

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



FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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 France and Switzerland.

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

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

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

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

Indicate by 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, 2014, there were 627,846,602 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 \$68.1 billion.

As of December 31, 2014, there were 606,166,559 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	2015 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 2014 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 2014 sales and revenues of \$55.184 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 principally operates through its three product segments - Resource Industries, Construction Industries, and Energy & Transportation (formerly Power Systems) - and also provides financing and related services through its Financial Products segment. 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.

Currently, we have 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 23 — “Segment information” of Exhibit 13.

Categories of Business Organization

1. **Machinery, Energy & Transportation** — Represents the aggregate total of Construction Industries, Resource Industries, Energy & Transportation and All Other operating segments and related corporate items and eliminations.
2. **Financial Products** — Primarily includes the company’s Financial Products Segment. This category includes Caterpillar Financial Services Corporation (Cat Financial), Caterpillar Financial Insurance Services (Insurance Services) and their respective subsidiaries.

Other information about our operations in 2014, 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, rental, mining and quarry and aggregates markets.

Customer demand for construction machinery has generally been characterized over the past decade by a shift from developed to developing economies. Customers in developing economies often prioritize purchase price in making their investment decisions, while customers in developed economies generally weigh productivity and other performance criteria that contribute to lower lifetime owning and operating costs of a machine. In response to increased demand in developing economies, Caterpillar has developed differentiated product offerings that target customers in those markets, including our SEM brand machines. We believe that these customer-driven product innovations enable us to compete more effectively in developing economies. In those developed economies that are subject to diesel engine emission requirements, we continued our multi-year roll out of products designed to meet those requirements. The majority of Construction Industries’ research and development spending in 2014 focused on Tier 4 Final compliance. We believe that these products have been well-received by our customers and are providing us a competitive advantage.

The competitive environment for construction machinery is characterized by some global competitors and many regional and specialized local competitors. Examples of global competitors include Komatsu Ltd., Volvo Construction Equipment (part of the Volvo Group), CNH Industrial N.V., Deere & Company, Hitachi Construction Machinery Co. Ltd., J.C. Bamford Excavators Ltd., Doosan Infracore Co. Ltd., and Hyundai Construction Equipment (part of Hyundai Heavy Industries). As an example of regional and local competitors, our competitors in China also include Guangxi LiuGong Machinery Co. Ltd., Longking Holdings Ltd., Sany Heavy Industry Co. Ltd., Xiamen XGMA Machinery Co. Ltd., XCMG Group, The Shandong Heavy Industry Group Co., Ltd. (Shantui Construction Machinery Co. Ltd.), Strong Construction Machinery Co. Ltd., and

Shandong Lingong Construction Machinery Co. Ltd. (part of Volvo Group). Each of these companies has varying product lines that compete with Caterpillar products, and each has varying degrees of regional focus.

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

- | | | |
|-------------------------|--|------------------------------|
| · backhoe loaders | · compact wheel loaders | · small track-type tractors |
| · small wheel loaders | · track-type loaders | · medium track-type tractors |
| · skid steer loaders | · mini excavators | · select work tools |
| · multi-terrain loaders | · small, medium and large track excavators | · motor graders |
| · medium wheel loaders | · wheel excavators | · telehandlers |
| · compact track loaders | · pipelayers | · mid-tier soil compactors |

Resource Industries

The Resource Industries segment is primarily responsible for supporting customers using machinery in mine and quarry applications. As a result of the acquisition of Bucyrus International, Inc. (Bucyrus) in July 2011, Caterpillar is able to offer mining customers the broadest product range in the industry. In 2014, Resource Industries substantially completed a three year transition of the former Bucyrus distribution business to the independent Caterpillar dealers who support mining customers. Prior to 2014, the Resource Industries segment also served forestry, paving, and industrial and waste customers. Due to an internal reorganization, these products were reorganized out of Resource Industries effective January 1, 2014 and are now included in the All Other operating segments.

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, applications, and regional markets. Our global competitors include Komatsu Ltd., Joy Global Inc., Hitachi Construction Machinery Co., Ltd., Volvo Construction Equipment (part of Volvo Group), Atlas Copco, and Sandvik Mining. A number of Chinese companies are active in the mid-tier market, including Guangxi LiuGong Machinery Co., Ltd., XCMG Group and Zhengzhou Coal Mining Machinery Group Co., Ltd.

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

- | | | |
|-------------------------|-----------------------------|-----------------------------------|
| · electric rope shovels | · large track-type tractors | · wheel tractor scrapers |
| · draglines | · large mining trucks | · wheel dozers |
| · hydraulic shovels | · longwall miners | · machinery components |
| · drills | · large wheel loaders | · electronics and control systems |
| · highwall miners | · off-highway trucks | · select work tools |
| · hard rock vehicles | · articulated trucks | |

Energy & Transportation

Our Energy & Transportation segment is primarily responsible for supporting customers using reciprocating engines, turbines, diesel-electric locomotives, integrated systems and solutions, and related parts across industries serving oil and gas, power generation, industrial and marine applications as well as rail-related businesses. Energy & Transportation remains focused on increasing its product offerings and further integrating its products and services to provide complete systems and solutions to its customers.

Regulatory emissions standards of the U.S. Environmental Protection Agency (EPA) and similar standards in other developed economies have required us to make significant investments in research and development that will continue as new products are phased in over the next several years. This new product introduction process is the most extensive in our 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, oil and gas, industrial 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., Rolls-Royce Power System AG (formerly Tognum AG), GE Oil & Gas, GE Power & Water, Deutz AG and Wartsila Corp. Other competitors, such as MAN Diesel & Turbo SE, Siemens Power & Gas, Rolls-Royce Marine, Mitsubishi Heavy Industries Ltd., Volvo Penta (part of Volvo Group), Weichai Power Co., Ltd., Kirloskar Oil Engines Limited and other emerging market competitors compete in certain markets in which Caterpillar competes. An additional set of competitors, including Generac Power Systems, Inc., Kohler Co., Aggreko PLC 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, and Voestalpine AG. We also compete with other companies on a more limited range of products, services and/or geographic regions.

The Energy & Transportation product portfolio includes the following:

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

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 trade 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. Cat Financial also has offices and subsidiaries in Asia/Pacific, Europe and Latin America.

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

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

Cat Financial's retail leases and installment sale contracts (totaling 52 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 (15 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 (18 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 (18 percent*).
- Governmental lease-purchase plans in the U.S. that offer low interest rates and flexible terms to qualified non-federal government agencies (1 percent*).

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

- Inventory/rental programs, which provide assistance to dealers by financing their new Caterpillar inventory and rental fleets (5 percent*).
- Short-term trade receivables Cat Financial purchased from Caterpillar at a discount (10 percent*).

Cat Financial's retail notes receivables (33 percent*) include:

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

*Indicates the percentage of Cat Financial's total portfolio at December 31, 2014. We define total portfolio as total finance receivables (net of unearned income and allowance for credit losses) plus equipment on operating leases, less accumulated depreciation. For more information on the above and Cat Financial's concentration of credit risk, please refer to Note 6 — "Cat Financial Financing Activities" of Exhibit 13.

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

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

Cat Financial has a "match funding" policy that addresses interest rate risk by aligning the interest rate profile (fixed rate or floating rate) of its debt portfolio with the interest rate profile of its receivables portfolio (loans and leases with customers and dealers) within predetermined ranges on an ongoing basis. In connection with that policy, Cat Financial issues debt with a similar interest rate profile to its receivables, and also uses interest rate swap agreements to manage its interest rate risk exposure to interest rate changes and in some cases to lower its cost of borrowed funds. For more information regarding match funding, please see Note 3 — "Derivative financial instruments and risk management" of Exhibit 13. See also the risk factors on pages 8 through 18 for general risks associated with our financial products business included in Item 1A. of this Form 10-K.

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

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

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

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

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

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

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

Acquisitions

Information related to acquisitions appears in Note 24 — "Acquisitions" of Exhibit 13.

Competitive Environment

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

Raw Materials and Component Products

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

Order Backlog

The dollar amount of backlog believed to be firm was approximately \$17.3 billion at December 31, 2014 and \$18.0 billion at December 31, 2013. Compared to year-end 2013, the order backlog declined about \$700 million. Decreases in Resource Industries were partially offset by increases in Energy & Transportation. In 2013, the order backlog declined significantly for mining-related products within Resource Industries and declined slightly for Energy & Transportation. These declines were partially offset by a substantial increase in Construction Industries. Of the total backlog at December 31, 2014, approximately \$3.0 billion was not expected to be filled in 2015.

Dealers and Distributors

Our machines are distributed principally through a worldwide organization of dealers (dealer network), 48 located in the United States and 129 located outside the United States, serving 182 countries and operating 3,580 places of business, including 1,267 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 our subsidiary Perkins Engines Company Limited, are also sold through a worldwide network of 103 distributors located in 182 countries. Some of the electric power generation systems manufactured by our subsidiary Caterpillar Northern Ireland Limited, formerly known as F.G. Wilson Engineering Limited, are sold through its worldwide network of 264 distributors located in 145 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. Some products, primarily turbines and locomotives, are sold directly to end customers through sales forces employed by the company. At times, these employees are assisted by independent sales representatives.

While the large majority of our worldwide dealers are independently owned and operated, we own and operate a dealership in Japan that covers approximately 85% of the Japanese market: Nippon Caterpillar Division. We are currently operating this Japanese dealer directly and its results are reported in the All Other operating segments. There are also three independent dealers in the Southern Region of Japan.

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

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

company's products and maintain detailed books and records of the dealer's financial condition, sales and inventories and make these books and records available at the company's reasonable request.

These sales and service agreements are terminable at will by either party primarily 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," "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 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 2014, 2013 and 2012, we spent \$2,135 million, \$2,046 million and \$2,466 million, or 3.9, 3.7, and 3.7 percent of our sales and revenues, respectively, on our research and development programs. Research and development expense is expected to increase about 10 percent in 2015.

Employment

As of December 31, 2014, we employed 114,233 full-time persons of whom 63,419 were located outside the United States. In the United States, most of our 50,814 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, 2014, there were approximately 10,400 U.S. hourly production employees who were covered by collective bargaining agreements with various labor unions, including The United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), The International Association of Machinists and The United Steelworkers. Approximately 7,700 of such employees are covered by collective bargaining agreements with the UAW that expire on March 1, 2017 and December 17, 2018. Outside the United States, the company enters into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction.

Sales and Revenues

Sales and revenues outside the United States were 62 percent of consolidated sales and revenues for 2014, 67 percent for 2013 and 69 percent for 2012.

Environmental Matters

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

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site, and those costs can be reasonably estimated, the investigation, remediation, and operating and maintenance costs are accrued against our earnings. Costs are accrued based on consideration of currently available data and information with respect to each individual site, including available technologies, current applicable laws and regulations, and prior remediation experience. Where no amount within a range of estimates is more likely, we accrue the minimum. Where multiple potentially responsible parties are involved, we consider our proportionate share of the probable costs. In formulating the estimate of probable costs, we do not consider amounts expected to be recovered from insurance companies or others. We reassess these accrued amounts on a quarterly basis. The amount recorded for environmental remediation is not material and is included in the line item "Accrued expenses" in Statement 3 -- "Consolidated

Financial Position at December 31" of Exhibit 13. There is no more than a remote chance that a material amount for remedial activities at any individual site, or at all the sites in the aggregate, will be required.

Available Information

The company files electronically with the Securities and Exchange Commission (SEC) required reports on Form 8-K, Form 10-Q, Form 10-K and Form 11-K; proxy materials; ownership reports for insiders as required by Section 16 of the Securities Exchange Act of 1934 (Exchange Act); and registration statements on Forms S-3 and S-8, as necessary; and other forms or reports as required. The public may read and copy any materials the company has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The company maintains an Internet site (www.Caterpillar.com) and copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished with the SEC are available free of charge through our Internet site (www.Caterpillar.com/secfilings) as soon as reasonably practicable after filing with the SEC. Copies of our board committee charters, our board's Guidelines on Corporate Governance Issues, Worldwide Code of Conduct and other corporate governance information are available on our Internet site (www.Caterpillar.com/governance). The information contained on the company's website is not included in, or incorporated by reference into, this annual report on Form 10-K.

Additional company information may be obtained as follows:

Current information -

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

Historical information -

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

Item 1A. Risk Factors.

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

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

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

The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business. In addition to the factors discussed elsewhere in this report, the following are some of the important factors that, individually or in the aggregate, we believe could make our actual results differ materially from those described in any forward-looking

statements. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of risks, uncertainties and assumptions.

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

Our results of operations are materially affected by economic conditions globally and regionally and in the particular industries we serve. The demand for our products and services tends to be cyclical and can be significantly reduced in an economic environment characterized by lower levels of government and business investment, lower levels of business confidence, lower corporate earnings, higher unemployment and lower consumer spending. 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 these industries, which in turn are dependent in part on commodity prices. Increases in demand or output in these industries may lead to increases in demand for our products. Conversely, 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 can change abruptly and unpredictably 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. Economic conditions affecting the industries we serve may in the future also lead to reduced capital expenditures by our customers. Reduced capital expenditures by our customers are likely to lead to a decrease in the demand for our products and may also result in a decrease in demand for aftermarket parts as customers are likely to extend proactive maintenance schedules and delay major overhauls when possible.

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 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, as well as energy and mined products, which in turn affects sales of our products that serve these activities. Interest rate changes also affect our customers' ability to finance machine purchases, can change the optimal time to keep machines in a fleet and can impact the ability of our suppliers to finance the production of parts and components necessary to manufacture and support our products. Our outlooks typically include assumptions about interest rates in a number of countries. Interest rates higher than those contained in our assumptions could result in lower sales than anticipated and supply chain inefficiencies.

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

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

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

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

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

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

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

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

In addition, demand for our products generally depends on customers' ability to pay for our products, which, in turn, depends on their access to funds. Subject to global economic conditions, customers may experience increased difficulty in generating funds from operations. Capital and credit market volatility and uncertainty may cause financial institutions to revise their lending standards, resulting in decreased 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. Our business could be negatively impacted by adverse fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products. 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;
- imposition of new or additional trade and economic sanctions laws imposed by the U.S. or foreign governments;

- national and international conflict, including the ongoing conflict in Ukraine;
- war or 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 cost of funds, liquidity, competitive position and access to capital markets.

Each of 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 respective debt by the major credit rating agencies. These ratings are based, in significant part, on each of 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. There can be no assurance that Caterpillar or Cat Financial will be able to maintain their credit ratings and the failure of either Caterpillar or Cat Financial to do so could adversely affect our cost of funds, liquidity, competitive position and 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 Cat Financial or an available source of short-term financing for Caterpillar. 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 segment is subject to risks associated with the financial services industry.

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

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

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

- Market developments that may affect customer confidence levels and cause declines in the demand for financing and adverse changes in payment patterns, causing increases in delinquencies and default rates, which could impact Cat Financial's write-offs and provision for credit losses.
- The process Cat Financial uses to estimate losses inherent in its credit exposure requires a high degree of management's judgment regarding numerous subjective qualitative factors, including forecasts of economic conditions and how economic predictors might impair the ability of its borrowers to repay their loans. Financial market disruption and volatility may impact the accuracy of these judgments.
- Cat Financial's ability to engage in routine funding transactions or borrow from other financial institutions on acceptable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.
- As Cat Financial's counterparties are primarily financial institutions, their ability to perform in accordance with any of its underlying agreements could be adversely affected by market volatility and/or disruptions in financial markets.

