware
Caterpillar Global Mining Field Services LLC	Delaware
Caterpillar Global Mining Highwall Miners LLC	Delaware
Caterpillar Global Mining LLC	Delaware
Caterpillar Global Mining Mexico LLC	Delaware

Caterpillar Global Mining Pty. Ltd.	Australia
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 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, S.a.r.l.	Luxembourg
Caterpillar International Investments Coöperatie U.A.	Netherlands
Caterpillar International Ltd.	Bermuda
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 Investment Verwaltungs GmbH	Germany
Caterpillar Investments	England and Wales
Caterpillar IPX LLC	Delaware
Caterpillar IRB LLC	Delaware
Caterpillar Japan Akashi General Services Ltd.	Japan
Caterpillar Japan Ltd.	Japan
Caterpillar Japan Sagami General Services Ltd.	Japan
Caterpillar Japan System Services 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 (UK) Limited	England and Wales
Caterpillar Logistics (Shanghai) Co. Ltd.	China
Caterpillar Logistics Administrative Services de Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Logistics France S.A.S.	France
Caterpillar Logistics Inc.	Delaware
Caterpillar Logistics ML Services France S.A.S.	France
Caterpillar Logistics Services (France) S.A.R.L.	France
Caterpillar Logistics Services (Tianjin) Ltd.	China

Caterpillar Logistics Services (UK) Limited	England and Wales
Caterpillar Logistics Services Australia Pty Ltd	Australia
Caterpillar Logistics Services Canada Ltd.	Canada
Caterpillar Logistics Services China Limited	China
Caterpillar Logistics Services de Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Logistics Services Egypt LLC	Egypt
Caterpillar Logistics Services Germany GmbH	Germany
Caterpillar Logistics Services India Private Limited	India
Caterpillar Logistics Services International LLC	Russia
Caterpillar Logistics Services International N.V.	Belgium
Caterpillar Logistics Services LLC	Delaware
Caterpillar Logistics Services Polska Sp. z o.o.	Poland
Caterpillar Logistics Services South Africa (Pty) Ltd.	South Africa
Caterpillar Logistics Services Spain, S.A.	Spain
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 Luxembourg Group S.a.r.l.	Luxembourg
Caterpillar Luxembourg LLC	Delaware
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	Netherlands
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 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 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 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 S.A.	Belgium

CFRC/CFMC Investments, LLC	Delaware
Chemetron-Railway Canada Corporation	Ontario
Chemetron-Railway Products, Inc.	Delaware
CleanAIR Systems, Inc	Mexico
DEUTZ Power Systems Verwaltungs GmbH	Germany
DPM Gesellschaft fur deutsch-polnischen Maschinenhandel und Leasing	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 Company de Mexico S.A. de C.V.	Mexico
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. Ltd.	Australia
Electro-Motive Technical Consulting Co. (Beijing) Ltd.	China
Elektrocieplawnia Starahowice Sp. z o.o.	Poland
EMC Holding Corp.	Delaware
EMD Europe GmbH	Germany
EMD International Holdings, Inc.	Delaware
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 SA de CV	Mexico
F.G. Wilson (Engineering) Limited	Northern Ireland
F.G. Wilson (USA) LLC	Delaware
F. Perkins Limited	England
Federal Financial Services LLC	Delaware
FG Wilson (Engineering) Limited	Northern Ireland
GB Holdco (China), Inc.	Delaware
GFCM Servicios, S.A. de C.V.	Mexico
Global Supply Chain Solutions Brasil Servicos De Logistica Ltda	Brazil
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
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
O & K Orenstein & Koppel Limited	England and Wales
OOO Bucyrus Service	Russian Federation
OOO Bucyrus Ukraine	Ukraine
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
Power Research Limited	England and Wales
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
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
Rapisarda Industries Srl	Italy
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
Shanghai Supply Chain Solutions 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 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
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-Solar de Colombia S.A.	Columbia
Turbomach Sp. Z o.o.	Poland
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
Veratech Holding B.V.	Netherlands
West Virginia Auto Shredding Inc.	West Virginia
Western Gear Machinery LLC	Delaware
Wisconsin Holdings Pty. Ltd.	Australia
XPart Limited	United Kingdom
Zeit Comercia e Montagem de Equipamentos Ltda.	Brazil

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
Atlas Heavy Engineering Pty Ltd	Australia
Bucyrus NHL Mining Equipment Co. Ltd.	China
Cat Rental Tohoku Ltd.	Japan
Caterpillar Institute (Vic-Tas) Pty Ltd	Australia
Caterpillar Trimble Control Technologies LLC	Delaware
Datong Tongbi Machinery Company Limited	China
Energy Technologies Institute LLP	England and Wales
Energyst B.V.	Netherlands
Evercompounds S.p.a.	Italy
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
K-Lea 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
Mitsubishi Caterpillar Forklift Europe B.V.	Netherlands
Nagano Kouki Co., Ltd.	Japan
Nihon Kenki Lease Co., Ltd.	Japan
Polyhose India (Rubber) Private Limited	India
Rapidparts Inc.	Delaware
Rensel Co.	Japan
Rocla Oy	Finland
Servicios Indistriales Technocast, S.A. de C.V.	Mexico
Southern California Material Handling Inc.	Malaysia
Tech Itoh Co., Ltd.	Japan
Technocast, S.A. de C.V.	Mexico
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. 333-43133, 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-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) and Form S-4 (No. 333-121003) of Caterpillar Inc. of our report dated February 21, 2012 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 21, 2012

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 21, 2012	*/s/Douglas R. Oberhelman* (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Edward J. Rapp, 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 controls over financial reporting.

February 21, 2012	*/s/Edward J. Rapp*	Group President and Chief Financial Officer
	(Edward J. Rapp)	

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, 2011 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 21, 2012	*/s/Douglas R. Oberhelman* (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer
February 21, 2012	*/s/Edward J. Rapp* (Edward J. Rapp)	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	3												
Black Thunder, 4800977	Z8T												1	
Colowyo, 0502962	Z8T												3	
Cordero Min, 4800992	Z8T	1					3,469							
El Segundo, 2902257	Z8T						460							
	Z620	2					432							
Four Corners, 0801117	Z8T										1		1	
Hookers Prairie, 0800835	Z8T												1	
Intrepid Potash East, 2900170	VTK						100							
Kayenta, 0201195	Z8T	1					2,742							
Lee Creek, 3100212	Z8T						4,590							
Lee Ranch, 2901879	Z8T	1					6,268				1	1		
	Z620						100							
Republic Energy, 4609054	Z8T										1			
Shop Hollow, 4407041	E118	1					1,530							
South Fort Meade, 0801183	Z8T						540						1	
Thompson Creek, 1000531	Z260						108							
Three Oaks, 4104085	Z8T												2	
Twilight, 4608645	Z8T										1		2	
Total		**9**					**20,339**				**4**	**1**	**11**	