

Welcome

ConExpo Analyst Meeting

March 11, 2008

Jim Owens

Chairman & CEO



CATERPILLAR®

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this presentation are forward-looking and involve risks, assumptions and uncertainties that cause actual results of Caterpillar to be materially different from those projected or implied in the forward looking statements. In this context, words such as "will", "believes," "expects," "estimates," "anticipates," "will be," "should" and similar words or expressions identify forward-looking statements made on behalf of Caterpillar. It is important to note that actual results of Caterpillar may differ materially from those described or implied in such forward-looking statements based on a number of factors and uncertainties, including, but not limited to, changes in economic conditions; currency exchange or interest rates; political stability; market acceptance of Caterpillar's products and services; significant changes in the competitive environment; changes in law, regulations and tax rates; and other general economic, business and financing conditions and factors.

A more complete summary of risks and uncertainties is described in more detail in Caterpillar's Form 10-K filed with the Securities and Exchange Commission on February 22, 2008. Caterpillar undertakes no obligation to update these forward-looking statements.



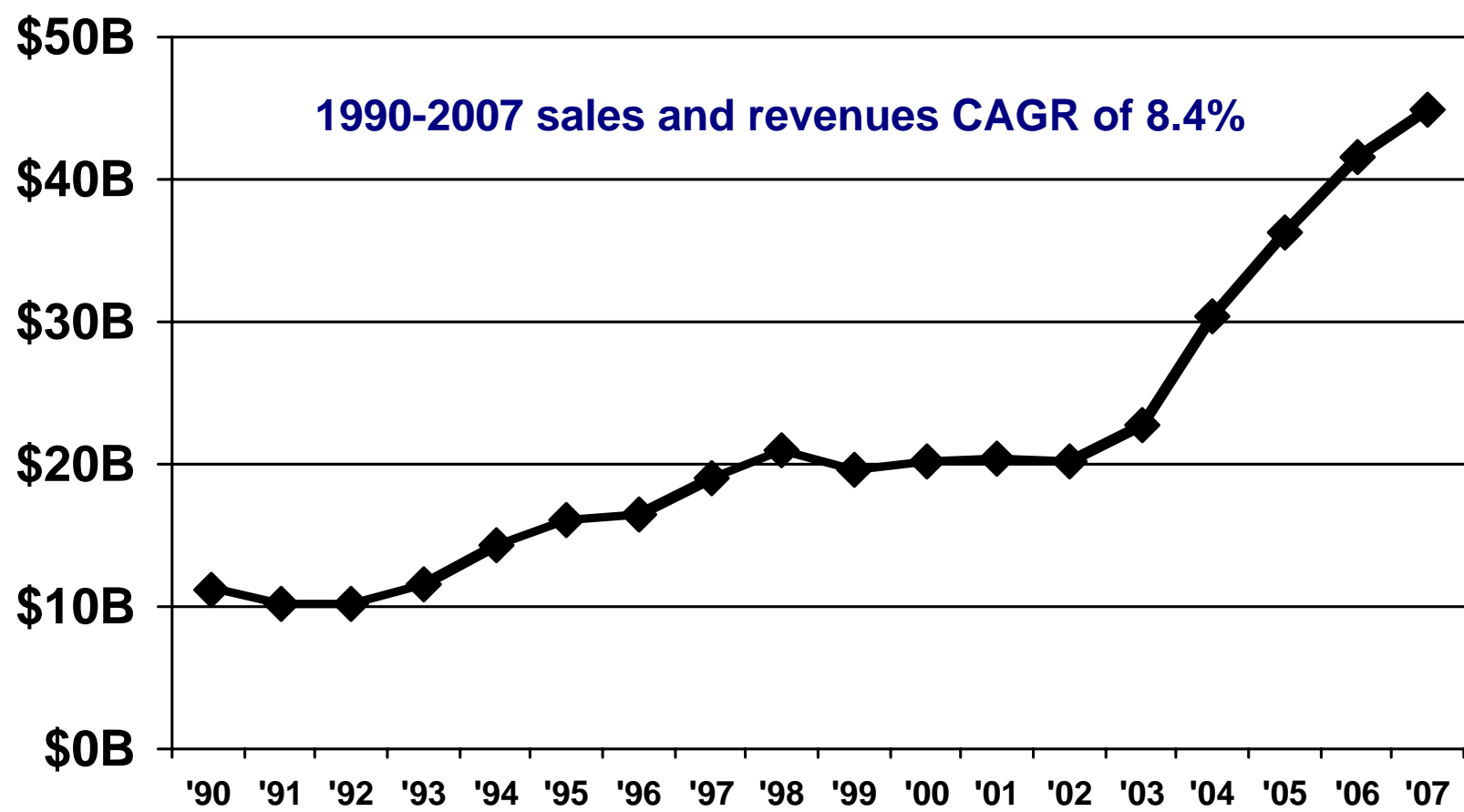
What I'll Cover Today

- A quick overview of Caterpillar and recent history
- Our view of 2008
- A broader look forward
 - *Prospects for the world economy*
 - *Continued need for, and robust investment in, the world's infrastructure*
 - *Caterpillar ... in 2010 and beyond*



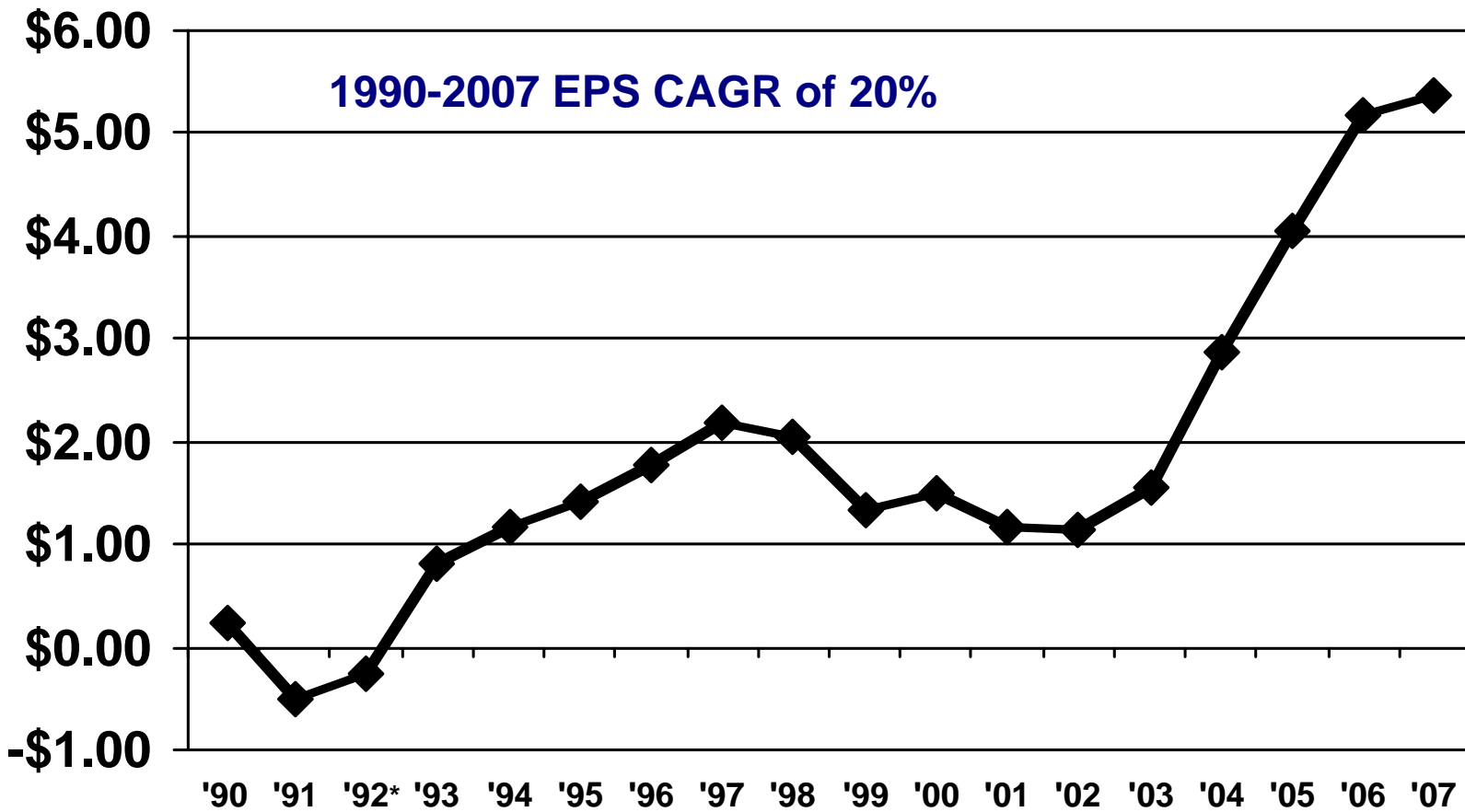
Historical Performance

Sales and revenues



Historical Performance

EPS Growth



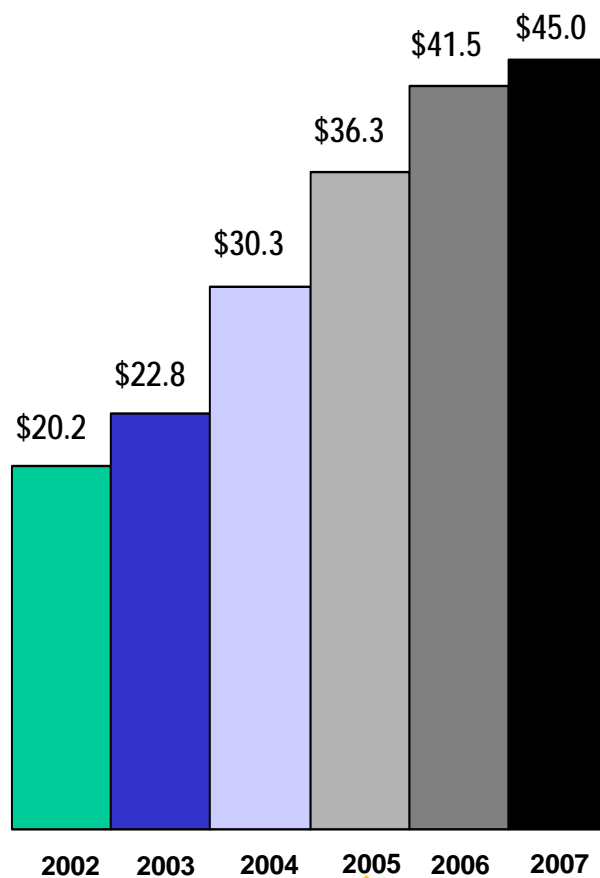
1992 EPS excludes impact of OPEB accounting adjustment. \$3.02 loss as reported. and all years adjusted for stock splits



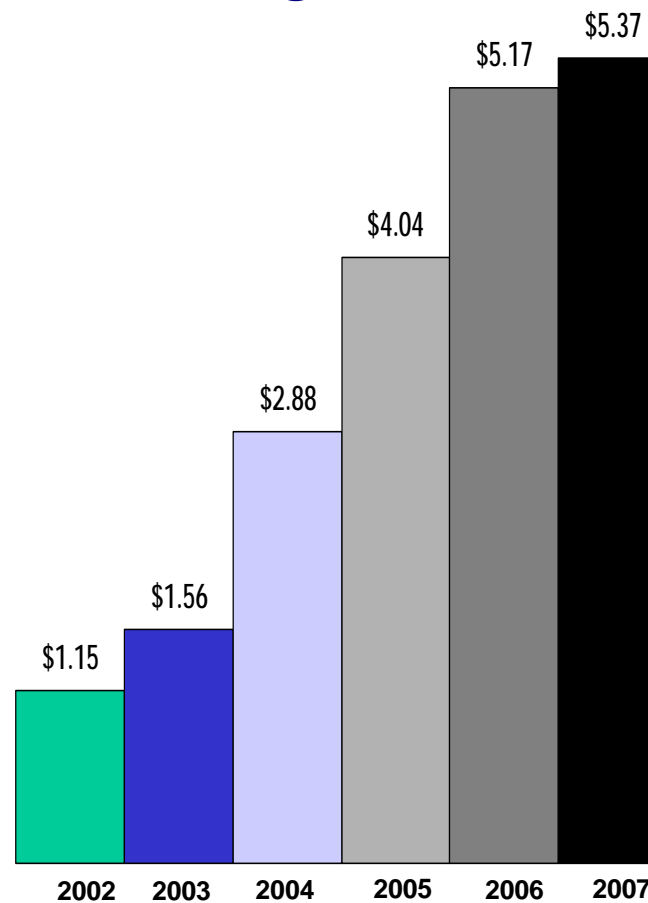
5 Years of Growth

36% EPS CAGR 2002 to 2007

Sales and Revenues



Earnings Per Share



CATERPILLAR®

Product Range

Machines



About 300 Models in a broad range of product categories ...