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

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

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

Inherent in the operation of Cat Financial is the credit risk associated with its customers. The creditworthiness of each customer and the rate of delinquencies, repossessions and net losses on customer obligations are directly impacted by several factors, including relevant industry and economic conditions, the availability of capital, the experience and expertise of the customer's management team, commodity prices, political events and the sustained value of the underlying collateral. Any increase in delinquencies, repossessions and net losses on customer obligations could have a material adverse effect on Cat Financial's and our earnings and cash flows. In addition, although Cat Financial evaluates and adjusts its allowance for credit losses related to past due and non-performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of its customers could change the timing and level of payments received and thus necessitate an increase in Cat Financial's estimated losses, which could also have a material adverse effect on Cat Financial's and our earnings and cash flows.

New regulations or changes in financial services regulation could adversely impact Caterpillar and Cat Financial.

Cat Financial's operations are highly regulated by governmental authorities in the locations where it operates, which can impose significant additional costs and/or restrictions on its business. In the U.S., for example, certain of Cat Financial's activities are subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Dodd-Frank was signed into law in July 2010 and is a comprehensive financial reform act that includes extensive provisions regulating the financial services industry. Certain aspects of Dodd-Frank remain to be implemented under the rulemaking and regulatory authority of the SEC, the United States Commodity Futures Trading Commission and federal banking regulators. As such, Cat Financial has become and could continue to become subject to additional regulatory costs both directly and indirectly, through increased costs of doing business with marketing intermediaries that are now subject to extensive regulation pursuant to Dodd-Frank and other regulatory initiatives. For example, derivatives dealers may seek to pass to us the cost of any margin, capital or other regulatory requirements to which they become subject to under Dodd-Frank, or other regulatory reforms. As the regulatory regime is still developing and the rulemaking process has been progressing slowly, the ultimate costs and impact of Dodd-Frank and other regulatory initiatives on Cat Financial's business remain uncertain and may not be known for years. However, such costs could be significant and have an adverse effect on Cat Financial's and our results of operations and financial condition. Additional regulations in the U.S. or internationally impacting the financial services industry could also add significant cost or operational constraints that might have an adverse effect on Cat Financial's and our results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

Our business relies on continued global demand for our brands and products. To achieve business goals, we must develop and sell products that appeal to our dealers, OEMs and customers. This is dependent on a number of factors, including our ability to maintain key dealer relationships, our ability to produce products that meet the quality, performance and price expectations of our customers and our ability to develop effective sales, advertising and marketing programs. In addition, our continued success in selling products that appeal to our customers is dependent on leading-edge innovation, with respect to both products

and operations, and on the availability and effectiveness of legal protection for our innovation. Failure to continue to deliver high quality, innovative, competitive products to the marketplace, to adequately protect our intellectual property rights, to supply products that meet applicable regulatory requirements, including diesel engine emission requirements and equivalent standards, or to predict market demands for, or gain market acceptance of, our products, could have a negative impact on our business, results of operations and financial condition.

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

We operate in a highly competitive environment, and our outlook depends on a forecast of our share of industry sales based on our ability to compete with others in the marketplace. We compete on the basis of a variety of factors, including 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 be realized in the marketplace. Changes in market acceptance of price increases, changes in market requirements for price discounts, changes in our competitors' behavior or a weak pricing environment attributable to industry overcapacity could have an adverse impact on our business, results of operations and financial condition.

In addition, our results and ability to compete may be impacted negatively by changes in our sales mix. Our outlook assumes a certain geographic mix of sales as well as a certain 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 cost-reduction initiatives, cash flow improvement initiatives and efficiency or productivity initiatives.

We are actively engaged in a number of initiatives to increase our productivity, efficiency and cash flow and to reduce costs, which we expect to have a positive effect on our business, competitive position, results of operations and financial condition. For example, we formed the Caterpillar Enterprise System Group in 2013 to implement sustained improvements in our operational efficiency and order-to-delivery processes so that our lead time is better aligned with customer requirements, as well as to reduce waste, further enhance quality and maximize value for our customers. We are also in the process of implementing a new enterprise resource planning (ERP) system in many of our businesses to increase efficiency and harmonize our operations. There can be no assurance that this ERP system, these 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 ERP system is not implemented successfully, it could have an adverse effect on our operations and competitive position.

We expect to incur additional restructuring charges as we continue to contemplate cost reduction actions in an effort to optimize our cost structure and may not achieve the anticipated savings and benefits of these actions.

Throughout 2014, we implemented restructuring plans and incurred significant separation-related charges primarily related to a reduction in workforce at our Gosselies, Belgium, facility. We expect to take restructuring actions in 2015 to optimize our cost structure and improve the efficiency of our operation, which will reduce our profitability in the periods incurred. As a result of these actions, we will likely continue to incur charges, which may include but not be limited to asset impairments, employee termination costs, charges for pension and other postretirement contractual benefits, potential additional pension funding obligations, and pension curtailments, any of which could be significant, and could adversely affect our financial condition and results of operations. In addition, we may not realize anticipated savings or benefits from past or future cost reduction actions in full or in part or within the time periods we expect. We are also subject to the risks of labor unrest, negative publicity and business disruption in connection with our cost reduction actions. Failure to realize anticipated savings or benefits from our cost reduction actions could have a material adverse effect on our business, prospects, financial condition, liquidity, results of operations and cash flows.

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

We sell finished products primarily through an independent dealer network and directly to OEMs and are subject to risks relating to their inventory management decisions and operational and sourcing practices. Both carry inventories of finished

products as part of ongoing operations and adjust those inventories based on their assessments of future needs. Such adjustments may impact our results positively or negatively. If the inventory levels of our dealers and OEM customers are higher than they desire, they may postpone product purchases from us, which could cause our sales to be lower than the end-user demand for our products and negatively impact our results. Similarly, our results could be negatively impacted through the loss of time-sensitive sales if our dealers and OEM customers do not maintain inventory levels sufficient to meet customer demand. Additionally, some of our engine customers are OEMs that manufacture or could in the future manufacture engines for their own products. Despite their engine manufacturing abilities, these customers have chosen to outsource certain types of engine production to us due to the quality of our engine products and in order to reduce costs, eliminate production risks and maintain company focus. However, there can be no assurance 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 globally, including laws and regulations governing emissions to noise, air, discharges to water and the generation, handling, storage, transportation, treatment and disposal of non-hazardous and hazardous waste materials. Some environmental laws impose strict, retroactive and joint and several liability for the remediation of the release of hazardous substances, even for conduct that was lawful at the time it occurred, or for the conduct of, or conditions caused by, prior operators, predecessors or other third parties. Failure to comply with environmental laws could expose us to penalties or clean-up costs, civil or criminal liability and sanctions on certain of our activities, as well as damage to property or natural resources. These liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws and regulations could negatively impact our ability to conduct our operations and our financial condition and results of operations. In addition, there can be no 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.

Environmental laws and regulations may also change from time to time, as may related interpretations and other guidance. Changes in environmental laws or regulations could result in higher expenses and payments, and uncertainty relating to environmental laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs. If environmental laws or regulations are either changed or adopted and impose significant operational restrictions and compliance requirements upon us or our products, they could negatively impact our business, capital expenditures, 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. Furthermore, embargoes and sanctions imposed by the U.S. and other governments restricting or prohibiting sales to specific persons or countries or based on product classification expose us to potential criminal and civil sanctions. 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 operations outside the United States, including in developing countries, could increase the risk of such violations. In addition, we enter into joint ventures with joint venture partners who are domiciled in areas of the world with laws, regulations and business practices that differ from those in the United States. There is risk that our joint venture partners will violate applicable laws and regulations. Violations of anti-

corruption laws or regulations by our employees, by intermediaries acting on our behalf, or by our joint venture partners 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.

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

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our domestic and international tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures. We are also subject to the continuous examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. For information regarding additional legal matters related to our taxes, please see Note 5 (Income taxes) and Note 22 (Environmental and legal matters) to our consolidated financial statements in Exhibit 13 to this Annual Report on Form 10-K. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows and financial condition could be adversely affected.

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. 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. In addition, our outlooks do not assume fluctuations in currency exchange rates. Adverse fluctuations in currency exchange rates from the date of our outlooks could cause our actual results to differ materially from those anticipated in our outlooks and adversely impact our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

Costs associated with lawsuits or investigations or adverse rulings in enforcement or other legal proceedings may have an adverse effect on our results of operations.

We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world.

We face an inherent business risk of exposure to various types of claims, lawsuits and government investigations. 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.

The global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. In addition, subsequent developments in legal proceedings may affect our assessment and estimates of loss contingencies 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.

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. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in this annual report on Form 10-K and our quarterly reports on Form 10-Q. An assessment of proposed standards is not provided, as such proposals are subject to change through the exposure process and, therefore, their effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting guidance we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have an adverse effect on our results of operations, as reported in our consolidated financial statements.

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

We rely upon information technology systems and networks, some of which are managed by third parties, in connection with a variety of business activities. Additionally, we collect and store data that is sensitive to Caterpillar. Operating these information technology systems and networks and processing and maintaining this data, in a secure manner, are critical to our business operations and strategy. Information technology security threats -- from user error to cybersecurity attacks designed to gain unauthorized access to our systems, networks and data -- are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. We have experienced cybersecurity attacks that have resulted in unauthorized parties gaining access to our information technology systems and networks, and we could in the future experience similar attacks. However, to date, no cybersecurity attack has had a material impact on our financial condition, results of operations or liquidity. While we actively manage information technology security risks within our control, there can be no assurance that such actions will be sufficient to mitigate all potential risks to our systems, networks and data. The potential consequences of a material cybersecurity attack include reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

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

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Executive Officers of the Registrant.

Name	Present Caterpillar Inc. position and date of initial election	Principal positions held during the past five years if other than Caterpillar Inc. position currently held
Douglas R. Oberhelman (61)	Chairman and Chief Executive Officer (2010)	Group President (2001-2010)
Bradley M. Halverson (54)	Group President and Chief Financial Officer (2013)	Corporate Controller (2004-2010) Vice President (2010-2012)
Robert B. Charter (51)*	Group President (2015)	Vice President (2009-2015)
Stuart L. Levenick (62)**	Group President (2004)	
Thomas A. Pellette (52)*	Group President (2015)	Vice President (2010-2015) Package and Systems Engineering Division (2008-2010)
Edward J. Rapp (57)	Group President (2007)	Group President and Chief Financial Officer (2010 - 2012)
D. James Umpleby III (56)	Group President (2013)	Solar Turbines Vice President (2007-2010) Vice President (2010-2012)
Steven H. Wunning (63)**	Group President (2004)	
James B. Buda (67)	Executive Vice President, Law and Public Policy (2012)	Vice President, General Counsel and Secretary (2001-2010) Vice President and Chief Legal Officer (2010 - 2011) Senior Vice President and Chief Legal Officer (2011 - 2012)
David P. Bozeman (46)	Senior Vice President (2013)	Vice President (2009-2013)
Jananne A. Copeland (52)	Chief Accounting Officer (2007)	Chief Accounting Officer and Corporate Controller (2010 - 2012)

*effective January 1, 2015

**retired effective February 1, 2015

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 Energy & Transportation segments, several plants are involved in manufacturing relating to more than one business segment. In addition, several plants reported in our financial statements under the All Other 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 Energy & Transportation, and are included in the 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 Energy & Transportation.

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

Headquarters and Other Key Offices

Our corporate headquarters are in Peoria, Illinois. Additional marketing and operating headquarters are located both inside and outside the United States including Miami, Florida; Oak Creek, Wisconsin; San Diego, California; Geneva, Switzerland;

Beijing, China; Singapore, Republic of Singapore; Piracicaba, Brazil, and Tokyo, Japan. Our Financial Products business is headquartered in leased offices located in Nashville, Tennessee.

Technical Center, Training Centers, Demonstration Areas and Proving Grounds

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

Parts Distribution Centers

Distribution of our parts is conducted from parts distribution centers inside and outside the United States and included in the All Other segments in our financial statements. We operate parts distribution centers in the following locations: Morton, Illinois; Arvin, 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; San Luis Potosi, Mexico; Singapore, Republic of Singapore; Moscow, Russia; Johannesburg, South Africa, and Dubai, United Arab Emirates. We also own or lease other facilities that support our distribution activities.

Remanufacturing and Components

Component manufacturing and the remanufacturing of our products that is reported in the All Other 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; Goldsboro, North Carolina; Morganton, North Carolina; West Fargo, North Dakota; Sumter, South Carolina; Piracicaba, Brazil; Shanghai, China; Tianjin, China; Xuzhou, China; Chaumont, France; Bazzano, Italy; Castelvetro, Italy; Frosinone, Italy; San Eusebio, Italy; Nuevo Laredo, Mexico; Ramos Arizpe, Mexico; Radom, Poland; Singapore; Pyongtaek, South Korea; Shrewsbury, United Kingdom, and Skinningrove, United Kingdom. We also lease or own other facilities that support our remanufacturing and component manufacturing activities.

Manufacturing

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

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

Segment	U.S. Facilities	Facilities Outside the U.S.
Construction Industries	Arkansas: North Little Rock Illinois: Aurora, Decatur, East Peoria North Carolina: Clayton, Sanford Texas: Victoria Georgia: Athens	Belgium: Gosselies Brazil: Campo Largo, Piracicaba China: Suzhou, Wujiang, Xuzhou, Qingzhou France: Grenoble, Echirolles Hungary: Godollo India: Thiruvallar Indonesia: Jakarta Japan: Akashi, Sagamihara Poland: Janow Sosnowiec Russia: Tosno, Novosibirsk United Kingdom: Desford, Stockton Thailand: Rayong
Resource Industries	Illinois: Aurora, Decatur, East Peoria, Joliet North Carolina : Winston-Salem Pennsylvania: Houston Tennessee: Dyersburg Texas: Denison Virginia: Hillsville, Pulaski West Virginia: Beckley Wisconsin: South Milwaukee	Australia: Beresfield, Burnie Brazil: Piracicaba China: Tongzhou, Wuxi, Xuzhou, Zhengzhou Czech Republic: Ostrava France: Arras Germany: Dortmund, Lunen India: Hosur, Thiruvallur Indonesia: Jakarta Italy: Jesi Japan: Sagamihara Mexico: Acuna, Monterrey, Reynosa, Torreon Russia: Tosno Thailand: Rayong United Kingdom: Peterlee, Wolverhampton
Energy & Transportation	Alabama: Albertville, Montgomery California: San Diego Georgia: Griffin Illinois: LaGrange, Mossville, Mapleton, Pontiac Indiana: Lafayette, Muncie Kentucky: Decoursey, Louisville, Mayfield South Carolina: Greenville, Newberry Texas: Channelview, De Soto, Mabank, San Antonio, Schertz, Seguin, Sherman	Australia: Revesey Belgium: Gosselies Brazil: Curitiba, Hortolandia, Piracicaba, Sete Lagoas China : Tianjin, Wuxi Czech Republic: Zatec Germany: Kiel, Mannheim, Rostock India: Hosur, Aurangabad Mexico: San Luis Potosi, Tijuana Republic of Singapore: Singapore Sweden: Ockero Islands Switzerland: Riazzino United Kingdom: Larne, Monkstown, Peterborough, Sandiacre, Shoreham, South Queensferry, Springvale, Stafford, Wimborne

Item 3. Legal Proceedings.

On January 8, 2015, the Company received a grand jury subpoena from the U.S. District Court for the Central District of Illinois. The subpoena requests documents and information from the Company relating to, among other things, financial information concerning U.S. and non-U.S. Caterpillar subsidiaries (including undistributed profits of non-U.S. subsidiaries and the movement of cash among U.S. and non-U.S. subsidiaries). The Company is cooperating with this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 12, 2014, the SEC notified the Company that it was conducting an informal investigation relating to Caterpillar SARL and related structures. The SEC asked the Company to preserve relevant documents and, on a voluntary basis, the Company made a presentation to the staff of the SEC on these topics. The Company is cooperating with the SEC regarding this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 10, 2014, the SEC issued to Caterpillar a subpoena seeking information concerning the Company's accounting for the goodwill relating to its acquisition of Bucyrus International, Inc. in 2011 and related matters. The Company is cooperating with the SEC regarding this subpoena and its ongoing investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On March 20, 2014, Brazil's Administrative Council for Economic Defense (CADE) published a Technical Opinion which named 18 companies and over 100 individuals as defendants, including two subsidiaries of Caterpillar Inc., MGE - Equipamentos e Serviços Ferroviários Ltda. (MGE) and Caterpillar Brasil Ltda. The publication of the Technical Opinion opened CADE's official administrative investigation into allegations that the defendants participated in anticompetitive bid activity for the construction and maintenance of metro and train networks in Brazil. While companies cannot be held criminally liable for anticompetitive conduct in Brazil, criminal charges have been brought against two current employees of MGE and one former employee of MGE involving the same conduct alleged by CADE. The Company has responded to all requests for information from the authorities. The Company is unable to predict the outcome or reasonably estimate the potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On February 19, 2014, Progress Rail Services Corporation (Progress Rail), a wholly-owned subsidiary of Caterpillar Inc., received information from the California Air Resources Board (CARB) Enforcement Division indicating it was contemplating an enforcement proceeding with potential monetary sanctions in excess of \$100,000 in connection with a notice of violation received by Progress Rail on March 15, 2013 alleging violations of air emissions regulations applicable to compression ignition mobile cargo handling equipment operating at California ports or intermodal rail yards. Despite uncertainty regarding the applicability of these regulations, Progress Rail, in coordination with CARB, implemented certain corrective action measures. On November 26, 2014, Progress Rail settled this matter with CARB and paid a civil penalty of \$390,733 to resolve the alleged violations.

On October 24, 2013, Progress Rail received a grand jury subpoena from the U.S. District Court for the Central District of California. The subpoena requests documents and information from Progress Rail, United Industries Corporation, a wholly-owned subsidiary of Progress Rail, and Caterpillar Inc. relating to allegations that Progress Rail conducted improper or unnecessary railcar inspections and repairs and improperly disposed of parts, equipment, tools and other items. In connection with this subpoena, Progress Rail was informed by the U.S. Attorney for the Central District of California that it is a target of a criminal investigation into potential violations of environmental laws and alleged improper business practices. The Company is cooperating with the authorities and is currently in discussions regarding a potential resolution of the matter. Although the Company believes a loss is probable, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

In addition, 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.

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, 2014” 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 28 employee stock purchase plans administered outside the United States for our non-U.S. employees. As of December 31, 2014, those plans had approximately 13,800 active participants in the aggregate. During the fourth quarter of 2014, approximately 313,000 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 of 2014.

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, 2014	2,051	\$ 99.82	N/A	N/A
November 1-30, 2014	1,863	100.10	N/A	N/A
December 1-31, 2014	308	90.98	N/A	N/A
Total	4,222	\$ 99.30		

⁽¹⁾ Represents shares delivered back to issuer for the payment of taxes resulting from the vesting of restricted stock units for 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 18 — “Fair value disclosures” and Note 19 — “Concentration of credit risk” of Exhibit 13. Other information required by Item 7A is incorporated by reference from “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Exhibit 13.

Item 8. Financial Statements and Supplementary Data.

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

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

Not Applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the company’s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the company’s disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this annual report. Based on that evaluation, the CEO and CFO concluded that the company’s disclosure controls and procedures are effective as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of the company’s internal control over financial reporting as of December 31, 2014 . 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* (2013). Based on our assessment we concluded that, as of December 31, 2014 , the company’s internal control over financial reporting was effective based on those criteria.

The effectiveness of the company's internal control over financial reporting as of December 31, 2014 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.

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 2015 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 2015 Proxy Statement.

Audit Committee Financial Expert

Information required by this Item is incorporated by reference from the 2015 Proxy Statement.

Identification of Audit Committee

Information required by this Item is incorporated by reference from the 2015 Proxy Statement.

Stockholder Recommendation of Board Nominees

Information required by this Item is incorporated by reference from the 2015 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 2015 Proxy Statement.

Code of Ethics

Our Worldwide Code of Conduct (Code), first published in 1974 and most recently updated in 2015, 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 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, IL 61629-6490. We 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 2015 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 2015 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, 2014)

Plan category	(a) Number of securities to be issued up on exercise of outstanding options, warrants and rights	(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	39,247,242	\$ 74.4800	38,704,644
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	39,247,242	\$ 74.4800	38,704,644

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

Information required by this Item is incorporated by reference from the 2015 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information required by this Item is incorporated by reference from the 2015 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:

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

2. Financial Statement Schedules:

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

(b)	Exhibits:
3.1	Restated Certificate of Incorporation, effective June 13, 2012 (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2012).
3.2	Bylaws amended and restated as of December 11, 2013 (incorporated by reference from Exhibit 3.1 to Form 8-K filed December 11, 2013).
4.1	Indenture dated as of May 1, 1987, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.1 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.2	First Supplemental Indenture, dated as of June 1, 1989, between Caterpillar Inc. and The First National Bank of Chicago, as Trustee (incorporated by reference from Exhibit 4.2 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.3	Appointment of Citibank, N.A. as Successor Trustee, dated October 1, 1991, under the Indenture, as supplemented, dated as of May 1, 1987 (incorporated by reference from Exhibit 4.3 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.4	Second Supplemental Indenture, dated as of May 15, 1992, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.4 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.5	Third Supplemental Indenture, dated as of December 16, 1996, between Caterpillar Inc. and Citibank, N.A., as Successor Trustee (incorporated by reference from Exhibit 4.5 to Form S-3 (Registration No. 333-22041) filed February 19, 1997).
4.6	Tri-Party Agreement, dated as of November 2, 2006, between Caterpillar Inc., Citibank, N.A. and U.S. Bank National Association appointing U.S. Bank as Successor Trustee under the Indenture dated as of May 1, 1987, as amended and supplemented (incorporated by reference from Exhibit 4.6 to the 2006 Form 10-K).
4.7	Form of 0.950% Senior Note due 2015 (incorporated by reference from Exhibit 4.1 to Form 8-K filed June 21, 2012).
4.8	Form of 1.500% Senior Note due 2017 (incorporated by reference from Exhibit 4.2 to Form 8-K filed June 21, 2012).
4.9	Form of 2.600% Senior Note due 2022 (incorporated by reference from Exhibit 4.3 to Form 8-K filed June 21, 2012).
4.10	Form of 3.803% Rule 144A Global Debenture due 2042 (incorporated by reference from Exhibit 4.1 to Form 8-K filed August 28, 2012).
4.11	Form of 3.803% Regulation S Global Debenture due 2042 (incorporated by reference from Exhibit 4.2 to Form 8-K filed August 28, 2012).
4.12	Form of 3.803% Global Debenture due 2042 (incorporated by reference from Exhibit 4.9 to Form S-4 filed on September 7, 2012).
4.13	Form of 3.40% Senior Note due 2024 (incorporated by reference from Exhibit 4.1 to Form 8-K filed on May 8, 2014).
4.14	Form of 4.30% Senior Note due 2044 (incorporated by reference from Exhibit 4.2 to Form 8-K filed on May 8, 2014).
4.15	Form of 4.75% Senior Note due 2064 (incorporated by reference from Exhibit 4.3 to Form 8-K filed on May 8, 2014).
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).*
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14	Caterpillar Worldwide Code of Conduct.
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23	Consent of Independent Registered Public Accounting Firm.
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31.2	Certification of Bradley M. Halverson, Group President and Chief Financial Officer of Caterpillar Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Douglas R. Oberhelman, Chairman and Chief Executive Officer of Caterpillar Inc. and Bradley M. Halverson, Group President and Chief Financial Officer of Caterpillar Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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

Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CATERPILLAR INC.
(Registrant)

February 17, 2015 By: /s/James B. Buda
James B. Buda, Executive Vice President, Law and Public Policy

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

February 17, 2015	<u>/s/Douglas R. Oberhelman</u> (Douglas R. Oberhelman)	Chairman of the Board and Chief Executive Officer
February 17, 2015	<u>/s/Bradley M. Halverson</u> (Bradley M. Halverson)	Group President and Chief Financial Officer
February 17, 2015	<u>/s/Jananne A. Copeland</u> (Jananne A. Copeland)	Chief Accounting Officer
February 17, 2015	<u>/s/David L. Calhoun</u> (David L. Calhoun)	Director

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February 17, 2015	<i>/s/Daniel M. Dickinson</i> (Daniel M. Dickinson)	Director
February 17, 2015	<i>/s/Juan Gallardo</i> (Juan Gallardo)	Director
February 17, 2015	<i>/s/Jesse J. Greene, Jr.</i> (Jesse J. Greene, Jr.)	Director
February 17, 2015	<i>/s/Jon M. Huntsman, Jr.</i> (Jon M. Huntsman, Jr.)	Director
February 17, 2015	<i>/s/Dennis A. Muilenburg</i> (Dennis A. Muilenburg)	Director
February 17, 2015	<i>/s/William A. Osborn</i> (William A. Osborn)	Director
February 17, 2015	<i>/s/Edward B. Rust, Jr.</i> (Edward B. Rust, Jr.)	Director
February 17, 2015	<i>/s/Susan C. Schwab</i> (Susan C. Schwab)	Director
February 17, 2015	<i>/s/Miles D. White</i> (Miles D. White)	Director

Form 10-K

EXHIBIT INDEX

3.1	Restated Certificate of Incorporation, effective June 13, 2012 (incorporated by reference from Exhibit 3.1 to the Form 10-Q filed for the quarter ended June 30, 2012).
3.2	Bylaws amended and restated as of December 11, 2013 (incorporated by reference from Exhibit 3.1 to Form 8-K filed December 11, 2013).
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).
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Caterpillar Inc.
2014 Long-Term Incentive Plan
Restricted Stock Unit Award Notice

The Board of Directors of Caterpillar Inc. (the “Company”) has granted you, [Employee Name], [Number] restricted stock units (“RSUs”) on [Grant Date] (the “Grant Date”) pursuant to, and subject to the restrictions, terms and conditions set forth in, the Caterpillar Inc. 2014 Long-Term Incentive Plan (the “Plan”). This Award Notice and the Plan specify the material terms and provisions applicable to such restricted stock unit award (the “RSU Award”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

Vesting

The RSU Award is subject to a three-year vesting schedule. Except to the extent the RSUs are forfeited upon your termination of employment, as provided below, one-third of the RSUs will become vested on the first anniversary of the Grant Date, one-third of the RSUs will become vested on the second anniversary of the Grant Date, and the final one-third of the RSUs will become vested on the third anniversary of the Grant Date (each such date, a “Vesting Date”). As soon as administratively practicable, but not later than 60 days after the applicable Vesting Date, the Company shall issue or deliver to you, subject to the conditions of this Award Notice, unrestricted shares of Common Stock equal to the number of RSUs that become vested. For example, if you were granted 300 RSUs, you will become vested in 100 shares of Common Stock on the first anniversary of the Grant Date, and will receive those shares less any shares withheld to satisfy any applicable income and payroll tax withholding requirements.

If you terminate employment prior to the date the RSUs have become fully vested for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control (as described more fully below), the unvested RSUs will be forfeited. For example, if you quit (but do not meet the requirements for Long-Service Separation at the time you quit) after the first anniversary of the Grant Date but prior to the second anniversary of the Grant Date, you will forfeit two-thirds of the RSUs. Your RSU Award is also subject to certain additional forfeiture conditions set forth in Sections 5.16 and 5.17 of the Plan.

Voting Rights

During the period between the Grant Date and the date any RSUs become vested and the shares subject to such RSUs are issued or delivered to you (the “Restriction Period”), you are not entitled to any voting rights with respect to such RSUs. From and after the date shares are actually issued or delivered, you then will have full voting rights with respect to those shares.

Dividends and Other Distributions

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

Termination of Employment

Your termination of employment with the Company prior to the date the RSUs become fully vested will impact the unvested RSUs as follows:

- **Long-Service Separation**

If your employment with the Company terminates by reason of Long-Service Separation (as defined below), to the extent that you were continuously employed by the Company for six months immediately following the Grant Date, your unvested RSUs will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following: (1) the applicable 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 applicable Vesting Date. For purposes of this RSU Award, “Long-Service Separation” means termination of employment after attainment of age 55 with 5 or more years of service with the Company.

- **Disability**

If your employment with the Company terminates by reason of Disability (as defined below), your unvested RSUs will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following: (1) the applicable Vesting Date; or (2) the Six-Month Date, if the Six-Month Date is earlier than the applicable Vesting Date. For purposes of this RSU Award, “Disability” means, unless otherwise provided for in an employment, change in control or similar agreement in effect between you and the Company or a Subsidiary, qualifying for long-term disability benefits under any long-term disability program sponsored by the Company or Subsidiary in which you participate or, if you do not participate in any such program, your inability to engage in any substantial gainful business activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined by the Company’s Director of Compensation + Benefits, based upon medical evidence.

- **Death**

If your employment with the Company terminates by reason of death, your unvested RSUs will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to your beneficiary or your estate (as applicable), as soon as administratively practicable, but not later than 2½ months, following the date of your death.

- **Change in Control**

In the event of a Change in Control prior to the end of the Restriction Period pursuant to which your RSU Award is effectively continued, assumed or replaced by the surviving or acquiring corporation in such Change in Control (with appropriate adjustments to the number and kind of shares, in each case, that preserve the material terms and conditions of the outstanding RSU Award as in effect immediately prior to the Change in Control) and your employment is terminated either by the Company without Cause or by you for Good Reason, as defined in the Plan, within the 24-month period commencing on the date of the Change in Control, your unvested RSUs will immediately become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following (1) the applicable Vesting Date; or (2) the Six-Month Date, if the Six-Month Date is earlier than the applicable Vesting Date.

- **Other**

If your employment with the Company terminates prior to the date the RSUs become fully vested for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control, all unvested RSUs subject to this RSU Award will lapse and shall be immediately forfeited.

For purposes of this RSU Award, references to employment with the Company shall also mean employment with a Subsidiary. The extent to which you shall be considered employed during any periods during which you are on a leave of absence shall be determined in accordance with Company policy.

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 RSUs vest and shares of Common Stock are actually issued or delivered, you will have the ability to transfer those shares.

Designation of Beneficiary

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

Administration of the Plan

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

Code Section 409A

It is intended that this Award Notice 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 Award Notice shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, no shares may be issued or delivered unless in compliance with Code Section 409A to the extent that Code Section 409A applies. To the extent this Award Notice provides for the RSU Award to be settled by reference to your termination of employment, your employment shall be deemed to have terminated upon your “separation from service,” within the meaning of Code Section 409A. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Notice (and thus the terms of the RSU Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this RSU Award constitutes acknowledgement and consent to such rights of the Committee.

Tax Impact

Please refer to the Plan prospectus and support materials for a general description of the 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 Award Notice 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 Award Notice.