Backhoe Loaders

Wheel Loaders

Track Loaders

Wheel Dozers

Off Highway Trucks

Wheel Skidders

Asphalt Pavers

Skid Steer Loaders

Excavators

Pipelayers

Motor Graders

Underground Trucks

Feller Bunchers

Pneumatic Compactors

Multi Terrain Loaders

Wheel Excavators

Landfill Compactors

Wheel Tractor Scrapers

Underground Loaders

Vibratory Compactors

Cold Planers

Integrated Tool Carriers

Track-Type Tractors

Soil Compactors

Articulated Trucks

Track Skidders

Asphalt Compactors

Rotary Mixers



CATERPILLAR®

End markets

Machines

Residential

- Building
- Site Prep
- Lawn Care
- Sewer & Water Tie-in



Infrastructure

- Road Construction
- Paving
- Military
- Civil
- Aggregate Recycling



Nonresidential

- Building
- Site Prep
- Landscaping
- Underground Utilities



Industrial

- Industrial Processing
- Demolition
- Scrap
- Ports



Energy

- Coal
- Oil Sands
- Petroleum



Forestry

- Logging
- Mill Yard



Mining & Quarrying

- Metals
- Non-metals
- Quarrying



Waste

- Landfill Operations
- Waste Handling
- Specialized Waste



CATERPILLAR®

New D7E at CONEXPO ... *Innovative From the Inside Out*

35% more visibility

50% better steering performance

50% less operator noise

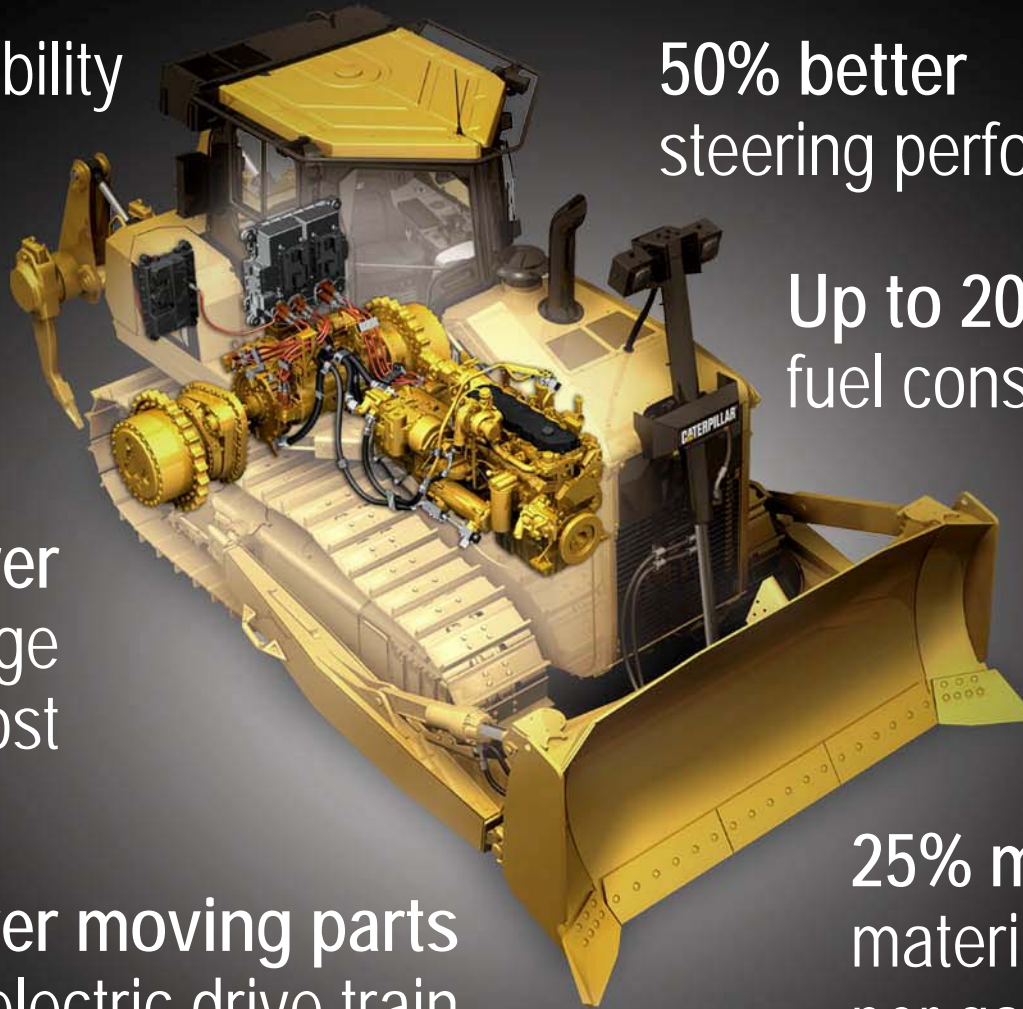
Up to 20% less fuel consumed per hour

35-70% lower undercarriage operating cost

Less fluids used

60% fewer moving parts in the electric drive train

25% more material moved per gallon of fuel



Product Range

Engines

Turbines

Medium Speed

C175

3500

4000

Vees

Heavy Duty

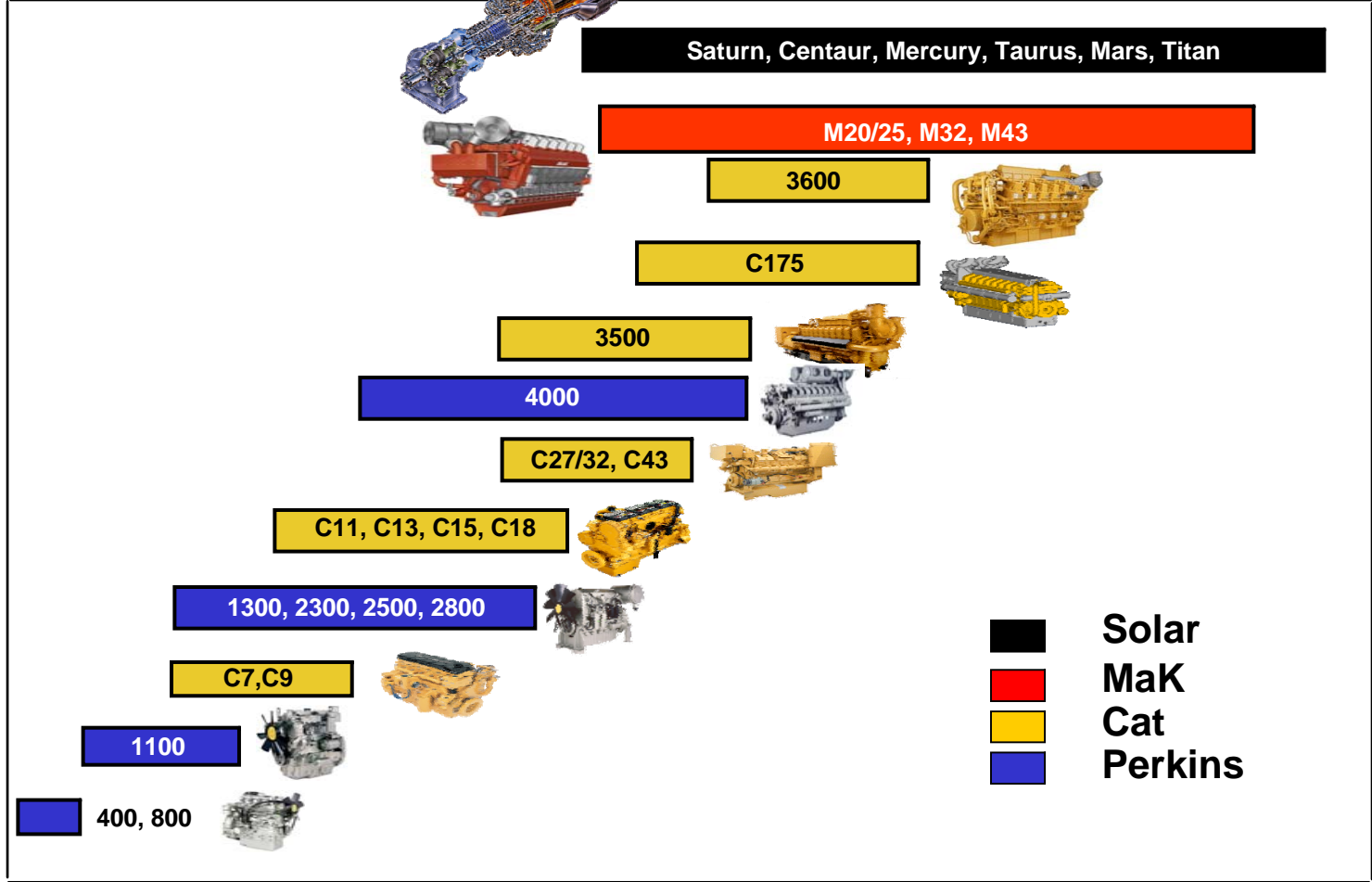
1300 - 2800

Mid-Range

1100

Small

KW



100 200 300 500 750 1500 2500 4000 6000 10000 16000 22000

- Solar
- MaK
- Cat
- Perkins



CATERPILLAR®

End markets

Engines



Electric Power



Cat Machines



Petroleum



On-Highway Truck



Marine



Industrial

VISION 2020

STRATEGIC PROFILE

STRATEGIC GOALS

CRITICAL SUCCESS FACTORS

ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT

Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT

WORKING TOGETHER FOR SUCCESS

CATERPILLAR®

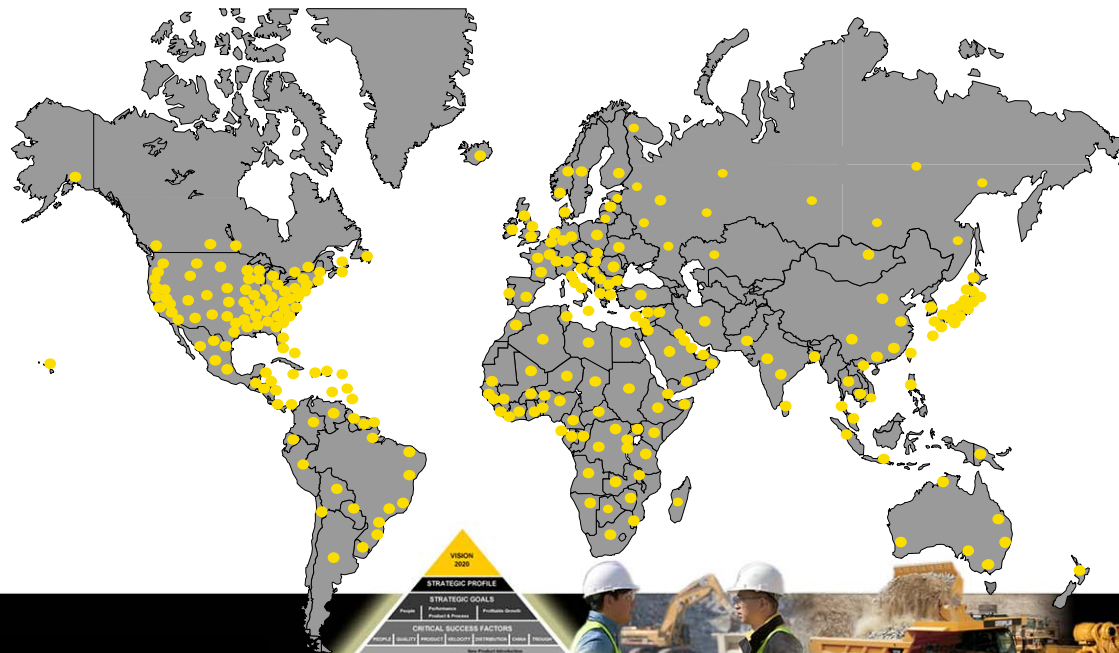
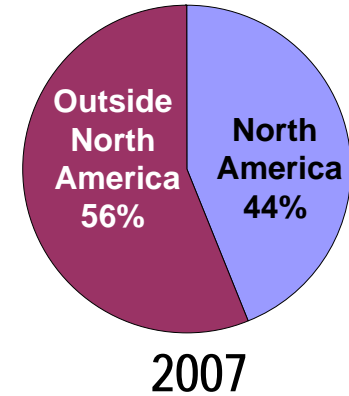
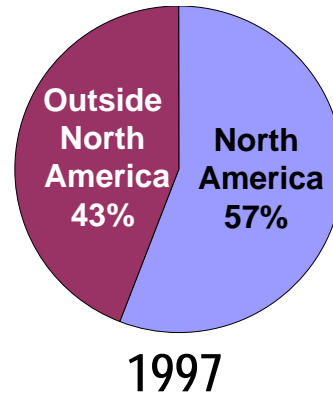
Geographic Diversity