Withholding

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

Compliance with Securities Laws

The RSU Award is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the RSU Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the issuance or delivery of shares hereunder, the shares of Common Stock subject to the RSU Award shall not be issued or delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

Adjustment of Shares

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

Awards Subject to Forfeiture, Clawback and Setoff

The RSU Award is subject to certain forfeiture conditions set forth in the Plan, which, in the event such conditions are determined to have occurred, may result in immediate forfeiture and cancellation of your outstanding RSU Award or an obligation to repay the Company the total amount of award gain realized upon settlement of your RSU Award. Also, the Company generally may deduct from and set off against any amounts the Company owes to you, including amounts payable in connection with this RSU Award, such amounts you may owe to the Company.

Effect on Other Benefits

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

Award Confers No Rights to Continued Employment

In no event shall the granting of the RSU Award or its acceptance by you, or any provision of the Award Notice or the Plan, give or be deemed to give you any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate your employment at any time.

Decisions of Board or Committee

The Board or the Committee shall have the right to resolve all questions which may arise in connection with the RSU Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this RSU Award shall be final, binding and conclusive.

Successors

This Award Notice shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Award Notice or the Plan.

Severability

The invalidity or unenforceability of any particular provision of this Award Notice shall not affect the other provisions hereof and this Award Notice shall be construed in all respects as if such invalid or unenforceable provision was omitted.

Governing Law

This Award Notice, the RSU Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

Entire Agreement

This Award Notice and the Plan constitute the entire agreement between you and Company with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof, and may not be modified adversely to your interest except by means of a writing signed by you and the Company.

Acceptance of Award

You are required to electronically accept this Award Notice within your stock plan account with the Company's stock plan administrator according to the procedures then in effect. Your acceptance of this Award Notice constitutes acknowledgement of receipt of the Plan and this RSU Award and consent to the terms of the Plan and this Award Notice as described in the Plan and this Award Notice.

Notices

All notices, requests or other communications provided for in this Award Notice shall be made, if to the Company, to Caterpillar Inc., Equity Compensation Administration, 100 N.E. Adams Street, Peoria, IL 61629-4440 (or, if applicable, to any updated address provided by the Company for such purposes), and if to you, to your last known mailing address on file with the Company's stock plan administrator. All notices, requests or other communications provided for in this Award Notice shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

Further Information

For more detailed information about the Plan, please refer to the Plan prospectus or the Plan itself. Copies of the prospectus and the Plan can be obtained from the Executive Compensation intranet website at Cat @work under the Compensation + Benefits tab.

Caterpillar Inc.
2014 Long-Term Incentive Plan
Nonqualified Stock Option Award Notice

The Board of Directors of Caterpillar Inc. (the “Company”) has granted you, [Employee Name], [Number] nonqualified stock options (“NQSOs”) on [Option Date] (the “Grant Date”) pursuant to, and subject to the restrictions, terms and conditions set forth in, the Caterpillar Inc. 2014 Long-Term Incentive Plan (the “Plan”) at a price of [Option Price] per share. This Award Notice and the Plan specify the material terms and provisions applicable to such nonqualified stock option award (the “Option Award”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

Vesting

The Option Award is subject to a three-year vesting schedule. Except to the extent the NQSOs are forfeited upon your termination of employment, as provided below, one-third of the NQSOs will become vested on the first anniversary of the Grant Date, one-third of the NQSOs will become vested on the second anniversary of the Grant Date, and the final one-third of the NQSOs will become vested on the third anniversary of the Grant Date (each such date, a “Vesting Date”).

If you terminate employment prior to the date the NQSOs have become fully vested for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control (as described more fully below), the unvested NQSOs will be forfeited. For example, if you quit (but do not meet the requirements for Long-Service Separation at the time you quit) after the first anniversary of the Grant Date but prior to the second anniversary of the Grant Date, you will forfeit two-thirds of the NQSOs. Your Option Award is also subject to certain additional forfeiture conditions set forth in Sections 5.16 and 5.17 of the Plan.

Exercise of Award

The Option Award may only be exercised through the Plan’s designated administrator, currently E*TRADE, or through such other means as the Company may designate. You may exercise the Option Award by providing notice of exercise, in a manner specified by the Company, setting forth the number of shares to be exercised, accompanied by full payment for the shares. The exercise price shall be payable at your election by: (1) tendering cash, (2) tendering previously acquired shares of Company Common Stock, (3) except as may be prohibited by applicable law, a broker-dealer, acceptable to the Company and to whom you submitted an irrevocable notice of exercise, tendering cash, or (4) any combination of (1), (2) and (3).

The Option Award will expire unless exercised by [Expiration Date] (the “Expiration Date”), the tenth anniversary of the Grant Date. If the Expiration Date occurs during any period in which you are prohibited from trading Company Common Stock pursuant to the Company’s insider trading policy or during a period when the exercise of the Option Award would violate applicable securities law (a “Blackout Period”), then the Option Award will not expire on the Expiration Date. Instead, the Option Award will not expire until the date that is 30 days after the expiration of the Blackout Period.

Voting Rights

During the period between the Grant Date and the date you exercise your vested NQSOs and the shares subject to such NQSOs are issued or delivered to you (the “Restriction Period”), you are not entitled to any voting rights with respect to such NQSOs. From and after the date shares are actually issued or delivered, you then will have full voting rights with respect to those shares.

Dividends and Other Distributions

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

Termination of Employment

Your termination of employment with the Company prior to the date the NQSOs become fully vested will impact the unvested NQSOs as follows:

- **Long-Service Separation**

If your employment with the Company terminates by reason of Long-Service Separation (as defined below), to the extent that you were continuously employed by the Company for six months immediately following the Grant Date, your unvested NQSOs will become fully vested. In such event, your Option Award will remain exercisable until the earlier of (1) the Expiration Date or (2) the date which is 60 months following the date of your termination of employment. For purposes of this Option Award, “Long-Service Separation” means termination of employment after attainment of age 55 with 5 or more years of continuous service with the Company, as determined by the Company in its sole discretion.

- **Disability**

If your employment with the Company terminates by reason of Disability (as defined below), your unvested NQSOs will become fully vested. In such event, your Option Award will remain exercisable until the earlier of (1) the Expiration Date or (2) the date which is 60 months following the date of your termination of employment. For purposes of this Option Award, “Disability” means, unless otherwise provided for in an employment, change in control or similar agreement in effect between you and the Company or a Subsidiary, qualifying for long-term disability benefits under any long-term disability program sponsored by the Company or Subsidiary in which you participate or, if you do not participate in any such program, your inability to engage in any substantial gainful business activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined by the Company’s Director of Compensation + Benefits, based upon medical evidence.

- **Death**

If your employment with the Company terminates by reason of death, your unvested NQSOs will become fully vested and your beneficiary or your estate (as applicable) will have until the earlier of (1) the Expiration Date or (2) the date which is 60 months following the date of your death to exercise the Option Award.

If you die after your termination of employment when the Option Award is otherwise exercisable, the Option Award will remain exercisable by your beneficiary or your estate (as applicable) until the earlier of (1) the Expiration Date, (2) 66 months following the date of

your Long-Service Separation or termination due to Disability (if applicable), or (3) 38 months following your termination of employment for any other reason.

- **Change in Control**

In the event of a Change in Control prior to the date the NQSOs become fully vested pursuant to which your Option Award is effectively continued, assumed or replaced by the surviving or acquiring corporation in such Change in Control (with appropriate adjustments to the number and kind of shares, in each case, that preserve the material terms and conditions of the outstanding Option Award as in effect immediately prior to the Change in Control) and your employment is terminated either by the Company without Cause or by you for Good Reason, as defined in the Plan, within the 24-month period commencing on the date of the Change in Control, your unvested NQSOs will immediately become fully vested. In such event, your Option Award will remain exercisable until the earlier of (1) the Expiration Date or (2) the date which is 60 months following the date of your termination of employment.

- **Cause**

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

- **Other**

If your employment with the Company terminates prior to the date the NQSOs become fully vested for any reason other than Long-Service Separation, Disability, death, Cause or in connection with a Change in Control, all unvested NQSOs associated with this Option Award shall be immediately forfeited to the Company. In such event, with respect to vested NQSOs, you will have until the earlier of (1) the Expiration Date or (2) the date which is 60 days following the date of your termination of employment to exercise the Option Award.

For purposes of this Option Award, references to employment with the Company shall also mean employment with a Subsidiary. The extent to which you shall be considered employed during any periods during which you are on a leave of absence shall be determined in accordance with Company policy.

Transferability of Award

Subject to certain exceptions set forth in the Plan, the Option Award is only exercisable by you (or your beneficiary, estate or representative, as applicable) and may not be assigned, transferred, pledged or hypothecated in any way. The Option Award is not subject to execution, attachment or similar process. Any attempt at such, contrary to the provisions of the Plan, will be null and void and without effect. Note that once your Option Award is exercised and shares of Common Stock are actually issued or delivered, you will have the ability to transfer those shares.

Designation of Beneficiary

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

Administration of the Plan

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

conflict between the terms and provisions of this Award Notice and the terms and provisions of the Plan, the provisions of the Plan shall control.

Code Section 409A

It is intended that this Award Notice and the administration of the Option Award will be exempt from 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 ”). The Plan and this Award Notice shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, the Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Notice (and thus the terms of the Option Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this Option Award constitutes acknowledgement and consent to such rights of the Committee.

Tax Impact

Please refer to the Plan prospectus and support materials for a general description of the tax consequences of an Option Award. You may also wish to consult with your personal tax advisor regarding how the Option Award impacts your individual tax situation. Nothing contained in this Award Notice 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 Award Notice.

Withholding

The exercise of an NQSO is a taxable event in many taxing jurisdictions. In some countries, including the U.S., the Company is required to withhold taxes upon the taxable event. To satisfy this withholding obligation, the Company will withhold that number of shares that would satisfy the withholding obligation from the shares otherwise to be issued or delivered to you, unless another method of withholding is approved by the Committee. The following conditions apply to such withholding: (a) the value of the shares of Common Stock withheld must equal the minimum withholding obligation; and (b) the value of the shares of Common Stock withheld shall be the Fair Market Value (as defined in the Plan) determined as of the exercise date.

Compliance with Securities Laws

The Company will take steps required to achieve compliance with all applicable U.S. federal and state securities laws (and other laws, including registration requirements) and with the rules and practices of the stock exchanges upon which the stock of the Company is listed and the Option Award is subject to the requirements of such laws and rules. The Option Award is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the Option Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the issuance or delivery of shares hereunder, the shares of Common Stock subject to the Option Award shall not be issued or delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

Adjustment of Shares

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

Awards Subject to Forfeiture, Clawback and Setoff

The Option Award (and its exercise) is subject to certain forfeiture conditions set forth in the Plan, which, in the event such conditions are determined to have occurred, may result in immediate forfeiture and cancellation of your outstanding Option Award or an obligation to repay the Company the total amount of award gain realized upon exercise of your Option Award. Also, the Company generally may deduct from and set off against any amounts the Company owes to you, including amounts payable in connection with this Option Award, such amounts you may owe to the Company.

Effect on Other Benefits

The Option Award is not intended to and shall not impact the coverage of or the amount of any other employee benefit plans in which you participate that are sponsored by the Company and any of its Subsidiaries or affiliates.

Award Confers No Rights to Continued Employment

In no event shall the granting of the Option Award or its acceptance by you, or any provision of the Award Notice or the Plan, give or be deemed to give you any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate your employment at any time.

Decisions of Board or Committee

The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Option Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Option Award shall be final, binding and conclusive.

Successors

This Award Notice shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Award Notice or the Plan.

Severability

The invalidity or unenforceability of any particular provision of this Award Notice shall not affect the other provisions hereof and this Award Notice shall be construed in all respects as if such invalid or unenforceable provision was omitted.

Governing Law

This Award Notice, the Option Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

Entire Agreement

This Award Notice and the Plan constitute the entire agreement between you and Company with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof, and may not be modified adversely to your interest except by means of a writing signed by you and the Company.

Acceptance of Award

You are required to electronically accept this Award Notice within your stock plan account with the Company's stock plan administrator according to the procedures then in effect. Your acceptance of

this Award Notice constitutes acknowledgement of receipt of the Plan and this Option Award and consent to the terms of the Plan and this Award Notice as described in the Plan and this Award Notice.

Notices

All notices, requests or other communications provided for in this Award Notice shall be made, if to the Company, to Caterpillar Inc., Equity Compensation Administration, 100 N.E. Adams Street, Peoria, IL 61629-4440 (or, if applicable, to any updated address provided by the Company for such purposes), and if to you, to your last known mailing address on file with the Company's stock plan administrator. All notices, requests or other communications provided for in this Award Notice shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

Further Information

For more detailed information about the Plan, please refer to the Plan prospectus or the Plan itself. Copies of the prospectus and the Plan can be obtained from the Executive Compensation intranet website at Cat @work under the Compensation + Benefits tab.

Caterpillar Inc.
2014 Long-Term Incentive Plan
Performance-Based Restricted Stock Unit Award Notice
2015-2017 Performance Period

The Board of Directors of Caterpillar Inc. (the “Company”) has granted you, [Employee Name], [Number] restricted stock units (“RSUs”) on [Grant Date] (the “Grant Date”) pursuant to, and subject to the restrictions, terms and conditions set forth in, the Caterpillar Inc. 2014 Long-Term Incentive Plan (the “Plan”). This Award Notice and the Plan specify the material terms and provisions applicable to such restricted stock unit award (the “RSU Award”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

Vesting

Except to the extent the RSUs are forfeited upon your termination of employment as provided below, the RSU Award will vest over a three-year period if the Company achieves return on equity, as determined by the Company in accordance with generally accepted accounting principles (“GAAP”) and certified by the Committee in writing (“ROE”), as follows:

- one-third of the RSUs will become vested as of December 31, 2015, provided the Company achieves ROE of 18% or greater for the period beginning on January 1, 2015 and ending on December 31, 2015;
- one-third of the RSUs will become vested as of December 31, 2016, provided the Company achieves ROE of 18% or greater for the period beginning on January 1, 2016 and ending on December 31, 2016; and
- one-third of the RSUs will become vested as of December 31, 2017 (each such December 31 date, a “Vesting Date”), provided the Company achieves ROE of 18% or greater for the period beginning on January 1, 2017 and ending on December 31, 2017.

Notwithstanding the foregoing, if any of the RSUs remain unvested as of December 31, 2017, all such remaining unvested RSUs shall vest as of December 31, 2017, provided the three-year average of the ROE for each one year period above is 18% or greater.

As soon as administratively practicable, but not later than two and one-half months after the applicable Vesting Date, the Company shall issue or deliver to you, subject to the achievement of the performance hurdles described above and the other conditions of this Award Notice, unrestricted shares of Common Stock equal to the number of RSUs that become vested, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements. If you terminate employment prior to the date the RSUs have become fully vested for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control (as described more fully below), all of the unvested RSUs will be forfeited. Your RSU Award is also subject to certain additional forfeiture conditions set forth in Sections 5.16 and 5.17 of the Plan.

Voting Rights

During the period between the Grant Date and the date the RSUs become vested and the shares subject to such RSUs are issued or delivered to you (the “Restriction Period”), you are not entitled to any voting rights

with respect to such RSUs. From and after the date shares are actually issued or delivered, you then will have full voting rights with respect to those shares.

Dividends and Other Distributions

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

Termination of Employment

If your employment with the Company terminates prior to a Vesting Date, all unvested RSUs subject to this RSU Award will lapse and shall be immediately forfeited, except as follows:

- **Long-Service Separation**

If your employment with the Company terminates by reason of Long-Service Separation, the RSU Award will remain outstanding and the RSUs will become vested if and to the extent the performance hurdles described above are achieved as of the applicable Vesting Dates. For purposes of this RSU Award, “Long-Service Separation” means termination of employment for any reason other than for Cause after attainment of age 55 with 5 or more years of continuous service with the Company, as determined by the Company in its sole discretion.

- **Disability**

If your employment with the Company terminates by reason of Disability, the RSU Award will remain outstanding and the RSUs will become vested if and to the extent the performance hurdles described above are achieved as of the applicable Vesting Dates. For purposes of this RSU Award, “Disability” means, unless otherwise provided for in an employment, change in control or similar agreement in effect between you and the Company or a Subsidiary, qualifying for long-term disability benefits under any long-term disability program sponsored by the Company or Subsidiary in which you participate or, if you do not participate in any such program, your inability to engage in any substantial gainful business activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined by the Company’s Director of Compensation + Benefits, based upon medical evidence.

- **Death**

If your employment with the Company terminates by reason of death, all of the unvested RSUs will immediately vest. In such case, the Company shall issue or deliver to your beneficiary (or your estate, as applicable), as soon as administratively practicable, but not later than two and one-half months after the date of death and subject to the conditions of this Award Notice, unrestricted shares of Common Stock equal to the number of RSUs that vested, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements.

- **Change in Control**

In the event of a Change in Control prior to the end of the Restriction Period pursuant to which your RSU Award is effectively continued, assumed or replaced by the surviving or acquiring corporation in such Change in Control (with appropriate adjustments to the number and kind of shares, in each case, that preserve the material terms and conditions of the outstanding RSU Award as in effect immediately prior to the Change in Control) and your employment is terminated either by the Company or its successor without Cause or by you for Good Reason, as defined in the Plan, within the 24-month period commencing on the date of the Change in Control, all of the RSUs will immediately become fully vested and shares of Common Stock, less any shares withheld to satisfy

any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than two and one-half months, after your termination of employment.

For purposes of this RSU Award, references to employment with the Company shall also mean employment with a Subsidiary. The extent to which you shall be considered employed during any periods during which you are on a leave of absence shall be determined in accordance with Company policy.

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 RSUs vest and shares of Common Stock are actually issued or delivered, you will have the ability to transfer those shares.

Designation of Beneficiary

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

Administration of the Plan

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

Code Section 409A

It is intended that this Award Notice 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 Award Notice shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, no shares may be issued or delivered unless in compliance with Code Section 409A to the extent that Code Section 409A applies. To the extent this Award Notice provides for the RSU Award to be settled by reference to your termination of employment, your employment shall be deemed to have terminated upon your “separation from service,” within the meaning of Code Section 409A. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Notice (and thus the terms of the RSU Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this RSU Award constitutes acknowledgement and consent to such rights of the Committee.

Tax Impact

Please refer to the Plan prospectus and support materials for a general description of the 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 Award Notice 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 Award Notice.

Withholding

The distribution of shares of Common Stock following the vesting of the RSU Award is a taxable event in many taxing jurisdictions. In some countries, including the U.S., the Company is required to withhold taxes

upon the taxable event. To satisfy this withholding obligation, the Company will withhold that number of shares that would satisfy the withholding obligation from the shares otherwise to be issued or delivered to you, unless otherwise approved by the Committee. The following conditions apply to such withholding: (a) the value of the shares of Common Stock withheld must equal the minimum withholding obligation; and (b) the value of the shares of Common Stock withheld shall be the Fair Market Value determined as of the date the RSUs become vested. For this purpose and for all purposes of this RSU Award, Fair Market Value shall mean the mean between the high and low prices at which a share of Common Stock of the Company is traded on the New York Stock Exchange.

Compliance with Securities Laws

The RSU Award is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the RSU Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the issuance or delivery of shares hereunder, the shares of Common Stock subject to the RSU Award shall not be issued or delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

Adjustment of Shares

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

Awards Subject to Forfeiture, Clawback and Setoff

The RSU Award is subject to certain forfeiture conditions set forth in the Plan, which, in the event such conditions are determined to have occurred, may result in immediate forfeiture and cancellation of your outstanding RSU Award or an obligation to repay the Company the total amount of award gain realized upon settlement of your RSU Award. Also, the Company generally may deduct from and set off against any amounts the Company owes to you, including amounts payable in connection with this RSU Award, such amounts you may owe to the Company.

Effect on Other Benefits

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

Award Confers No Rights to Continued Employment

In no event shall the granting of the RSU Award or its acceptance by you, or any provision of the Award Notice or the Plan, give or be deemed to give you any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate your employment at any time.

Decisions of Board or Committee

The Board or the Committee shall have the right to resolve all questions which may arise in connection with the RSU Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this RSU Award shall be final, binding and conclusive.

Successors

This Award Notice shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Award Notice or the Plan.

Severability

The invalidity or unenforceability of any particular provision of this Award Notice shall not affect the other provisions hereof and this Award Notice shall be construed in all respects as if such invalid or unenforceable provision was omitted.

Governing Law

This Award Notice, the RSU Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

Entire Agreement

This Award Notice and the Plan constitute the entire agreement between you and Company with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof, and may not be modified adversely to your interest except by means of a writing signed by you and the Company.

Acceptance of Award

You are required to electronically accept this Award Notice within your stock plan account with the Company's stock plan administrator according to the procedures then in effect. Your acceptance of this Award Notice constitutes acknowledgement of receipt of the Plan and this RSU Award and consent to the terms of the Plan and this Award Notice as described in the Plan and this Award Notice.

Notices

All notices, requests or other communications provided for in this Award Notice shall be made, if to the Company, to Caterpillar Inc., Equity Compensation Administration, 100 N.E. Adams Street, Peoria, IL 61629-4440 (or, if applicable, to any updated address provided by the Company for such purposes), and if to you, to your last known mailing address on file with the Company's stock plan administrator. All notices, requests or other communications provided for in this Award Notice shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

Further Information

For more detailed information about the Plan, please refer to the Plan prospectus or the Plan itself. Copies of the prospectus and the Plan can be obtained from the Executive Compensation intranet website at Cat @work under the Compensation + Benefits tab.

Caterpillar Inc.
2014 Long-Term Incentive Plan
Restricted Stock Unit Award Notice

The Board of Directors of Caterpillar Inc. (the “Company”) has granted you, [Director Name], [Number] restricted stock units (“RSUs”) on [Grant Date] (the “Grant Date”) pursuant to, and subject to the restrictions, terms and conditions set forth in, the Caterpillar Inc. 2014 Long-Term Incentive Plan (the “Plan”). This Award Notice and the Plan specify the material terms and provisions applicable to such restricted stock unit award (the “RSU Award”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

Vesting

The RSU Award is subject to a one-year cliff-vesting period. The RSU Award will become fully vested on the first anniversary of the Grant Date (the “Vesting Date”). As soon as administratively practicable, but not later than 60 days after the Vesting Date, the Company shall issue or deliver to you, subject to the conditions of this Award Notice, unrestricted shares of Common Stock equal to the number of RSUs that become vested, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements.

If your service on the Caterpillar Inc. Board of Directors (the “Board”) terminates for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control (as described more fully below) prior to the Vesting Date, the RSU Award will be forfeited. Your RSU Award is also subject to certain additional forfeiture conditions set forth in Sections 5.16 and 5.17 of the Plan.

Voting Rights

During the period between the Grant Date and the date the shares subject to such RSUs are issued or delivered to you (the “Restriction Period”), you are not entitled to any voting rights with respect to such RSUs. From and after the date shares are actually issued or delivered, you then will have full voting rights with respect to those shares.

Dividends and Other Distributions

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

Termination of Service as Director

Your termination of service on the Board prior to the Vesting Date will impact the unvested RSUs as follows:

- **Long-Service Separation**

If your service on the Board terminates by reason of Long-Service Separation, the RSU Award will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following the date of your termination of service. For purposes of this RSU Award, “Long-Service Separation” means termination of your service on the Board for any reason other than for Cause after attainment of age 55 with 5 or more years of continuous Board service, as determined by the Company in its sole discretion.

- **Disability**

If your service on the Board terminates by reason of Disability (as defined below), the RSU Award will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following the date of your termination of service. For purposes of this RSU Award, “Disability” means your inability to engage in any substantial gainful business activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months, as determined by the Company’s Director of Compensation + Benefits, based upon medical evidence.

- **Death**

If your service on the Board terminates by reason of death, the RSU Award will become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to your beneficiary or your estate (as applicable), as soon as administratively practicable, but not later than 2½ months, following the date of your death.

- **Change in Control**

In the event of a Change in Control prior to the end of the Restriction Period pursuant to which your RSU Award is effectively continued, assumed or replaced by the surviving or acquiring corporation in such Change in Control (with appropriate adjustments to the number and kind of shares, in each case, that preserve the material terms and conditions of the outstanding RSU Award as in effect immediately prior to the Change in Control) and your service on the Board is terminated without Cause or for Good Reason, as defined in the Plan, the RSU Award will immediately become fully vested and shares of Common Stock, less any shares withheld to satisfy any applicable income and payroll tax withholding requirements, will be issued or delivered to you as soon as administratively practicable, but not later than 60 days, following the date of your termination of service.

- **Other**

If your service on the Board terminates prior to the Vesting Date for any reason other than Long-Service Separation, Disability, death or in connection with a Change in Control, all unvested RSUs subject 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 RSUs vest and shares of Common Stock are actually issued or delivered, you will have the ability to transfer those shares.

Designation of Beneficiary

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

Administration of the Plan

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

the terms and provisions of this Award Notice and the terms and provisions of the Plan, the provisions of the Plan shall control.

Code Section 409A

It is intended that this Award Notice 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 Award Notice shall be interpreted and construed on a basis consistent with such intent. Notwithstanding anything contained herein to the contrary, no shares may be issued or delivered unless in compliance with Code Section 409A to the extent that Code Section 409A applies. To the extent this Award Notice provides for the RSU Award to be settled by reference to your termination of service, your service shall be deemed to have terminated upon your “separation from service,” within the meaning of Code Section 409A. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Notice (and thus the terms of the RSU Award) without your consent solely in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A. Your acceptance of this RSU Award constitutes acknowledgement and consent to such rights of the Committee.

Tax Impact

Please refer to the Plan prospectus and support materials for a general description of the 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 Award Notice 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 Award Notice.

Withholding

The distribution of shares of Common Stock following the vesting of the RSU Award is a taxable event in many taxing jurisdictions. In the U.S., the Company is not currently required to withhold taxes on compensation paid to nonemployee directors. In some countries the Company may be required to withhold taxes upon the taxable event. To satisfy this withholding obligation, the Company will withhold that number of shares that would satisfy the withholding obligation from the shares otherwise to be issued or delivered to you, unless otherwise approved by the Committee. The following conditions apply to such withholding: (a) the value of the shares of Common Stock withheld must equal the minimum withholding obligation; and (b) the value of the shares of Common Stock withheld shall be the Fair Market Value determined as of the date the RSUs become vested. For this purpose and for all purposes of this RSU Award, Fair Market Value shall mean the mean between the high and low prices at which a share of Common Stock of the Company is traded on the New York Stock Exchange.

Compliance with Securities Laws

The RSU Award is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the RSU Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the issuance or delivery of shares hereunder, the shares of Common Stock subject to the RSU Award shall not be issued or delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

Adjustment of Shares

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

Awards Subject to Forfeiture, Clawback and Setoff

The RSU Award is subject to certain forfeiture conditions set forth in the Plan, which, in the event such conditions are determined to have occurred, may result in immediate forfeiture and cancellation of your outstanding RSU Award or an obligation to repay the Company the total amount of award gain realized upon settlement of your RSU Award. Also, the Company generally may deduct from and set off against any amounts the Company owes to you, including amounts payable in connection with this RSU Award, such amounts you may owe to the Company.

Effect on Other Benefits

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

Award Confers No Rights to Continued Service on Board

In no event shall the granting of the RSU Award or its acceptance by you, or any provision of the Award Notice or the Plan, give or be deemed to give you any right to continued service on the Board.

Decisions of Board or Committee

The Board or the Committee shall have the right to resolve all questions which may arise in connection with the RSU Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this RSU Award shall be final, binding and conclusive.

Successors

This Award Notice shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Award Notice or the Plan.

Severability

The invalidity or unenforceability of any particular provision of this Award Notice shall not affect the other provisions hereof and this Award Notice shall be construed in all respects as if such invalid or unenforceable provision was omitted.

Governing Law

This Award Notice, the RSU Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

Entire Agreement

This Award Notice and the Plan constitute the entire agreement between you and Company with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof, and may not be modified adversely to your interest except by means of a writing signed by you and the Company.

Acceptance of Award

You are required to electronically accept this Award Notice within your stock plan account with the Company's stock plan administrator according to the procedures then in effect. Your acceptance of this Award Notice constitutes acknowledgement of receipt of the Plan and this RSU Award and consent to the terms of the Plan and this Award Notice as described in the Plan and this Award Notice.

Notices

All notices, requests or other communications provided for in this Award Notice shall be made, if to the Company, to Caterpillar Inc., Equity Compensation Administration, 100 N.E. Adams Street, Peoria, IL 61629-4440 (or, if applicable, to any updated address provided by the Company for such purposes), and if to you, to your last known mailing address on file with the Company's stock plan administrator. All notices, requests or other communications provided for in this Award Notice shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

Further Information

For more detailed information about the Plan, please refer to the Plan prospectus or the Plan itself. Copies of the prospectus and the Plan can be obtained from the Executive Compensation intranet website at Cat @work under the Compensation + Benefits tab.

**CATERPILLAR INC.
SUPPLEMENTAL RETIREMENT PLAN**

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

(Amended and Restated as of December 10, 2014)

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**CATERPILLAR INC.
SUPPLEMENTAL RETIREMENT PLAN**

PREAMBLE

The Caterpillar Inc. Supplemental Retirement Plan (formerly known as the Caterpillar Inc. Supplemental Pension Benefit Plan and hereinafter referred to as the “Plan”) was established as of January 1, 1976 by Caterpillar Inc. (the “Company”) to provide additional pension benefits to individuals who participate in the Caterpillar Inc. Retirement Income Plan, as amended, or any successor(s) to such plan (not including the applicable supplement of the Caterpillar Inc. Retirement Income Plan that reflects the provisions and benefits of the Solar Turbines Incorporated Retirement Plan on and after the merger of the Solar Turbines Incorporated Retirement Plan with and into the Caterpillar Retirement Income Plan effective as of 11:59 PM CST on December 31, 2014) (“RIP”), but whose benefits are limited due to the application of Section 401(a)(17) and/or Section 415 of the Internal Revenue Code of 1986, as amended. The Plan also provides the benefits that would otherwise be payable pursuant to RIP but for (i) an individual’s deferral of compensation under the Caterpillar Inc. Deferred Employees’ Investment Plan, the Caterpillar Inc. Supplemental Employees’ Investment Plan, or the Caterpillar Inc. Supplemental Deferred Compensation Plan or (ii) the exclusions from “Total Earnings” under RIP for an individual’s lump sum discretionary awards and variable base pay. This amended and restated Plan is effective as of January 1, 2005.