The Global Leader

Caterpillar

- Broadest footprint in the industry
- About 101,000 Employees
- In about 50 countries

Geographic Mix - Sales and Revenues



Caterpillar Dealers

- 181 Cat dealers
- 3,000+ branches & rental stores
- Over 120,000 employees

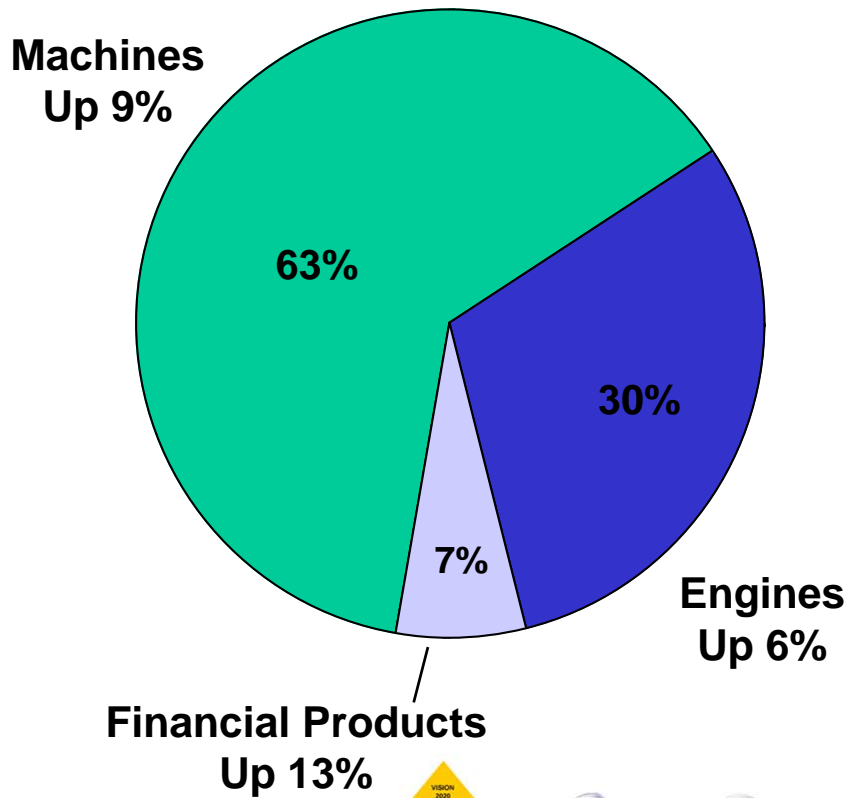


Caterpillar Overview

Sales and Costs

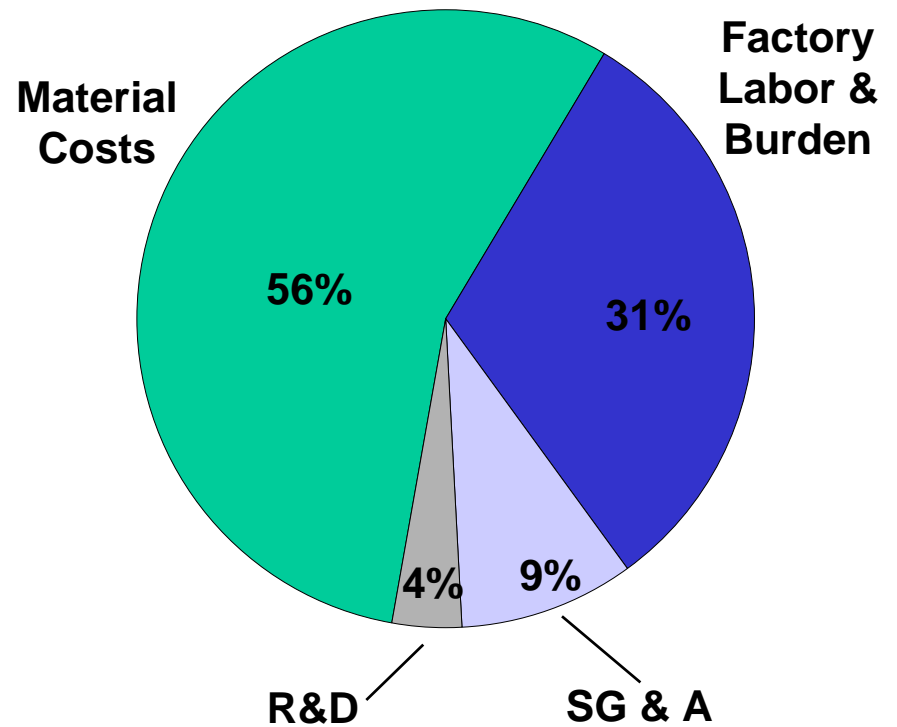
Sales & Revenues

Up over 8% in 2007



Machinery & Engines

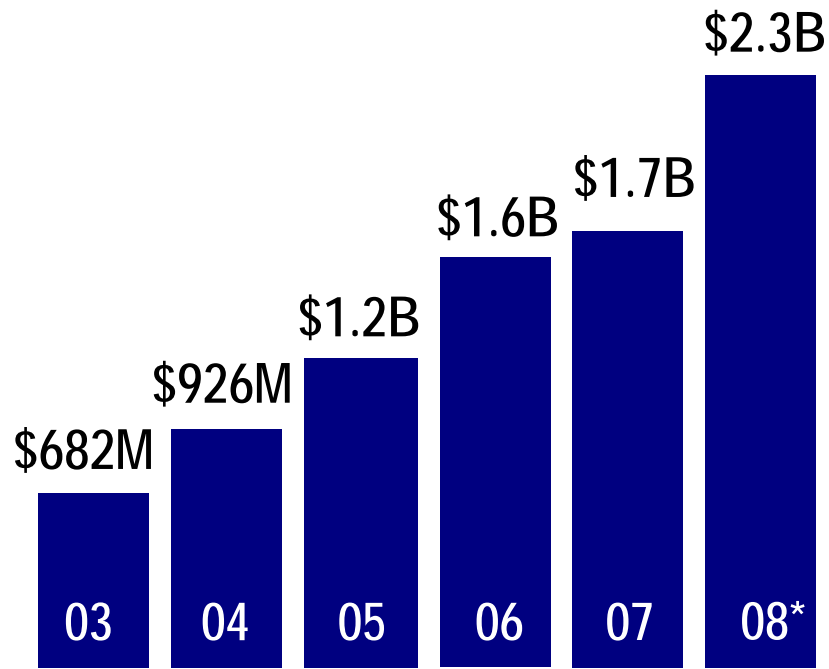
2007 Operating Costs \$37.4 Billion



Investing in the future

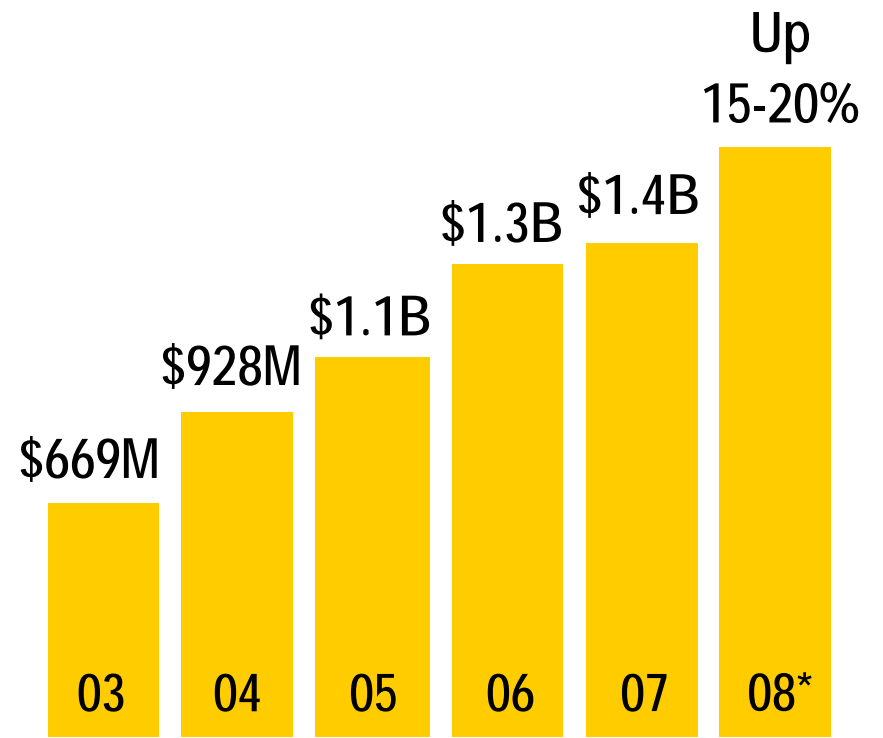
Capacity and Product Development

Capital Expenditures



Excluding Equipment Leased to Others

Research & Development



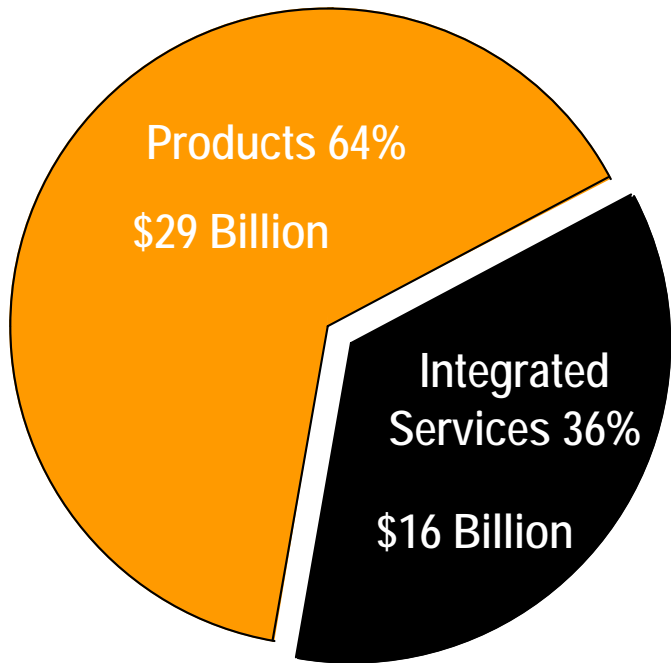
* Outlook



Sales and Revenues

Synergistic growth & improved earnings stability

2007 Actual



Genuine Cat Replacement Parts



Solar[®] Turbines
Solar Customer Services

CAT[®] REMAN
Caterpillar Remanufactured Products

PROGRESS
RAIL SERVICES



CATERPILLAR[®]