For avoidance of doubt, all references in the Plan to RIP shall not include the applicable supplement of the Caterpillar Inc. Retirement Income Plan that reflects the provisions and benefits of the Solar Turbines Incorporated Retirement Plan on and after the merger of the Solar Turbines Incorporated Retirement Plan with and into the Caterpillar Retirement Income Plan effective as of 11:59 PM CST on December 31, 2014 and benefits under the Plan shall in no way be affected by benefits provided or not provided under such applicable supplement.

This amendment and restated plan is effective as of the dates specified herein.

**ARTICLE I
DEFINITIONS**

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

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

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

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

(d) “**Benefit Determination Date**” means the following:

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

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

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

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

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

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

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

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

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

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

(m) "**Effective Date**" means January 1, 2005.

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

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

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

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

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

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

(t) "**RIP**" means the Caterpillar Inc. Retirement Income Plan, as amended or any successor(s) to such plan, other than the applicable supplement of the Caterpillar Inc. Retirement Income Plan that reflects the provisions and benefits

of the Solar Turbines Incorporated Retirement Plan on and after the merger of the Solar Turbines Incorporated Retirement Plan with and into the Caterpillar Retirement Income Plan effective as of 11:59 PM CST on December 31, 2014.”

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

(v) “**SEIP**” means the Caterpillar Inc. Supplemental Employees’ Investment Plan, as amended.

(w) “**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.

(x) “**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.

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

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

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

(ab) “**GSCS**” means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).

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

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

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

ARTICLE II ELIGIBILITY; ADOPTION BY AFFILIATES

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

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

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

- (a) the employee's RIP benefits are limited by application of Section 401(a)(17) of the Code;
- (b) the employee's RIP benefits are limited by application of Section 415(b) of the Code;
- (c) the employee's RIP benefits are decreased due to the employee's deferral of salary or incentive compensation under SEIP, DEIP or SDCP; or

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

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

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

ARTICLE III DETERMINATION OF BENEFIT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV VESTING

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

ARTICLE V PAYMENT OF BENEFIT

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

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

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

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

(2) The date the Participant becomes Disabled;

(3) The Participant's death;

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

(5) An Unforeseeable Emergency; or

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

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

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

(c) Form of Payment.

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

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

(ii) **Married Participants.** Subject to Section 3.3, the benefits of a married Participant shall be paid in the form of a joint and survivor annuity in a reduced monthly benefit for the Participant's life (as determined in accordance

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

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

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

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

(d) Timing of Payment.

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

- (i) the Participant's attainment of age 65 or, if later, the Participant's fifth anniversary of the date he or she commenced participation under RIP;
- (ii) the Participant's attainment of age 55 with the number of the Participant's years of vesting service plus his or her age equaling at least 85;
- (iii) the Participant's attainment of age 60 after completing at least 10 years of vesting service;
- (iv) the Participant's attainment of age 55 after completing at least 15 years of vesting service; or
- (v) the Participant's completing at least 30 years of vesting service.

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

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

death, in which case any benefit payable to the Participant's Beneficiary shall commence as of the applicable date specified in Section 3.3(a).

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

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

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

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

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

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

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

ARTICLE VI ADMINISTRATION OF THE PLAN

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VII AMENDMENT

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

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

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

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

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

ARTICLE VIII GENERAL PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) **Benefits Frozen — Sunset Participants**.

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

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

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

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

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

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

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

(c) **Exceptions**.

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

Plan, and the normal form of benefit for purposes of Section 5.2(c)(1) for any such Participant shall be a single life annuity for the Participant's life.

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

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

8.13 Determination of "spouse". The term "spouse" means the person who is a Participant's spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any domestic relations order applicable to benefits payable under this Plan, a Participant's former spouse may be treated as the surviving spouse for purposes of this Plan.

CATERPILLAR INC.
SUPPLEMENTAL EMPLOYEES’
INVESTMENT PLAN
(Amended and Restated as of December 10, 2014)

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**CATERPILLAR INC.
SUPPLEMENTAL EMPLOYEES' INVESTMENT PLAN**

PREAMBLE

Effective October 14, 1987, Caterpillar Inc. (the "Company") established the Caterpillar Inc. Supplemental Employees' Investment Plan (the "Plan"). The Plan has been amended and restated on a number of occasions. By the execution of this document, the Company hereby amends and restates the Plan in its entirety, effective as of March 25, 2007.

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

This amendment and restated Plan is effective as of the dates specified herein.

**ARTICLE I
DEFINITIONS**

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

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

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

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

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

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

- (f) “ **Board** ” means the Board of Directors of the Company, or any authorized committee of the Board.
- (g) “ **Code** ” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.
- (h) “ **Company** ” means Caterpillar Inc., and, to the extent provided in Section 10.8 (**Successors**) below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.
- (i) “ **Company Stock** ” means common stock issued by the Company.
- (j) “ **Company Stock Fund** ” means the Investment Fund described in Section 5.3 (**Special Company Stock Fund Provisions**).
- (k) “ **Deferral Credits** ” means the deferral credits allocated to a Participant in accordance with Section 3.2 (**Deferral Credits**).
- (l) “ **Director** ” means the Company’s Director of Compensation + Benefits.
- (m) “ **Disability** ” or “ **Disabled** ” means that a Participant is “totally and permanently disabled” and eligible to receive long-term disability benefits pursuant to the terms and provisions of the long-term disability plan sponsored by the Company or an Affiliate in which the Participant participates.
- (n) “ **Effective Date** ” means March 25, 2007.
- (o) “ **Eligible Pay** ” means Base Pay minus any deferral credits made pursuant to the Caterpillar Inc. Deferred Employees’ Investment Plan.
- (p) “ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.
- (q) “ **Investment Fund** ” means the notional investment funds established by the terms of the Plan pursuant to Article V (**Investment of Accounts**).
- (r) “ **Matching Credits** ” means the matching credits allocated to a Participant in accordance with Section 3.3 (**Matching Credits**).
- (s) “ **Participant** ” means an employee of the Company or any Adopting Affiliate who had satisfied the eligibility requirements for participation in the Plan as of the Effective Date and who, as of such date, has amounts credited to his accounts under this Plan.
- (t) “ **Plan** ” means the Caterpillar Inc. Supplemental Employees’ Investment Plan, as set forth herein and as it may be amended from time to time.
- (u) “ **Plan Administrator** ” means the Director.
-

(v) “ **Plan Year** ” means the calendar year.

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

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

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

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

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

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

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

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

ARTICLE II ELIGIBILITY AND PARTICIPATION

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

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

ARTICLE III DEFERRAL CREDITS AND MATCHING CREDITS

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

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

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

ARTICLE IV VESTING

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

ARTICLE V INVESTMENT OF ACCOUNTS

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

5.2 Investment Direction.

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

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

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

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

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

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

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

5.3 **Special Company Stock Fund Provisions**.

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

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

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

(d) **Compliance with Company Trading Policies and Procedures**. Any elections to transfer amounts from or to the Company Stock Fund to or from any other Investment Fund, shall be subject to all Company

Stock trading policies promulgated by the Company. To the extent that any election violates any such trading policy or procedures, the election shall be void.

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

ARTICLE VI DISTRIBUTIONS

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

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

6.3 Form of Distribution.

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

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

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

6.4 Timing of Distribution.

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

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

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

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

(e) **Revocation of Election**.

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

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

6.5 Payment Upon Death.

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

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

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

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

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

(as to timing and form) made by the Participant (or, in the absence of such distribution elections, in accordance with the “default” provisions of this Article VI).

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

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

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

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

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

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

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

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

ARTICLE VII SPIN-OFF TO SDCP

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

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

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

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

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

ARTICLE VIII ADMINISTRATION OF THE PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX AMENDMENT

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

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

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

ARTICLE X GENERAL PROVISIONS

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

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

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

10.4 Section 409A.

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

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

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

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

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

guardian or other legal representative under this Section shall be a payment for the account of the incapacitated person and a complete discharge of any liability of the Company and the Plan therefore.

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

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

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

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

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

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

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

10.12 Determination of “spouse”. The term “spouse” means the person who is a Participant’s spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any domestic relations order applicable to benefits payable under this Plan, a Participant’s former spouse may be treated as the surviving spouse for purposes of this Plan.

CATERPILLAR INC.
DEFERRED EMPLOYEES'
INVESTMENT PLAN
(Amended and Restated as of December 10, 2014)

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**CATERPILLAR INC.
DEFERRED EMPLOYEES' INVESTMENT PLAN**

PREAMBLE

Effective June 30, 1995, Caterpillar Inc. (the "Company") established the Caterpillar Inc. Deferred Employees' Investment Plan (the "Plan"). The Plan has been amended and restated on a number of occasions. By the execution of this document, the Company hereby amends and restates the Plan in its entirety, effective as of March 25, 2007.

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

This amended and restated Plan is effective as of the dates specified herein.

**ARTICLE I
DEFINITIONS**

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

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

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

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

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

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

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

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

- (h) “ **Company** ” means Caterpillar Inc., and, to the extent provided in Section 10.8 (**Successors**) below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.
- (i) “ **Company Stock** ” means common stock issued by the Company.
- (j) “ **Company Stock Fund** ” means the Investment Fund described in Section 5.3 (**Special Company Stock Fund Provisions**).
- (k) “ **Deferral Credits** ” means the deferral credits allocated to a Participant in accordance with Section 3.2 (**Deferral Credits**).
- (l) “ **Director** ” means the Company’s Director of Compensation + Benefits.
- (m) “ **Disability** ” or “ **Disabled** ” means that a Participant is “totally and permanently disabled” and eligible to receive long-term disability benefits pursuant to the terms and provisions of the long-term disability plan sponsored by the Company or an Affiliate in which the Participant participates.
- (n) “ **Effective Date** ” means March 25, 2007.
- (o) “ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.
- (p) “ **ESTIP** ” means the Caterpillar Inc. Executive Short-Term Incentive Plan, as amended or any predecessor or successor to such plan.
- (q) “ **Incentive Compensation** ” means STIP Pay, LTCPP Pay and Lump-Sum Awards.
- (r) “ **Investment Fund** ” means the notional investment funds established by the terms of the Plan pursuant to Article V (**Investment of Accounts**).
- (s) “ **LTCPP Pay** ” means the amounts designated by the Company as the cash-based performance award under the “Long-Term Cash Performance Plan” and paid pursuant to the terms of the Caterpillar Inc. 2006 Long-Term Incentive Plan (or any predecessor to such plan).
- (t) “ **Lump-Sum Award** ” means the discretionary lump-sum cash awards paid to employees pursuant to the uniform and nondiscriminatory pay practices of the Company or an Affiliate, but not including any lump-sum base salary adjustment.
- (u) “ **Matching Credits** ” means the matching credits allocated to a Participant in accordance with Section 3.3 (**Matching Credits**).
- (v) “ **Participant** ” means an employee of the Company or any Adopting Affiliate who had satisfied the eligibility requirements for participation in the Plan as of March 31, 2007 and who, as of such date, has amounts credited to his accounts under this Plan.
- (w) “ **Plan** ” means the Caterpillar Inc. Deferred Employees’ Investment Plan, as set forth herein and as it may be amended from time to time.
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- (x) “ **Plan Administrator** ” means the Director.
- (y) “ **Plan Year** ” means the calendar year.
- (z) “ **Post-1996 Deferrals** ” means the Deferral Credits made by a Participant on and after January 1, 1997 and before January 1, 2005 (including the earnings/losses thereon).
- (aa) “ **Post-2004 Deferrals** ” means the Deferral Credits and Matching Credits made by a Participant on and after January 1, 2005 determined pursuant to Section 7.2 (**Amounts Spun-Off**).
- (bb) “ **SDCP** ” means the Caterpillar Inc. Supplemental Deferred Compensation Plan, as amended.
- (cc) “ **STIP** ” means the Caterpillar Inc. Short-Term Incentive Plan, as amended or any successor to such plan.
- (dd) “ **STIP Pay** ” means amounts paid to employees of the Company or an Adopting Affiliate pursuant to the terms of STIP and/or ESTIP.
- (ee) “ **Valuation Date** ” means each day of the Plan Year on which the New York Stock Exchange is open for trading.
- (ff) “ **GSCS** ” means Caterpillar Logistics Services LLC (f/k/a Caterpillar Logistics Services, Inc.).
- (gg) “ **GSCS Participant** ” means a Participant who is employed by GSCS upon the closing of the sale of GSCS to an entity that is not an Affiliate.
- (hh) “ **GSCS Closing Date** ” means the date on which the sale of GSCS to an entity that is not an Affiliate is completed.

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

ARTICLE II

ELIGIBILITY AND PARTICIPATION

- 2.1 Existing Participants.** Each individual who was a Participant in the Plan as of the Effective Date shall continue as such, subject to the provisions hereof.
- 2.2 New Participants.** No individual shall become eligible to participate in the Plan after the Effective Date.
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ARTICLE III
DEFERRAL CREDITS AND MATCHING CREDITS

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

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

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

ARTICLE IV
VESTING

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

ARTICLE V
INVESTMENT OF ACCOUNTS

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

5.2 Investment Direction.

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

express or implied) or liability to any Participant in regards to designation of the Investment Funds as set forth in this Section 5.2(a).

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

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

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

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

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

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

5.3 Special Company Stock Fund Provisions.

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

(b) **Investment Directions**. A Participant’s ability to direct investments into or out of the Company Stock Fund shall be subject to such procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as

amended, and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make (or modify previously made) deferral and distribution elections pursuant to Articles III (Deferral Credits and Matching Credits) and VI (Distributions), respectively. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan for purposes of Section 16(b), the Participant shall not dispose of that interest within six months, unless specifically exempted by Section 16(b) or any rules or regulations promulgated thereunder.

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

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

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

ARTICLE VI DISTRIBUTIONS

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

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

6.3 Form of Distribution.

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

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

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

6.4 Timing of Distribution

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

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

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

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

(e) **Revocation of Election**.

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

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

6.5 Payment Upon Death.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VII SPIN-OFF TO SDCP

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

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

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

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

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

ARTICLE VIII
ADMINISTRATION OF THE PLAN

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

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

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

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

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

(h) **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.

(i) **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.

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

(k) **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.

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

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

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

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

ARTICLE IX AMENDMENT

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

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

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

ARTICLE X GENERAL PROVISIONS

10.1 Participant's Rights Unsecured. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her designated beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company. All amounts credited to a Participant's accounts

hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a “Rabbi Trust,” but the assets in the Rabbi Trust must be available to pay the claims of the Company’s general creditors in the event of the Company’s insolvency.

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

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

10.4 Section 409A.

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

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

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

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

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

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

10.9 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Plan Administrator, the Company, nor any individual acting as the Plan Administrator’s, or the Company’s employee,

agent, or representative shall be liable to any Participant, former Participant, beneficiary or other person for any claim, loss, liability or expense incurred in connection with the Plan.

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

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

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

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

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

10.12 Determination of "spouse". The term "spouse" means the person who is a Participant's spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any domestic relations order applicable to benefits payable under this Plan, a Participant's former spouse may be treated as the surviving spouse for purposes of this Plan.

**CATERPILLAR INC.
SUPPLEMENTAL DEFERRED
COMPENSATION PLAN**

(Amended and Restated as of December 10, 2014)

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**CATERPILLAR INC.
SUPPLEMENTAL DEFERRED COMPENSATION PLAN**

PREAMBLE

By a document executed March 21, 2007, Caterpillar Inc. (the “Company”) established the Caterpillar Inc. Supplemental Deferred Compensation Plan (the “Plan”), effective January 1, 2005. The purpose of the Plan is to provide additional income deferral and investment opportunities to a select group of management or highly compensated employees who are eligible to participate in certain tax-qualified 401(k) plans sponsored by the Company. Subsequent to the establishment of the Plan, final regulations were promulgated under Section 409A of the Code, necessitating changes to the Plan retroactive to its adoption which were reflected in a document executed by the Company on December 17, 2007. The Company now desires to amend the Plan to reflect certain changes to the tax-qualified 401(k) plans sponsored by the Company. The Plan is effective January 1, 2011.

This amended and restated Plan is effective as of the dates stated herein.

**ARTICLE I
DEFINITIONS**

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

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

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

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

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

(e) “**Adopting Affiliate**” means any Affiliate that has been authorized by the Company to adopt the Plan and which has adopted the Plan in accordance with Section 2.4. All Affiliates that adopted the Plan on or before the Effective Date and that had not terminated such adoption shall continue to be Adopting Affiliates of the Plan.

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

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

- (h) “ **BFC** ” means the Benefit Funds Committee of the Company, which is the committee formed by resolution of the Board of Directors of the Company, and which has the responsibility and authority to ensure the proper operation and management of the financial aspects of the 401(k) Plan.
- (i) “ **Board** ” means the Board of Directors of the Company, or any authorized committee of the Board.
- (j) “ **Code** ” means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.
- (k) “ **Company** ” means Caterpillar Inc., and, to the extent provided in Section 10.8 below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.
- (l) “ **Company Stock** ” means common stock issued by the Company.
- (m) “ **Company Stock Fund** ” means the Investment Fund described in Section 5.3.
- (n) “ **Deferral Agreement** ” means the deferral agreement(s) described in Section 3.1 that are entered into by a Participant pursuant to the Plan.
- (o) “ **DEIP** ” means the Caterpillar Inc. Deferred Employees’ Investment Plan, as amended.
- (p) “ **Director** ” means the Company’s Director of Compensation + Benefits.
- (q) “ **Disability** ” or “ **Disabled** ” means that a Participant is determined to be totally disabled by the United States Social Security Administration.
- (r) “ **Distribution Election Form** ” means the election form by which a Participant elects the time and manner in which his accounts shall be distributed pursuant to Sections 6.4 and 6.5. The Plan Administrator may, in his sole discretion, require two separate Distribution Election Forms for purposes of making distributions regarding the time and manner in which accounts will be distributed, respectively.
- (s) “ **Effective Date** ” means January 1, 2011, except as otherwise provided herein.
- (t) “ **Eligible Pay** ” means Base Pay minus any Supplemental Deferrals of Base Pay.
- (u) “ **Excess Deferral Account** ” means the bookkeeping account maintained pursuant to the Plan to record amounts deferred under Section 3.3(b).
- (v) “ **Excess Deferrals** ” means the deferrals allocated to a Participant’s Excess Deferral Account in accordance with Section 3.3(b).
- (w) “ **Excess Matching Credit Account** ” means the bookkeeping account maintained pursuant to the Plan to record the amounts credited to a Participant in accordance with Section 3.4(b).
- (x) “ **Excess Matching Credits** ” means the matching credits allocated to a Participant’s Excess Matching Credit Account in accordance with Section 3.4(b).
- (y) “ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.
- (z) “ **ESTIP** ” means the Caterpillar Inc. Executive Short-Term Incentive Plan, as amended or any predecessor or successor to such plan.
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(aa) “**Incentive Compensation**” means STIP Pay, LTCPP Pay and Lump-Sum Awards.

(bb) “**Investment Fund**” means the notional investment funds established by the terms of the Plan pursuant to Article V.

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

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

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

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

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

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

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

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

(kk) “**Plan Administrator**” means the Director.

(ll) “**Plan Year**” means the calendar year.

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

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

(oo) “**SEIP**” means the Caterpillar Inc. Supplemental Employees’ Investment Plan, as amended.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II
ELIGIBILITY; ADOPTION BY AFFILIATES

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

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

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

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

ARTICLE III
DEFERRALS, MATCHING AND NON-ELECTIVE CONTRIBUTION CREDITS

3.1 Deferral Agreement.

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

(b) **Initial Deferral Agreement.**

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

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

(c) **Revocation.** The Plan Administrator shall terminate a Participant's election to make Supplemental Deferrals and/or Excess Deferrals if the Participant has made a withdrawal due to Unforeseeable Emergency as provided in Section 6.10, but only to the extent that terminating the election would help the Participant to meet the related emergency need; provided that, any such Participant shall be permitted to complete a new Deferral Agreement during the annual election period described in Section 3.1(a), subject to the applicable restrictions in this Section 3.1 and Section 3.2. Similarly, a Participant shall terminate an election to make Supplemental Deferrals and/or Excess Deferrals if such termination is required for the Participant to obtain a hardship distribution from the 401(k) Plan and permitted under Section 409A of the Code; provided that, (1) notwithstanding the foregoing, such termination shall apply only to the Participant's Supplemental Deferrals and/or Excess Deferrals that would have been made during the six-month period following receipt of the hardship distribution, and (2) following such termination, unless the Participant makes a different deferral election during the annual election period described in Section 3.1(a), the Plan Administrator shall automatically reinstate the Participant's deferral election to make Supplemental Deferrals and/or Excess Deferrals in effect immediately prior to receipt of the hardship distribution as soon as administratively practicable after the end of such six-month period.

3.2 Timing of Deferral Elections and Automatic Participation.

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

(b) **Deferral of Incentive Compensation.** Deferral Agreements that relate to the deferral of Incentive Compensation shall be completed by the Participant and delivered to the Plan Administrator prior to the date that is six months before the end of the performance period to which the Incentive Compensation relates. The Deferral Agreement will remain in effect with respect to all future Incentive Compensation until changed by the Participant in

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

(c) Initial Deferral Election.

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

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

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

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

3.3 Deferrals.

(a) Supplemental Deferrals. Any Participant may elect to supplement the deferrals made pursuant to the 401(k) Plan by deferring, pursuant to a Deferral Agreement, the receipt of up to 70% (designated in whole percentages) of the Base Pay and/or up to 70% (designated in whole percentages) of the Incentive Compensation,

otherwise payable to the Participant by the Company or an Adopting Affiliate in any Plan Year. The amount deferred pursuant to this paragraph (a) shall be allocated to the Supplemental Deferral Account maintained for the Participant.

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

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

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

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

3.5 **Non-Elective Contribution Credits.**

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

<u>Points</u>	<u>Applicable Percentage</u>
44 or less	3%
45 to 64	4%
65 or more	5%

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

(b) **Non-Elective Contribution Credits Upon Re-Employment.** A Participant who is eligible to receive the Company non-elective contributions under the 401(k) Plan (i.e., the 3%/4%/5% non-elective contributions under the 401(k) Plan) and who: (1) incurs a Separation from Service; (2) is subsequently re-employed by the Company

or an Affiliate; and (3) at any time during such period of re-employment meets the eligibility requirements for active participation in the Plan pursuant to Section 2.1 shall be entitled to receive Non-Elective Contribution Credits with respect to NEC Eligible Pay for services to be performed beginning as of the first day of the first pay period commencing after the date that the individual meets the eligibility requirements to resume active participation in the Plan.

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

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

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

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

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

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

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

ARTICLE IV VESTING

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

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

ARTICLE V INVESTMENT OF ACCOUNTS

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

5.2 Investment Direction.

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

(d) **Participant Directions**.

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

(2) **Spin-Off from SEIP and DEIP**. Each Participant who became a Participant in the Plan as a result of the Spin-Off described in Article VII or by reason of Section 3.1(b)(2) shall be conclusively deemed to have directed the Plan Administrator to invest all of the amounts attributable to his accounts in the same manner as the Participant's accounts were invested in SEIP and/or DEIP as of the effective date of the Spin-Off and, in the absence of an affirmative direction by the Spin-Off Participant regarding future deferrals pursuant to paragraph (b)(1) above, such Participant shall be conclusively deemed to have directed the Plan Administrator to invest such deferrals in the same manner as the Participant's deferrals were directed to be invested in SEIP and/or DEIP as of the effective date of the Spin-Off. If a Participant participated in both SEIP and DEIP as of the effective date of the Spin-

Off and his investment elections for future deferrals were different among plans, the Participant shall be conclusively deemed to have directed the Plan Administrator to invest future deferrals in the same manner as the Participant's deferral elections pursuant to DEIP. The Participant may change his directions at any time in accordance with the provisions of the Plan.

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

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

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

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

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

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

5.3 Special Company Stock Fund Provisions

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

(d) **Investment Directions**. A Participant's ability to direct investments into or out of the Company Stock Fund shall be subject to such procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended, and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make

(or modify previously made) deferral and distribution elections pursuant to Articles III and VI, respectively. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan for purposes of Section 16(b), the Participant shall not dispose of that interest within six months, unless specifically exempted by Section 16(b) or any rules or regulations promulgated thereunder.

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

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

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

ARTICLE VI DISTRIBUTIONS

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

(k) 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;

(l) The date the Participant becomes Disabled;

(m) The Participant's death;

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

(o) An Unforeseeable Emergency; or

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

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

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

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

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

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

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

- (d) The new form will not take effect until at least 12 months after the date on which the new form is filed with the Plan Administrator; and
- (e) The election may not be made less than 12 months prior to the date the payment is scheduled to be made, is commenced or otherwise would be made; and
- (f) The first payment with respect to which the election is made must be deferred for a period of not less than five years from the date such payment would otherwise be made.

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

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

(a) **Election Period**. The election period described in this Section 6.7 shall begin on April 1, 2007 and end on May 7, 2007 unless extended to a later date by the Plan Administrator in a uniform and non-discriminatory manner, in his sole discretion. In no event, however, shall such special election period extend beyond December 31, 2007.

(b) **Application of Election Period**. The special election period described in this Section 6.7 shall apply to Participants as provided in this paragraph (b).

(1) **Participants to Whom Election Period Applies**. The special election period shall only apply to the following Participants:

(i) **Active Participants**. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII or by reason of Section 3.1(b)(2) and who, as of the first day of the special election period, have not incurred a Separation of Service, have not died and are not Disabled;

(ii) **Separated Participants**. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII and who, as of the first day of the special election period, have incurred a Separation from Service and distributions pursuant to the Plan have not yet commenced; and

(iii) **Beneficiaries**. Beneficiaries described in Section 6.9 of Participants who, as of the first day of the special election period had deceased if, as of such date, distributions pursuant to the Plan have not yet commenced with respect to the Participant.

(2) **Participants to Whom Election Period Does Not Apply**. The special election period shall not apply to the following Participants:

(i) **Participants in Pay Status**. Individuals who are Participants in the Plan by reason of the Spin-Off described in Article VII and who, as of the first day of the special election period, are receiving distributions pursuant to the Plan;

(ii) **Other Participants**. Any other Participants not described in paragraphs (b)(1) and (b)(2)(i) of this Section 6.7; and

(iii) **Beneficiaries**. Any beneficiary not described in paragraph (b)(1)(iii) of this Section 6.7.

(c) **Default Provisions**. If a Participant to whom the special election period applies fails to make a distribution election during the special election period the following rules shall apply:

(1) **Active Participants**. If a Participant identified in paragraph (b)(1)(i) above fails to make an election during the special election period, the default provisions of Section 6.4 and Section 6.5 shall apply (subject to the Participant's ability to change his distribution elections pursuant to Section 6.6).

(2) **Separated Participants and Beneficiaries**. If a Participant identified in paragraph (b)(1)(ii) above or a beneficiary described in paragraph (b)(1)(iii) above fails to affirmatively make an election during the special election period, such individual shall be deemed to have made an election pursuant to the Plan that is identical to the distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A of the Code (subject to the individual's ability to change his distribution elections pursuant to Section 6.6).

(d) **April 1, 2007 Commencements**. Notwithstanding anything in this Section 6.7 to the contrary, the special election period shall not apply to a Participant or beneficiary described in Section 6.9 who had previously made an election (and, therefore, for whom a default election is not in effect) pursuant to SEIP and/or DEIP whereby a lump-sum distribution or installment payments are scheduled to commence as of April 1, 2007. In the case of these Participants and beneficiaries, such lump sum distribution or installment payments shall commence as of April 1, 2007 as previously elected (i.e., in accordance with the distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A of the Code).

6.8 Default Provisions for Certain Participants Relating to 2010 Election Period. If an individual identified in clause (2) of Section 3.9(b) fails to complete an initial Distribution Election Form during the election period described Section 3.9, the default provisions of Section 6.4 and Section 6.5 shall apply to such individual's Plan accounts (subject to the ability to change distribution elections pursuant to Section 6.6).

6.9 Payment Upon Death.

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

(b) Timing and Form of Payment to Beneficiary.

(1) **Payments Commenced at Time of Death.** If, at the time of the Participant's death, installment payments of the Participant's accounts have commenced pursuant to this Article VI, such payments shall continue to the Participant's beneficiary in the same time and the same form as if the Participant has remained alive until the last installment payment was scheduled to be made. Notwithstanding the foregoing, a beneficiary may take a withdrawal upon an Unforeseeable Emergency pursuant to Section 6.10, applying the provisions of such Section by substituting the term "beneficiary" for "Participant."

(2) **Payments Not Commenced at Time of Death.** If, at the time of the Participant's death, payments of the Participant's accounts has not commenced pursuant to this Article VI, the distributions made pursuant to this Section 6.9 shall be made to the Participant's beneficiary in accordance with the then current and valid distribution election made by the Participant (or, in the absence of such a distribution election, in accordance with the "default" provisions of Section 6.4). If the distribution election applicable to the Participant provided for payment to commence within an administratively reasonable period of time following the six-month anniversary of the Participant's Separation from Service, this six-month anniversary shall be disregarded in the even of the Participant's death, and payments shall commence within an administratively reasonable period of time following the Participant's death. Notwithstanding the foregoing, a beneficiary may take a withdrawal upon an Unforeseeable Emergency pursuant to Section 6.10 or change the timing and form of payment pursuant to Section 6.6 applying the provisions of such Sections by substituting the term "beneficiary" for "Participant" as the context requires, thereunder.

6.10 Payment Upon Unforeseeable Emergency.

(a) **General.** Notwithstanding any provision of the Plan to the contrary, if a Participant incurs an Unforeseeable Emergency, the Participant may elect to make a withdrawal from the Participant's account (even after distribution of the Participants accounts has commenced pursuant to Section 6.2. A withdrawal on account of Unforeseeable Emergency may be made if, as determined under regulations of the Secretary of the Treasury, the amounts withdrawn with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the withdrawal, after taking into account the extent to which such hardship is or may be relieved: (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or (3) by cessation of deferrals under the Plan.

(b) **Information Required.** A Participant who wishes to receive a distribution pursuant to this Section 6.10 shall apply for such distribution to the Plan Administrator and shall provide information to the Plan Administrator reasonably necessary to permit the Plan Administrator to determine whether an Unforeseeable Emergency exists and the amount of the distribution reasonably needed to satisfy the emergency need.

6.11 Payment Upon Re-Employment. This Section 6.11 shall apply to an individual who incurs a Separation from Service (if, at the time of such Separation from Service, such individual is a Participant), who is subsequently re-employed by the Company or an Affiliate and with respect to whom all amounts allocated to such Participant's accounts have not been paid out at the time of re-employment. Distributions of the amounts allocated to such Participant's accounts with respect to the Participant's participation before such re-employment shall be made in accordance with the distribution elections in effect immediately prior to such re-employment without regard to any subsequent Separation from Service, subject to the other provisions of this Article VI. If, pursuant to Section 3.2(d)

or Section 3.5(b), a Participant elects to make Deferrals or is eligible to receive Non-Elective Contribution Credits following such re-employment, such post re-employment Deferrals and Non-Elective Contribution Credits shall be subject to their own distribution elections made in accordance with Section 3.2(c)(3) and this Article VI.