2007 Retrospective

- **A very tough environment in North America, primarily the United States – sales and revenues down 11%**
- **Sales & revenues outside North America up 29% – with booming demand in emerging markets**
- **Focused on the global deployment of the Cat Production System – Safety, quality, velocity, and costs**

Caterpillar reported record sales and revenues and profit

- Sales and revenues were up over 8% to \$45 billion
- EPS improved from \$5.17 to \$5.37

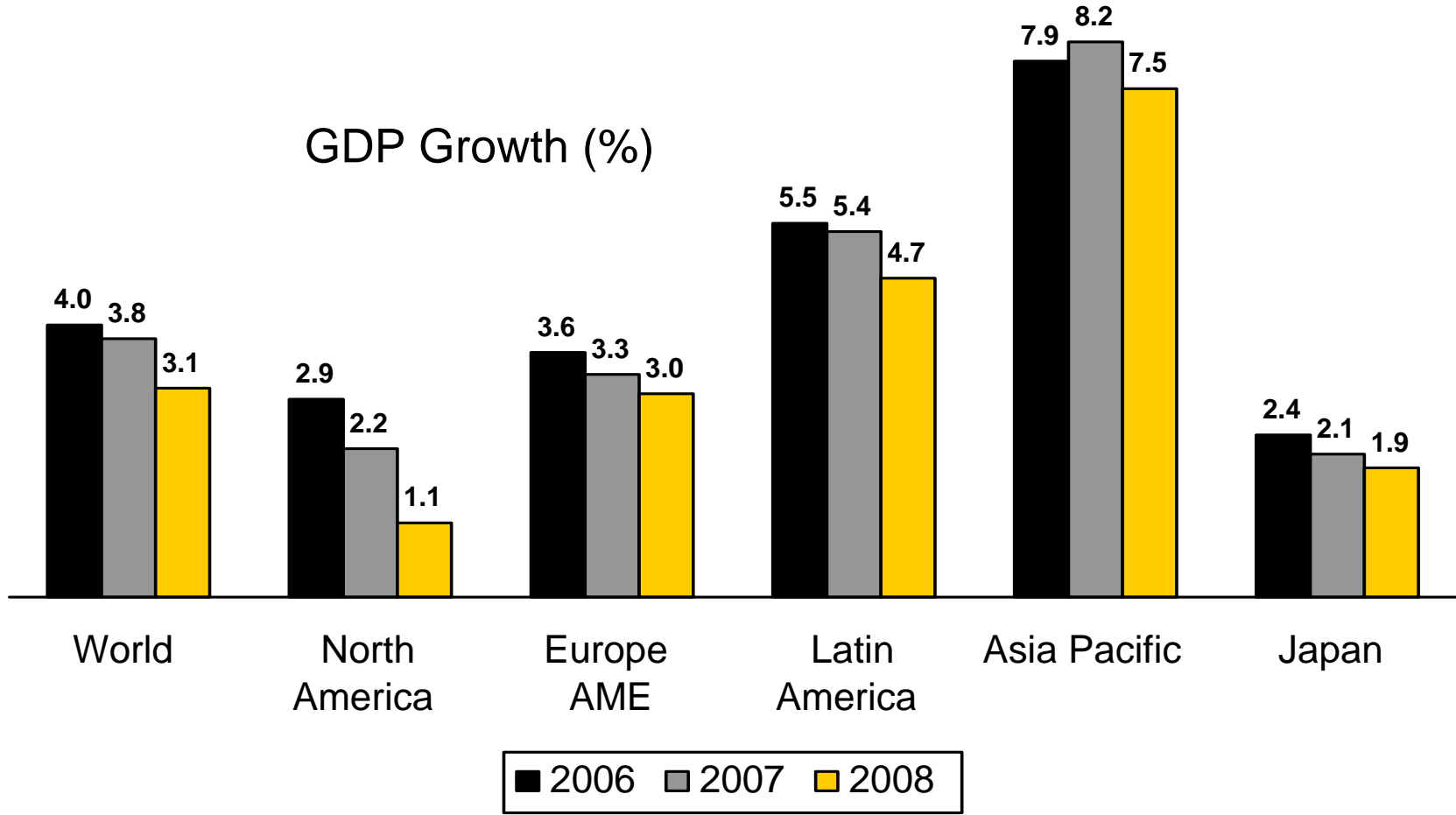


2008 Outlook



2008 Economic Forecast

U.S. slowing, but better conditions elsewhere



VISION 2020

STRATEGIC PROFILE

STRATEGIC GOALS

- Productivity
- Customer Service
- Product & Service

CRITICAL SUCCESS FACTORS

- Quality
- Productivity
- Customer Service
- Product & Service
- Financial Performance
- Human Resources
- Manufacturing & Support
- Sustainable Development
- Global Expansion

ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT

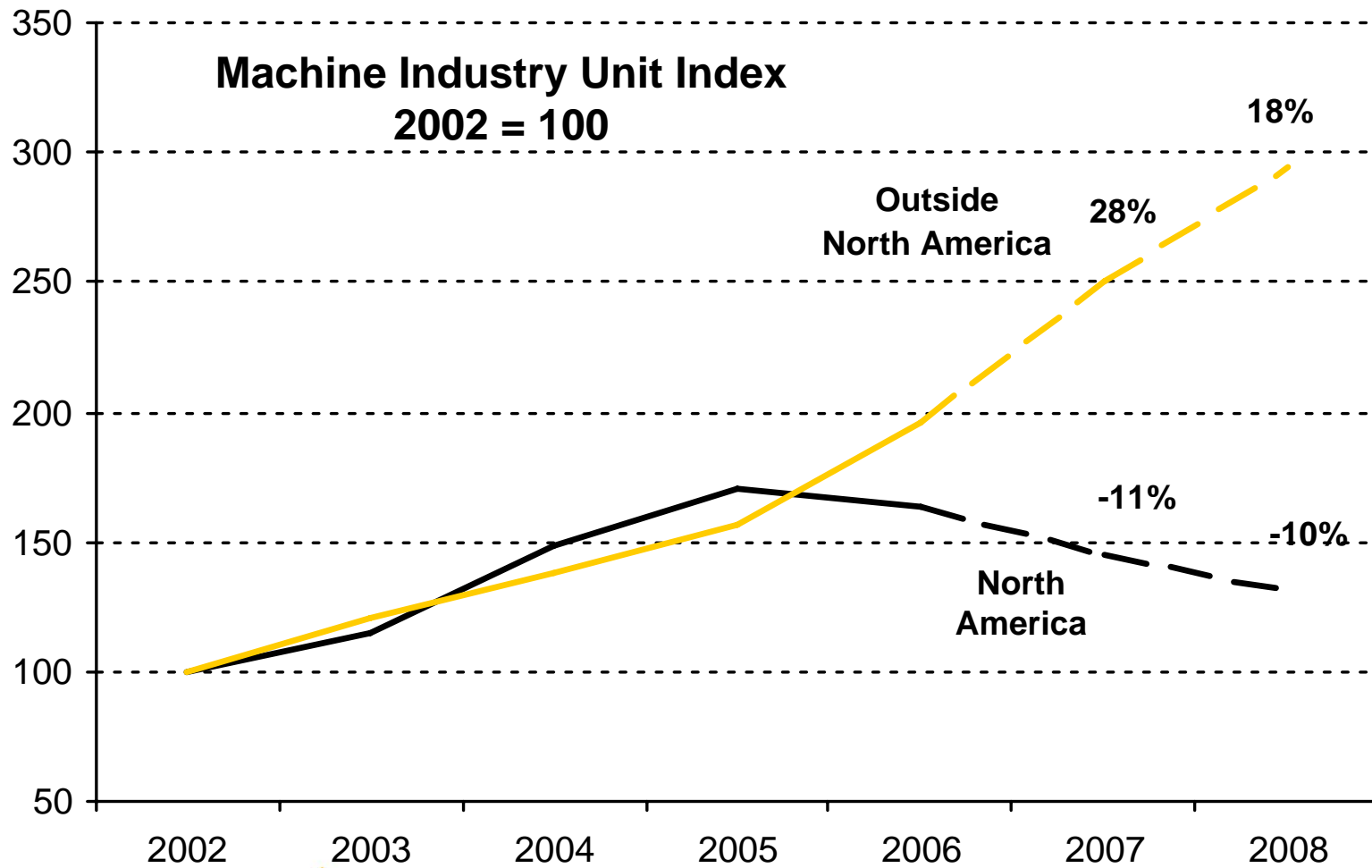
Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT

WORKING TOGETHER TO IMPROVE THE WORLD

CATERPILLAR®

Worldwide Machine Industry

Sales patterns diverging



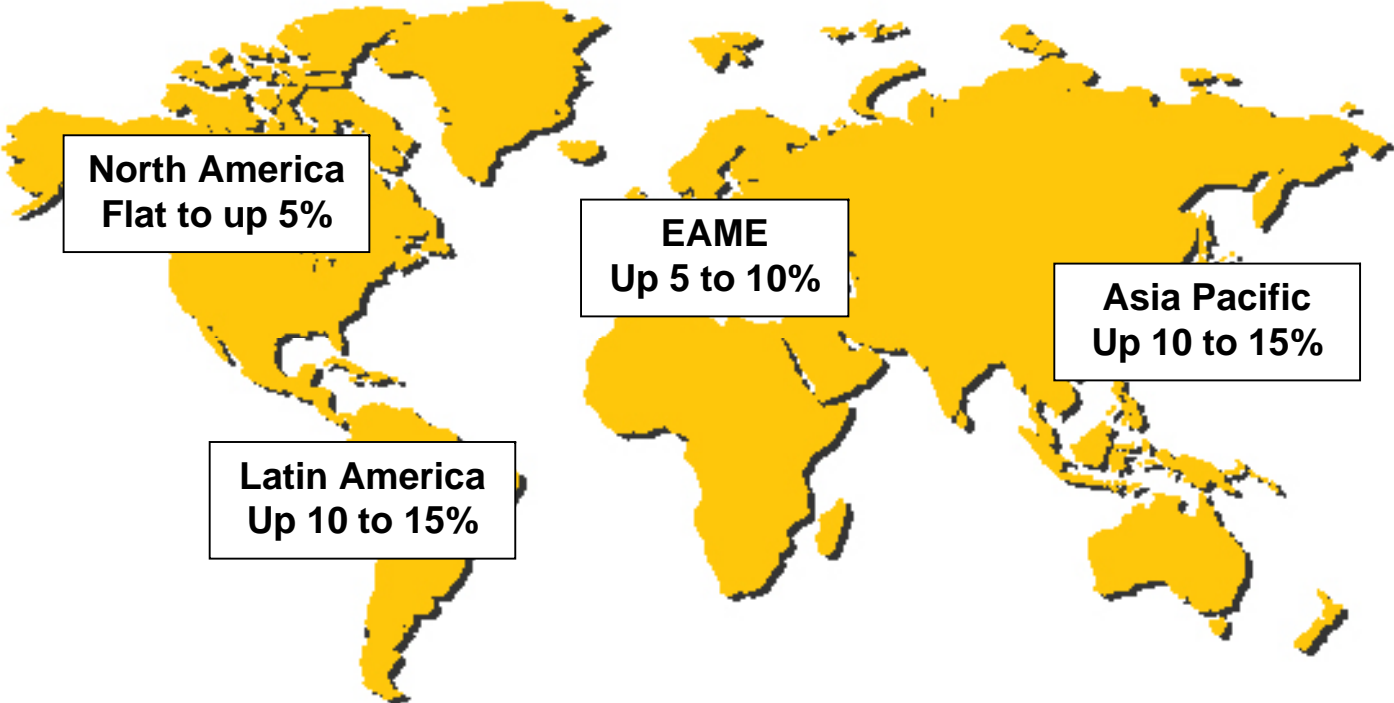
Caterpillar Estimate



2008 Sales and Revenues

By Geographic Region

Worldwide up 5 to 10%



A horizontal banner at the bottom of the slide. On the left is a pyramid diagram with the following levels from top to bottom: VISION 2015, STRATEGIC PROFILE, STRATEGIC GOALS (Performance, Product & Service), CRITICAL SUCCESS FACTORS (Cost, Quality, Product, Support, Training, Case, Reliability), ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT (New Product Introduction, Global Operations, Marketing & Sales, Sustainable Development, Global Support). Below the pyramid is the text: 'Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT' and 'WORKING TOGETHER TO IMPROVE THE WORLD'. The banner also features an image of two workers in hard hats, a yellow Caterpillar truck, a yellow engine, and a globe. The Caterpillar logo is on the right.

2008 Outlook

Expect a record year
despite U.S. weakness

	2007 Actual	2008 Outlook
Sales and Revenues	\$45 B	Up 5 - 10%
Earnings Per Share	\$5.37	Up 5 - 15%

Key Elements of the Outlook for 2008

- Price Realization about 2% ... similar to 2007
- Material Costs up 1.0 to 1.5% ... similar to 2007, up less than inflation
- R&D costs up 15 to 20% ... Tier IV machines
- SG&A up in dollars, down as a percent of sales
- Factory labor and overhead costs about flat ... CPS benefits offset inflation
- Net currency impacts slightly negative
- CAPEX up from \$1.7 to about \$2.3 billion ... we need more capacity



Beyond 2008

- **The world economy is positioned to grow – low inflation and interest rates**
- **Past underinvestment in key industries – energy, mining, and infrastructure**
- **Our sales and profit expectations through 2010**
- **Caterpillar ... 5 years out**



Key Longer-term Trends

Long-Term Positive
for Caterpillar

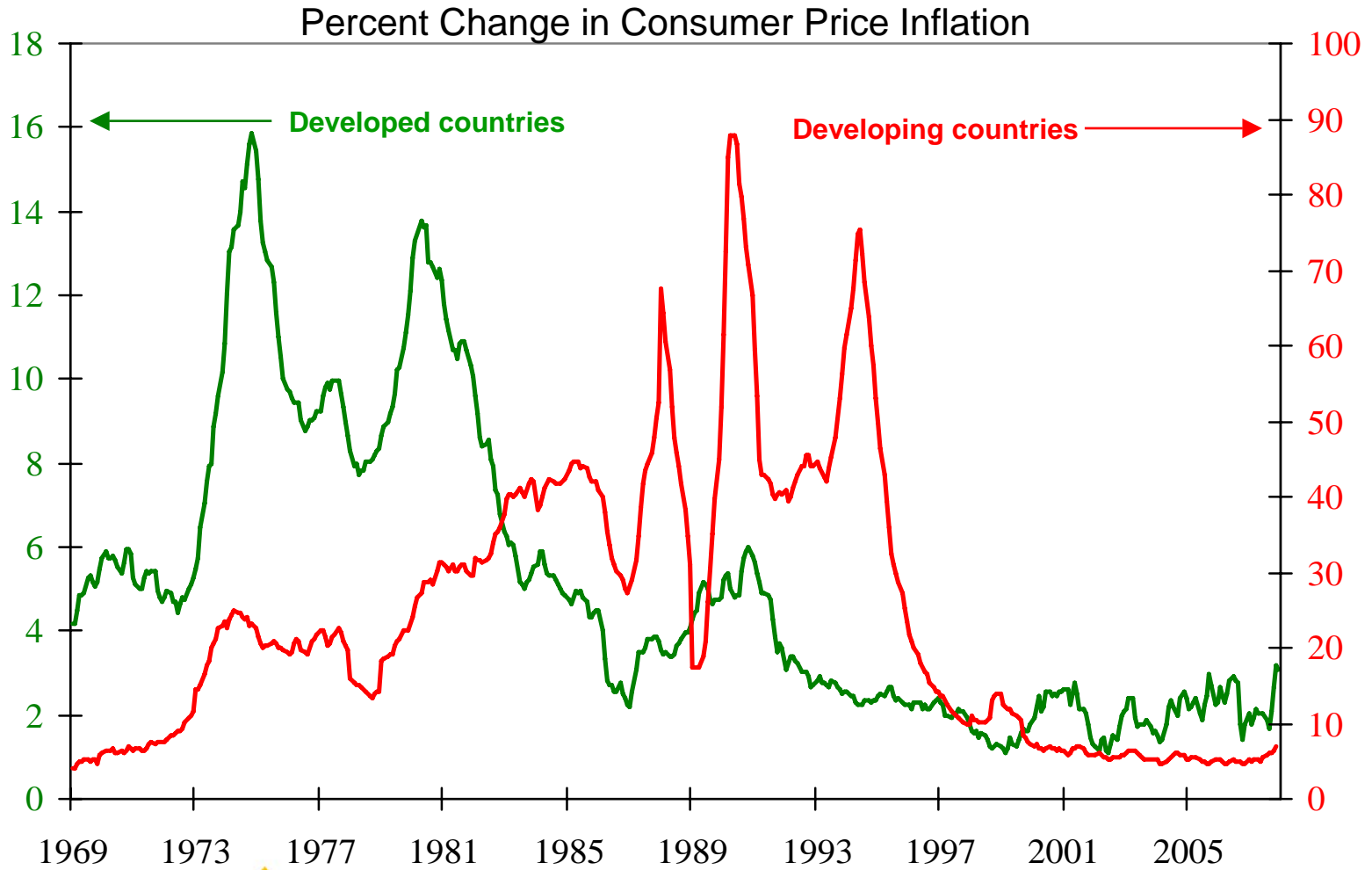
We expect continued strong growth in worldwide infrastructure spending over the next decade

- ✓ **Significant growth in the developing world ... *and they have the money!***
- ✓ **Significant need to improve and rebuild infrastructure in the developed world ... *after years of under investment***

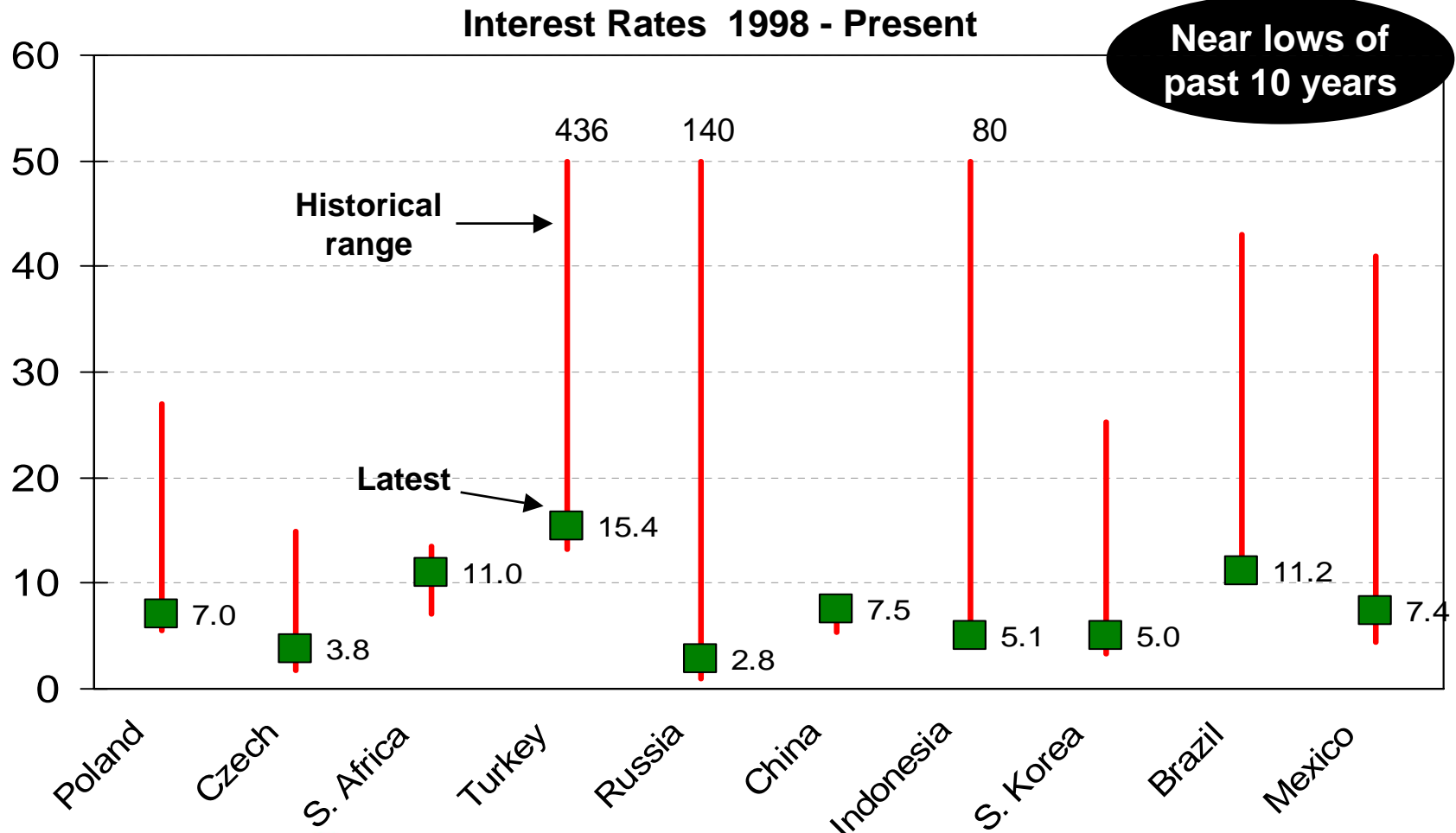


Inflation Is Low

Good progress in reducing inflation



Historically Low Rates in Developing Countries



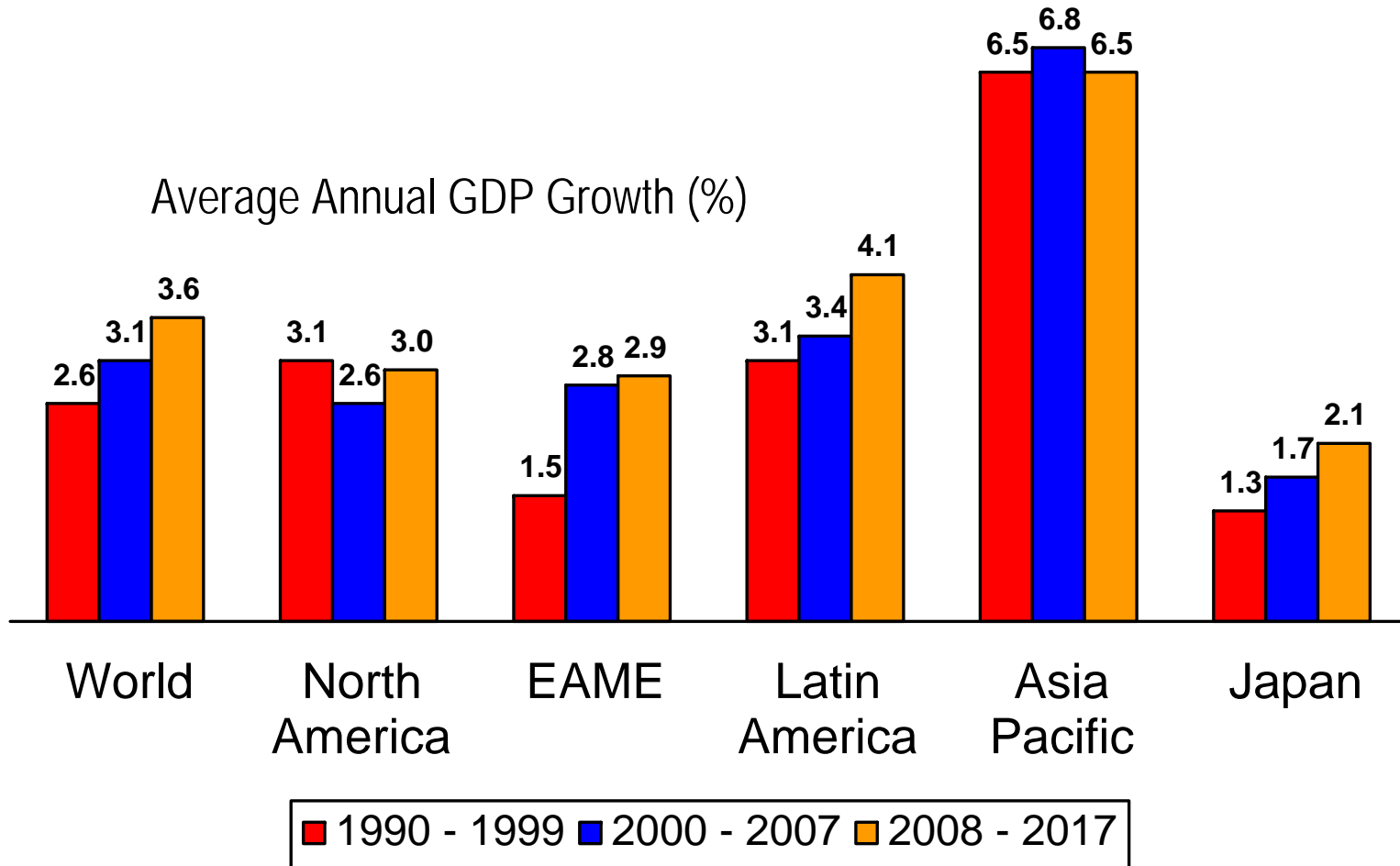
Source: Haver Analytics



A Solid Economic Growth Forecast

Solid world growth

Average Annual GDP Growth (%)



Factors Driving Construction

Years of construction underinvestment

Developed Economies

- Old, outdated buildings
- Insufficient infrastructure
- Modest economic growth

Developing Economies

- Large, rapidly growing populations
- Inadequate infrastructure
- Rapid economic growth



We expect continued good growth in construction

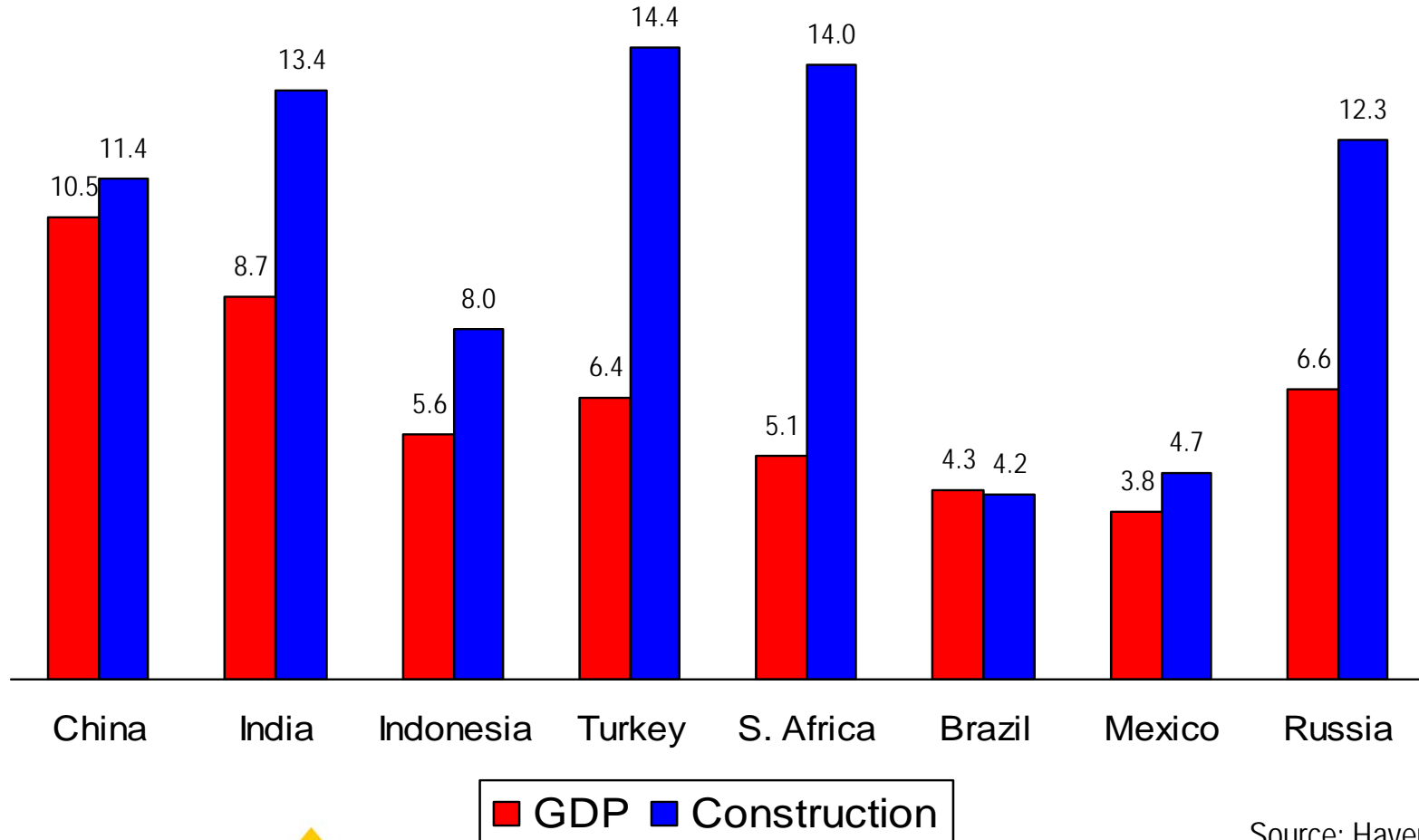


A horizontal banner image. On the left is a pyramid diagram with the following text from top to bottom: VISION 2020, STRATEGIC PROFILE, STRATEGIC GOALS (Productivity, Quality, Customer Service, Financial Performance), CRITICAL SUCCESS FACTORS (Safety, Health, Environment, Quality, Training, Innovation, Risk Management), ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT (New Product Introduction, Manufacturing Excellence, Marketing & Support, Sustainable Development, Workforce Development). Below the pyramid is the text: Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT. In the center, two construction workers in hard hats and safety vests are talking. To their right is a yellow Caterpillar dump truck. Further right is a yellow Caterpillar generator. On the far right is a blue globe and the Caterpillar logo.

Developing Country Construction

Rapid Growth Rates

Average Yearly Percent Growth, 2003 - 2007



Source: Haver Analytics

VISION 2020

STRATEGIC PROFILE

STRATEGIC GOALS
Productivity, Profitability, Customer Satisfaction, Financial Performance

CRITICAL SUCCESS FACTORS
Customer Satisfaction, Financial Performance, Productivity, Innovation, Quality, Safety, Environmental Stewardship, Employee Engagement

ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT
New Product Introduction, Process Efficiency, Marketing & Sales, Sustainable Development, Global Expansion

Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT
WORKING TOGETHER TO IMPROVE THE WORLD

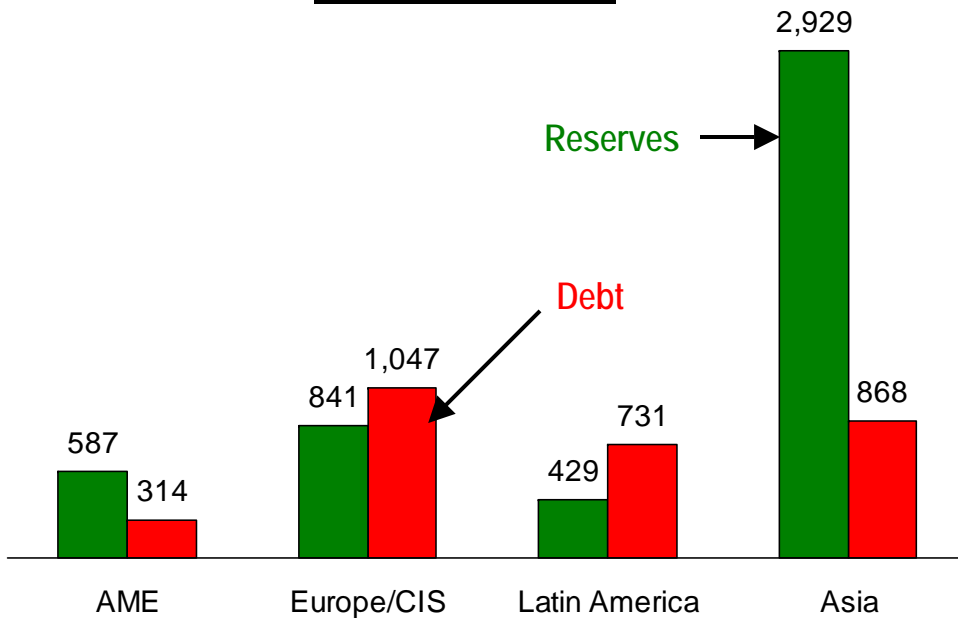
CATERPILLAR®

Developing Countries Have Improved Finances

They have money to spend on infrastructure

Foreign Exchange Reserves and Debt

Billions of Dollars



Developing Countries' Balance Sheet (Trillions of Dollars)

Reserves	4.8	
Sovereign Wealth Funds	2.0	
Total external debt	6.8	3.0
		<u>3.0</u>

Adding over \$1 trillion yearly

Source: IMF, World Bank, Haver Analytics



Mining & Energy

A Very Positive Future



- Growing world demand
- Prolonged underinvestment
- Insufficient shipping capacity
- Low inventories & tight spare capacity

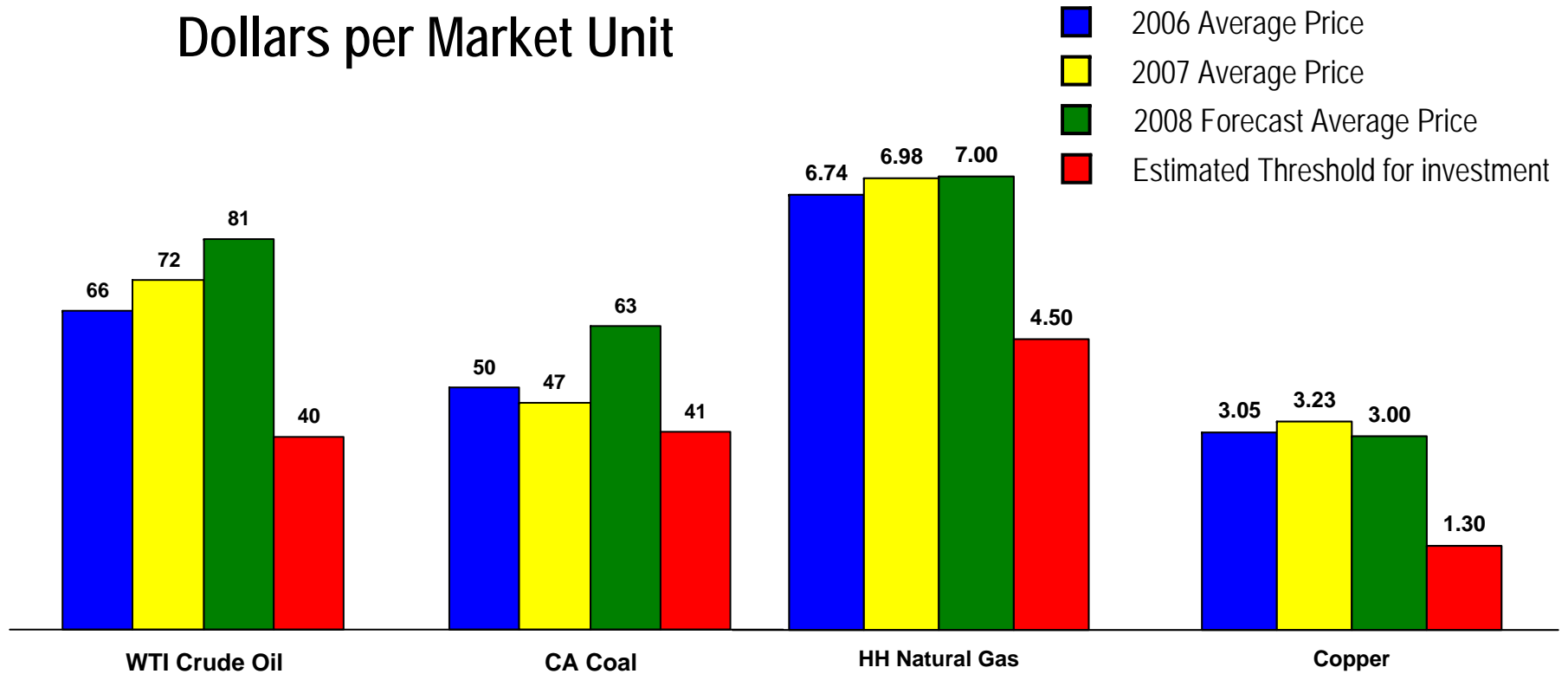


CATERPILLAR®

Commodity Prices Are Favorable

Generally positive for investment

Dollars per Market Unit

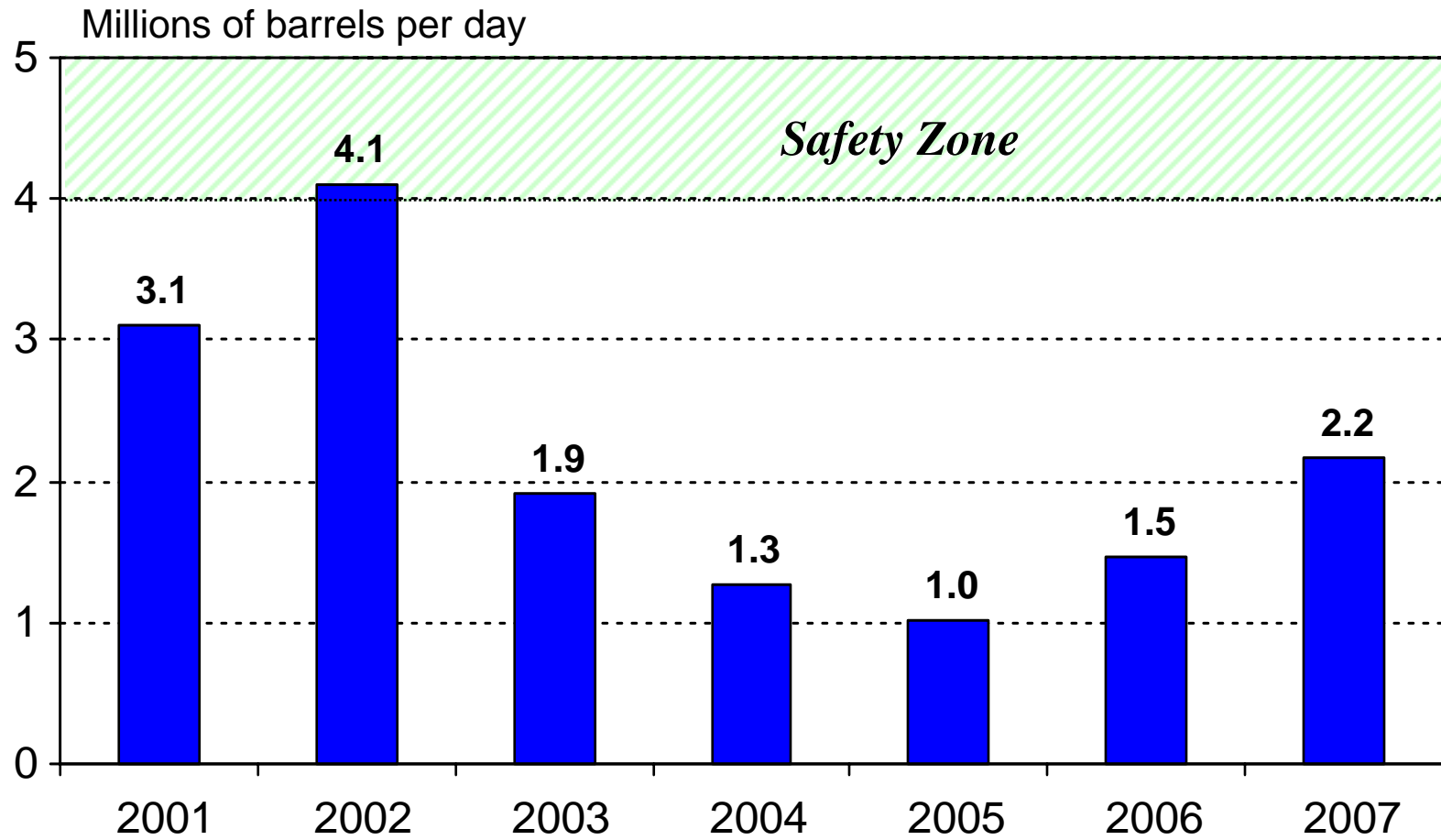


Source: Haver Analytics, Business Economics



Spare Oil Production Capacity

Continued low spare capacity



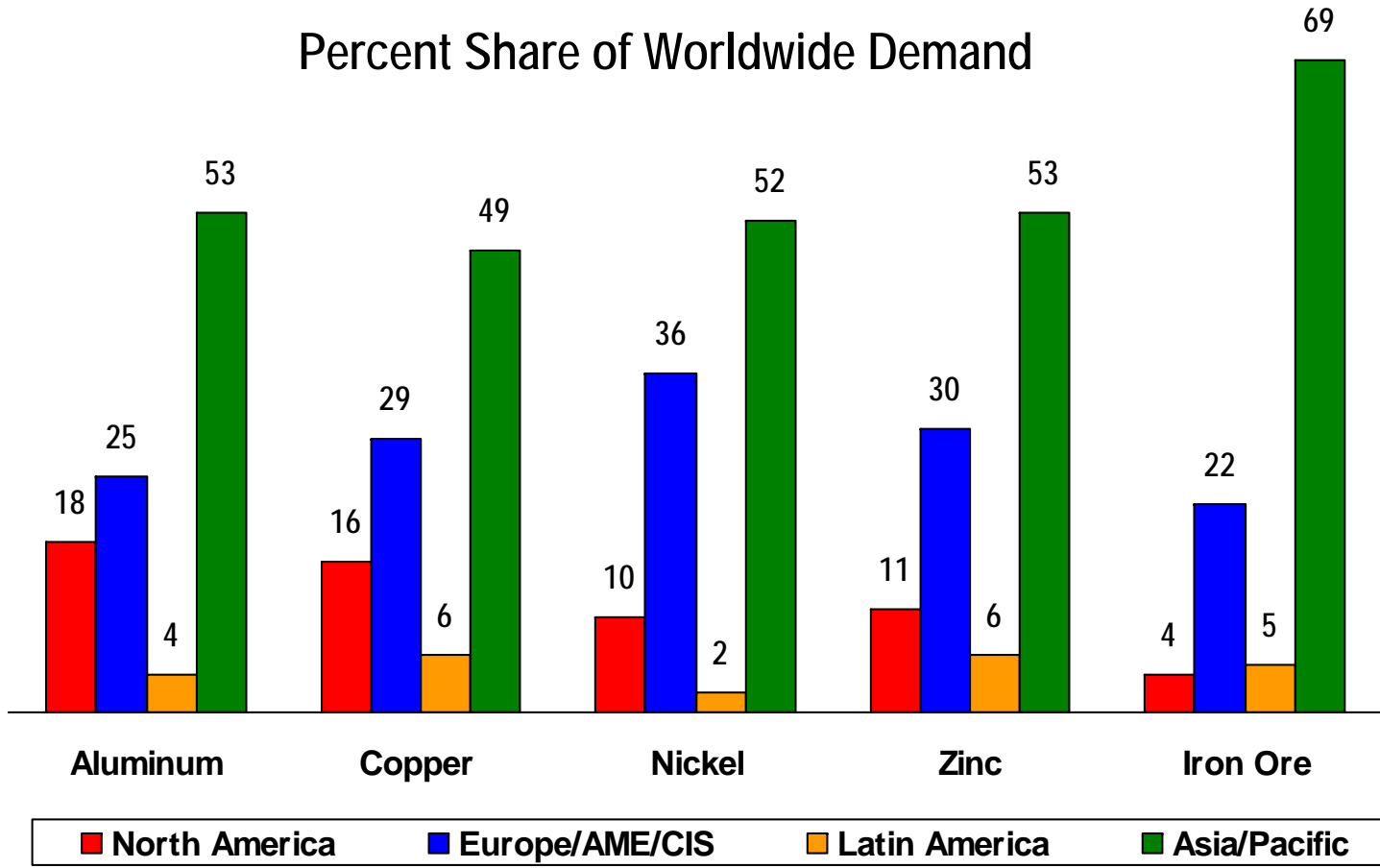
Source: Spare capacity from EIA, Reserves from BP 2007 Statistical Review



Regional Metals Demand

Fast Growing Asian Economies are Largest Users of Metals

Percent Share of Worldwide Demand



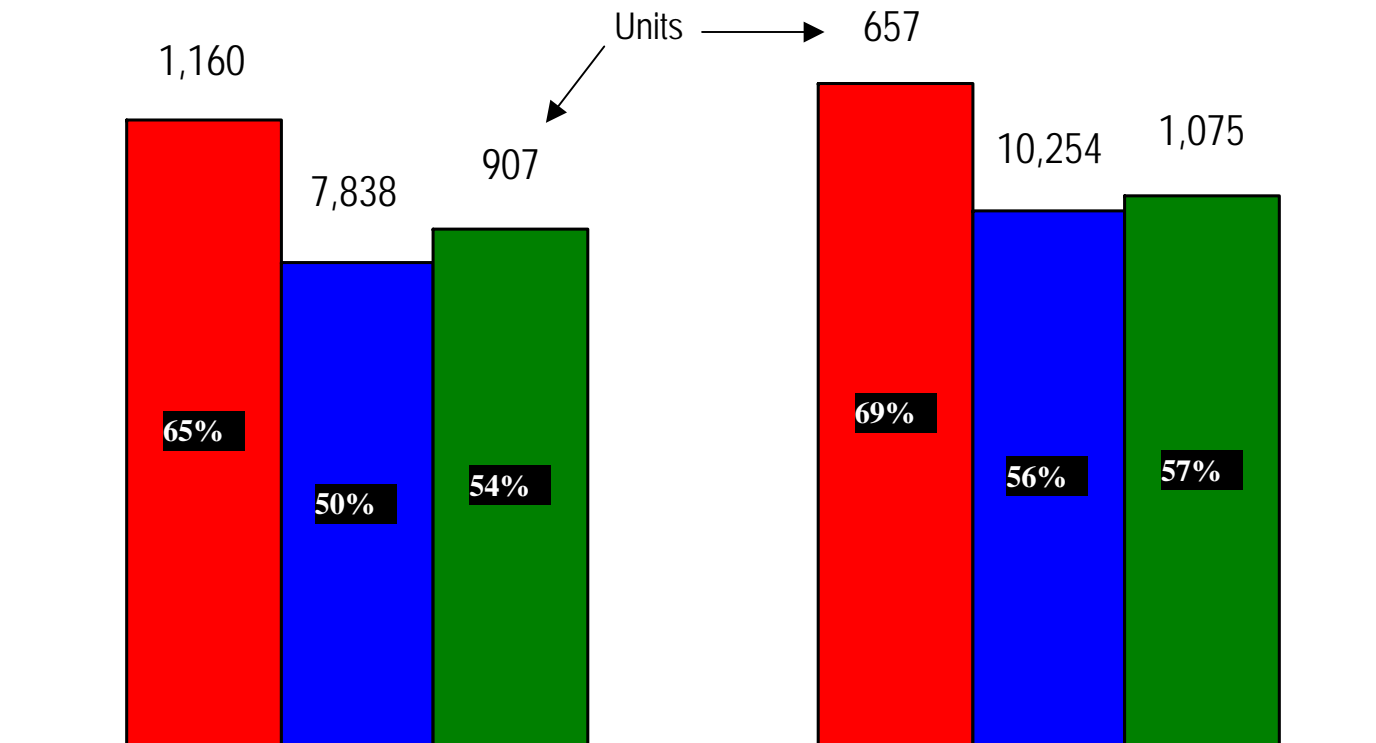
Source: Barclays Capital, AME

The bottom banner features a pyramid diagram on the left with the following text: VISION 2020, STRATEGIC PROFILE, STRATEGIC GOALS (Productivity, Profitability, Customer Satisfaction, Financial Strength), CRITICAL SUCCESS FACTORS (Quality, Safety, Reliability, Service, Sustainability, Innovation, Cost, Flexibility), ENTERPRISE STRATEGIC AREAS OF IMPROVEMENT (New Product Introduction, Manufacturing Excellence, Marketing & Sales, Sustainable Management, Global Expansion), and Our Values in Action - INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT. Below the pyramid is a photograph of two workers in hard hats and safety vests. To the right is a yellow Caterpillar truck, a large yellow engine, and a globe. The Caterpillar logo is in the bottom right corner.

Worldwide Mining Fleets

Replacement opportunity

% of Machines More Than 10 Years Old (2007)



Coal Mines

Metals Mines

■ Crawlers ■ Trucks ■ Wheel Loaders

Source: Parker Bay.



CATERPILLAR®

**Near term
commitment to
execution**

- Safety
- Quality
- Velocity ... CPS

**VISION
2020**

STRATEGIC PROFILE

STRATEGIC GOALS

People | Performance Product & Process | Profitable Growth

CRITICAL SUCCESS FACTORS

PEOPLE | QUALITY | PRODUCT | VELOCITY | DISTRIBUTION | CHINA | Trough

**ENTERPRISE
STRATEGIC
AREAS
OF
IMPROVEMENT**

New Product Introduction

Order-to-Delivery

Encoding 6 Sigma

Sustainable Development

Growth Beyond Core

Our Values in Action – INTEGRITY, EXCELLENCE, TEAMWORK, COMMITMENT

WORLDWIDE CODE OF CONDUCT

Original focus on China Has been broadened to “Emerging Markets”

Explicit goals for 2010!



CATERPILLAR®

China / Emerging Markets

- **Development of the complete Caterpillar business model in China is progressing rapidly :**
 - ✓ New engine factory under construction
 - ✓ Wheel loader factory under construction
 - ✓ Hydraulic component facility under construction
 - ✓ Completed the acquisition of SEM ... *China domestic wheel loader manufacturer – Cat now owns 100%*
 - ✓ Product strategy being executed with a growing array of products in China
 - ✓ Cat Logistics, Cat Financial, and Cat Remanufacturing are all in place and growing in China
 - ✓ The dealer strategy is in place and dealers are expanding
 - ✓ Ownership change at SCM could help accelerate growth
 - ✓ Sales in China in 2008 are expected to be close to \$2 billion

- **With the China strategy in full swing, it's time to broaden the focus to include other emerging markets – *there's been significant growth, and a big opportunity in India and the CIS.***



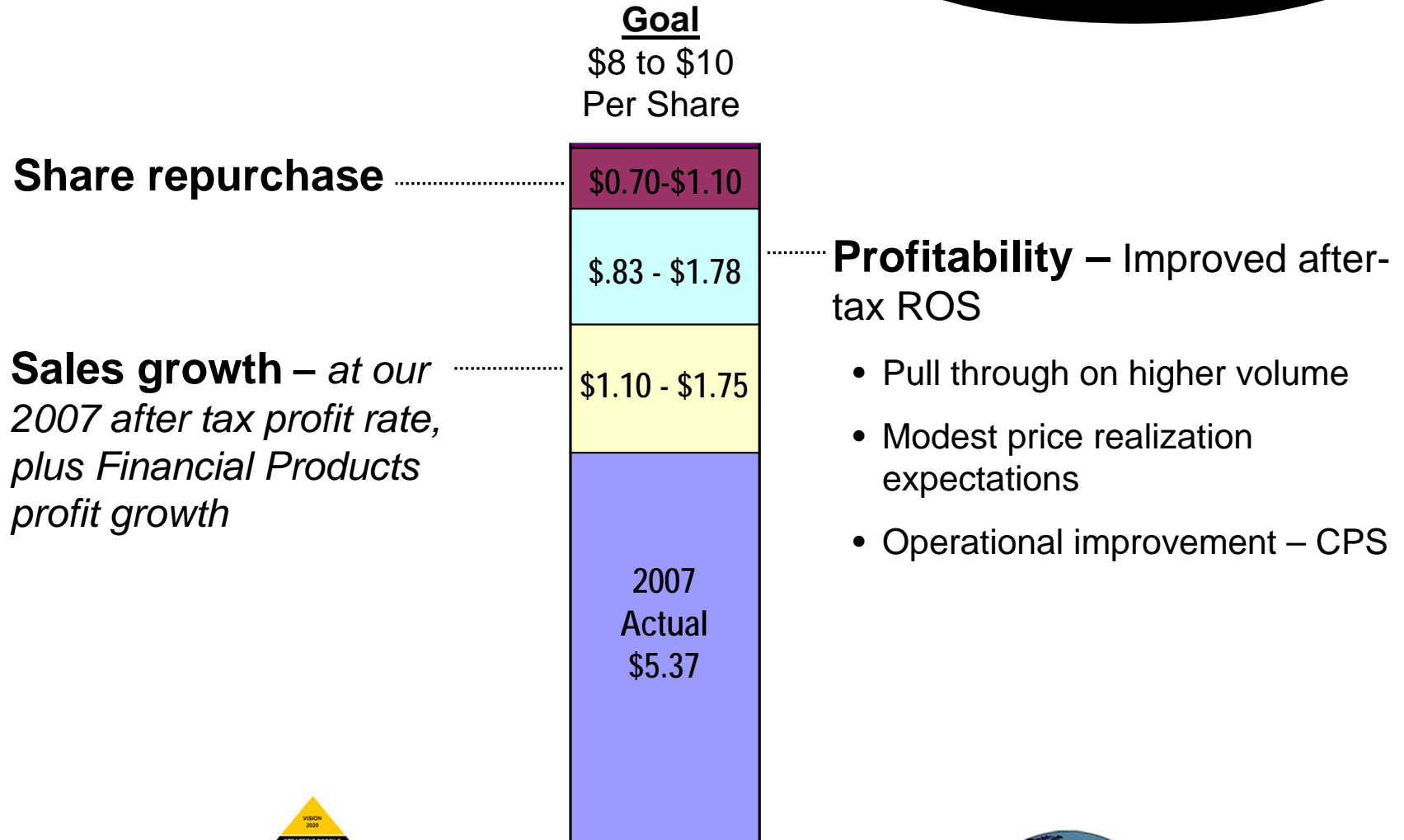
Our goals for 2010 Sales and Profit

	Last Year	Today
2010 Sales & Revenues	<p>\$50 billion “plus”</p> <p><i>In a plausible range of \$45 to \$60 billion</i></p>	<p>Approaching \$60 billion</p>
EPS Growth	<p>EPS CAGR of 15% to 20% from a 2005 base</p> <p><i>That means EPS in a range of about \$8 to \$10 per share</i></p>	<p>No Change</p>



2010 EPS Goal

The Road Map



2012 – Five Years Out

The positive
story continues

- We expect continued growth in the world economy and a positive environment for most of our end markets ... **notably Mining, Energy, Power Generation, and Infrastructure.**
- We expect Caterpillar Sales and Revenues to continue growing at an attractive rate ... **largely organically.**
- **We are investing heavily in new products and capacity.**
- We are focused on execution in the areas of Safety, Quality, Velocity, and Cost ... **and we expect to be able to continue our compound annual EPS growth of 15 to 20% through 2012!**



Cash Flow

A promising future
with good options

Machinery & Engines Operating Cash Flow

	<i>Billions of Dollars</i>			
	2004 Actual	2005 Actual	2006 Actual	2007 Actual
Operating Cash Flow before Pension/Benefits	\$ 2.9	\$ 4.3	\$ 5.0	\$ 5.7
Contributions to Pension & Other Post Retirement Benefits	(1.0)	(1.5)	(0.4)	(0.3)
Operating Cash Flow	1.9	2.8	4.6	5.4

Key Uses of Cash

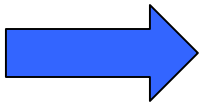
- Growth - CAPEX	\$ 0.8	\$ 1.2	\$ 1.6	\$ 1.7
- Growth - Acquisitions	0.3		0.5	0.2
- Dividends	0.5	0.6	0.7	0.8
- Stock Repurchase	0.5	1.7	3.2	2.4



Priorities for Use of Cash

Well Established
Priorities

Cash From
Operations



Fund Growth

Pension/Benefit Plans

Maintain Financial Strength

Dividend Growth

“A” Credit Rating

Stock Repurchase



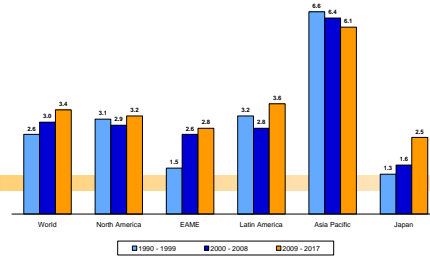
Takeaways from Today

- We expect continued growth in the world economy
- Most of the industries we serve are strong and our long-term view is very positive
- Our strategy is comprehensive and our 2010 goals are challenging but achievable
- We are focused on execution in the areas of Safety, Quality, Velocity, and Cost
- Delivering the strategy will be rewarding our customers, employees ... and of course, to stockholders.





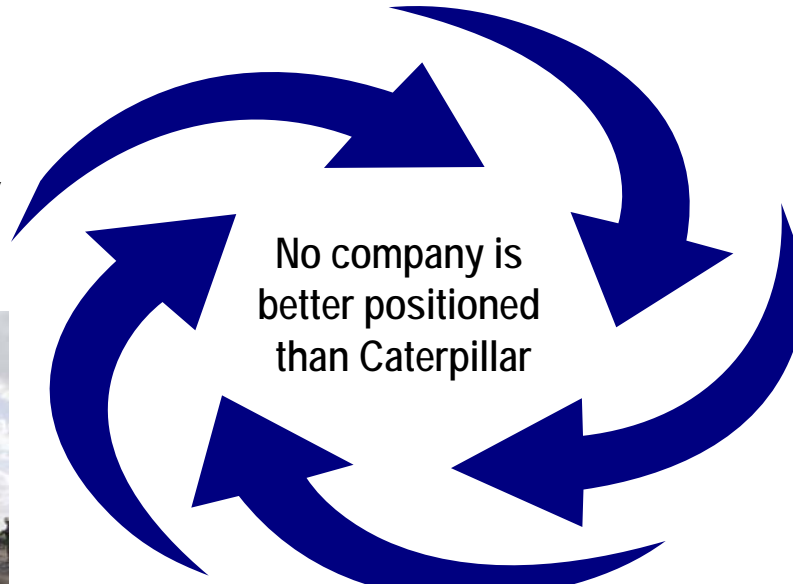
Our customers
"Make Progress Possible"



World Economic Growth



Global infrastructure needs



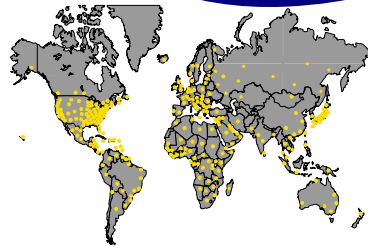
No company is better positioned than Caterpillar



Broadest product line



Strong business built on a foundation of a large population of machines and engines & significant service opportunity



Unparalleled global dealer network



Global manufacturing footprint



CATERPILLAR®

Caterpillar is Ready!

- As well positioned as any company to win in the global economy
- Excited to take on challenges – we have the right product, technology, strategy, footprint, and people