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

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

ARTICLE VII SPIN-OFF FROM SEIP AND DEIP

7.1 General. In response to the enactment of Section 409A of the Code and pursuant to transitional guidance issued by the Internal Revenue Service and the Department of Treasury, deferrals and matching credits under SEIP and DEIP have been frozen and all amounts deferred and vested in those plans prior to January 1, 2005 have been “grandfathered” and thus are not subject to the requirements of Section 409A. The deferrals and matching credits made pursuant to SEIP and DEIP from January 1, 2005 through March 25, 2007, (and the earnings/losses thereon) were spun-off to the Plan as provided in this Article VII.

7.2 Amounts Spun-Off. All amounts credited to participant accounts in SEIP and DEIP on or after January 1, 2005 through March 25, 2007 and not fully distributed on or before April 1, 2007 were spun-off and allocated to Plan accounts, and were invested, as provided in Section 7.3. The amounts deferred prior to January 1, 2005 were determined in accordance with Q&A- 17 of IRS Notice 2005-1, proposed and final regulations, and any other applicable guidance issued by the Internal Revenue Service or the Department of Treasury.

7.3 Allocation and Investment of SEIP and DEIP Amounts. Amounts spun-off from SEIP and DEIP are allocated to accounts under the Plan in accordance with this Section 7.3.

(a) **SEIP.** Amounts deferred by participants under SEIP are allocated to the Participant’s Excess Deferral Account in the Plan. Matching credits made by the Company under SEIP are allocated to the Participant’s Excess Matching Credit Account in the Plan.

(b) **DEIP.** Amounts deferred by participants under DEIP are allocated to the Participant’s Supplemental Deferral Account in the Plan. Matching credits made by the Company under DEIP are allocated to the Participant’s Supplemental Matching Credit Account in the Plan.

(c) **Investments.** The amounts spun-off to the Plan in accordance with Section 7.2 are invested in accordance with Section 5.2(b)(2).

7.4 Deferral Elections. Deferral elections made by participants in DEIP and SEIP for amounts deferred in 2007 on and after March 26, 2007 shall apply to the Plan as provided in this Section 7.4.

(a) **SEIP.** Elections to defer Eligible Pay in 2007 under SEIP are considered Excess Deferral elections pursuant to the Plan, provided such elections otherwise comply with Section 409A of the Code and any transitional guidance issued by the Internal Revenue Service or the Department of Treasury.

(b) **DEIP.** Elections to defer Base Pay in 2007 and elections to defer Incentive Compensation paid in 2007 for any performance periods ending between July 1, 2006 and December 31, 2006 under DEIP are considered Supplemental Deferral elections pursuant to the Plan, provided such elections otherwise comply with Section 409A of the Code and any transitional guidance issued by the Internal Revenue Service or the Department of Treasury.

(c) **Investments.** The amounts deferred in accordance with this Section 7.4 are invested in accordance with Section 5.2(b)(2).

7.5 Distribution Elections.

(g) **Participants in Pay Status.** The distribution elections made pursuant to SEIP and/or DEIP in good faith compliance with Section 409A by the Participants identified in Section 6.7(b)(2)(i) shall continue to apply.

(h) **Other Participants.** All other individuals whom become Participants by virtue of the Spin-Off described in this Article VII shall make elections regarding the timing and form of distributions in accordance with Section 6.7.

7.6 Effective Date of Spin-Off. The Spin-Off described in this Article VII shall be effective as of 11:59:59 P.M. on March 25, 2007.

**ARTICLE VIII
ADMINISTRATION OF THE PLAN**

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

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

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

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

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

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

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

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

(h) **Electronic Administration.** The Plan Administrator shall have the authority to employ alternative means (including, but not limited to, electronic, internet, intranet, voice response or telephonic) by which

Participants may submit elections, directions and forms required for participation in, and the administration of, the Plan. If the Plan Administrator chooses to use these alternative means, any elections, directions or forms submitted in accordance with the rules and procedures promulgated by the Plan Administrator will be deemed to satisfy any provision of the Plan calling for the submission of a written election, direction or form.

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

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

8.2 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 IX AMENDMENT

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

9.2 Effect of Amendment. Any amendment of the Plan shall not directly or indirectly reduce the balance of any Plan account as of the effective date of such amendment.

9.3 Termination. The Company expressly reserves the right to terminate the Plan.

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

(b) **GSCS Termination**. Pursuant to the Company's authority to terminate the Plan, the Plan is irrevocably terminated with respect to all GSCS Participants upon the GSCS Closing Date and no GSCS Participant shall accrue any benefits under the Plan for any purpose after the GSCS Closing Date. Pursuant to termination of the Plan with respect to GSCS Participants pursuant to this Section 9.3, the balance in each GSCS Participant's account under the Plan shall be distributed to the GSCS Participant in a single lump-sum payment as soon as practicable after the GSCS Closing Date, but in no event later than December 31 next following the GSCS Closing Date. For purposes of the preceding sentence, the balance in each GSCS Participant's account shall be determined as of the Valuation Date occurring coincident with or next preceding the date of distribution. Termination of the Plan with respect to GSCS Participants will change the time at which distributions are made to GSCS Participants. Payments to GSCS Participants pursuant to this Section 9.3(b) are intended to comply with section 409A of the Code and applicable guidance issued thereunder.

ARTICLE X GENERAL PROVISIONS

10.1 Participant's Rights Unsecured. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any distributions hereunder. The right of a Participant or his or her designated beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor a designated beneficiary shall have any rights in or against any specific assets of the Company. All amounts credited to a Participant's accounts hereunder shall constitute general assets of the Company and may be disposed of by the Company at such time and for

such purposes as it may deem appropriate. Nothing in this Section shall preclude the Company from establishing a “Rabbi Trust,” but the assets in the Rabbi Trust must be available to pay the claims of the Company’s general creditors in the event of the Company’s insolvency.

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

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

10.4 Section 409A 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.

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

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

10.7 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.

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

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

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

shall be construed to limit a Participant's or the Plan Administrator's ability to make decisions or elections with regard to his or her participation in the Plan in the same manner as other Participants.

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

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

(a) **Generally.** Effective January 1, 2013, except as specified under this Section 10.12 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "beneficiary", "survivor", or "family member" (or any individual having a similar relationship to the Participant), the Plan Administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (b) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(b) **Definition of "Same-Sex Domestic Partner".** For purposes of this Section 10.12, the term "same-sex domestic partner" means the sole, same-sex person who is in a civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) **Exceptions.**

(1) **Determination of Unforeseeable Emergency.** Only a spouse recognized for purposes of federal law shall be considered a "spouse" for purposes of applying the definition of "Unforeseeable Emergency" in Section 1.1(xx).

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

10.13 Determination of "spouse". The term "spouse" means the person who is a Participant's spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any domestic relations order applicable to benefits payable under this Plan, a Participant's former spouse may be treated as the surviving spouse for purposes of this Plan.

**SOLAR TURBINES INCORPORATED
MANAGERIAL RETIREMENT
OBJECTIVE PLAN**

(As Amended and Restated as of December 10, 2014)

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SOLAR TURBINES INCORPORATED
MANAGERIAL RETIREMENT OBJECTIVE PLAN

PREAMBLE

Effective May 14, 1981, Solar Turbines Incorporated (the "Company") established the Solar Turbines Incorporated Managerial (and Professional) Retirement Objective Plan for the benefit of a select group of management or highly compensated employees of the Company. By a document dated April 7, 2008, the Company formally adopted the Solar Turbines Incorporated Managerial Retirement Objective Plan (the "Plan") as a continuation of such plan, effective as of January 1, 2005 to comply with the requirements of Section 409A of the Code and other applicable law. The Plan has been subsequently amended on three occasions by separate documents dated July 16, 2009, November 4, 2010, and December 13, 2012. Pursuant to its amendment authority with respect to the Plan, Caterpillar Inc. hereby adopts this amendment and restatement of the Plan effective as of January 1, 2013.

This amended and restated Plan is effective as of the dates stated herein.

ARTICLE I
DEFINITIONS

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

(a) "**409A Effective Date**" means January 1, 2005.

(b) "**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.

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

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

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

(1) **On or After 409A Effective Date But Prior to January 1, 2009.** On or after the 409A 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).

(f) “ **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).

(g) “ **Board** ” means the Board of Directors of the Company, or any authorized committee of the Board.

(h) “ **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.

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

(j) “ **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.

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

(l) “ **Effective Date** ” means January 1, 2013.

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

(n) “ **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.

(o) “ **Participant** ” means an employee of the Company or any Adopting Affiliate who satisfies the eligibility requirements for participation in the Plan.

(p) “ **Plan** ” means the Solar Turbines Incorporated Managerial Retirement Objective Plan, as set forth herein and as it may be amended from time to time.

(q) “ **Plan Administrator** ” means Caterpillar Inc.

(r) “ **Plan Year** ” means the calendar year.

(s) “ **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.

(t) “ **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.

(u) “ **SRP** ” means the applicable supplement of the Caterpillar Inc. Retirement Income Plan that reflects the provisions and benefits of the Solar Turbines Incorporated Retirement Plan on and after the merger of the Solar Turbines Incorporated Retirement Plan with and into the Caterpillar Inc. Retirement Income Plan effective as of 11:59 PM CST on December 31, 2014, as it may be amended from time to time.

(v) “ **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.

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. In no event, however, will any benefit amounts determined pursuant to Section 3.2 include any actuarial increases if the Participant's termination of employment or death occurs on or after the later of (a) the Participant's attainment of age 65 or (b) the Participant's fifth anniversary of the date he or she commenced participation under SRP, even if the Participant's benefit amounts payable under SRP would be determined by including such actuarial increases. 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:

(3) **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.

(4) **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.

(5) **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 its 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) joint and survivor annuity (as determined in accordance with the applicable assumptions in effect under SRP), 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. In no event, however, will any benefit amounts payable under this Plan be adjusted for actuarial increases if the Participant's Benefit Payment Date occurs on or after the later of (a) the Participant's attainment of age 65 or (b) the Participant's fifth anniversary of the date he or she commenced participation under SRP, even if the Participant's benefit amounts payable under SRP would be adjusted for such actuarial 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 409A 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 409A 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) 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). 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.

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.

(e) **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 it may reasonably require in order to perform its functions. The Plan Administrator may rely without question upon any such data or information.

(f) **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.

(g) **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.

(h) **Insurance**. The Company may purchase liability insurance to cover its activities as the Plan Administrator.

(i) **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.

(j) **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.

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

(l) **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.

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

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

ARTICLE VII AMENDMENT

7.1 **Amendment**. Subject to the provisions of this Article VII, the Company and the Company's parent, Caterpillar Inc., each may amend the Plan at any time as designated by a written instrument duly adopted on behalf of the Company or Caterpillar Inc., as applicable.

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

7.3 **Termination**. The Company and the Company's parent, Caterpillar Inc., each expressly reserve the right to terminate the Plan. In the event of termination, the Company or Caterpillar Inc., as applicable, shall specify whether termination will change the time at which distributions are made; provided that any acceleration of a distribution is consistent with Section 409A of the Code. In the absence of such specification, the timing of distributions shall be unaffected by termination.

ARTICLE VIII GENERAL PROVISIONS

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

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

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

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

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

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

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

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

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

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

8.11 Plan Freeze. As a result of the freeze of SRP, benefit accruals will be frozen under the Plan. This Section 8.11 provides clarification regarding the freeze of the Plan. Effective January 1, 2020, benefit accruals under the Plan shall cease for all Participants. No Participants shall accrue any benefits under the Plan for any period of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive credited service for any period of employment on or after such date for purposes of determining his or her vesting under Section 4.1 and his or her eligibility to commence benefits under Section 5.2(d).

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

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

(b) **Definition of "Same-Sex Domestic Partner".** For purposes of this Section 8.12, the term "same-sex domestic partner" means the sole, same-sex person who is in a civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the "same-sex domestic partner" shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized

for purposes of federal law, no person will qualify as the Participant's same-sex domestic partner unless such Participant's marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(c) **Exceptions.**

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

(2) **Determination of Unforeseeable Emergency**. Only a spouse recognized for purposes of federal law shall be considered a "spouse" for purposes of applying the definition of "Unforeseeable Emergency" in Section 1.1(v).

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

8.13 Determination of "Spouse". The term "spouse" means the person who is a Participant's spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any Domestic Relations Order applicable to benefits payable under this Plan, a Participant's former spouse may be treated as the surviving spouse for purposes of this Plan.

Solar Turbines Incorporated Pension Plan

For

European Foreign Service Employees

(Amended and Restated as of December 10, 2014)

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PREAMBLE

The Solar Turbines Incorporated Pension Plan for European Foreign Service Employees (the “Plan”) was established as of January 1, 1987. The Plan has been and is intended to be an unfunded plan maintained primarily to provide retirement benefits for a select group of management employees or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, and Department of Labor Regulations 29 C.F.R. §2520.104-23, and shall be so construed. This Plan is effective as of January 1, 2005.

Effective June 1, 2011, participation in the Plan is frozen. Any individual who was not a Participant in the Plan on or before May 31, 2011 is not eligible to become a participant in the Plan after such date.

Effective January 1, 2020, benefit accruals under the Plan shall cease for all Participants. No one shall accrue any benefits under the Plan for any period of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive service credit for any period of employment on or after such date for purposes of determining the Participant’s vesting and eligibility to commence benefits under the Plan.

This amended and restated Plan is effective as of the dates stated herein.

ARTICLE I DEFINITIONS

1.1 “Accrued Benefit” or “Accrued Retirement Benefit” means, as of any date, the Retirement Benefit computed in accordance with Article IV, based on the Participant’s Pensionable Earnings on such date, and assuming termination occurred on the Normal Retirement Date, multiplied by a fraction. The numerator of the fraction shall be the Participant’s actual years of Credited Service and the denominator shall be the years of Credited Service he would have completed if he had continued in employment until his Normal Retirement Date.

1.2 “Actuarial Equivalent” means the value of the Retirement Benefit otherwise payable to a Participant determined in accordance with the actuarial equivalent factors selected by the Company and in effect at the time the computation is made.

1.3 “Annuity Commencement Date” means the first day of the month in which a Participant’s Retirement Benefit is due to commence pursuant to the provisions of the Plan.

1.4 “Associate Employer” means Caterpillar Inc. its subsidiaries and divisions, excluding Solar Turbines Incorporated, its subsidiaries and divisions.

1.5 “Beneficiary” means the person designated in writing by a Participant to receive any death benefit payments hereunder.

1.6 “Code” means the U.S. Internal Revenue Code of 1986, as amended.

1.7 “Company” means Solar Turbines Incorporated and all of its subsidiaries and divisions.

1.8 “Compensation” means the amount of base salary paid to a Participant in a month during which he is an EFSE and a Participant under the provisions of this Plan; subject to the following:

For Participants who are eligible for the Company’s Target Total Cash Compensation under plans in effect on and after January 1, 1985, Compensation will include a Participant’s job rate, performance incentive, merit alternative if applicable, bookings, margin and/or revenue incentives. However, the cumulative total of bookings, margin and/or revenue incentives earned for the includable period cannot exceed the cumulative total of the related bookings, margin or revenue incentive target amount for the same period.

Payments for bonus, premiums, living allowance, differentials or any other additional compensation will not be included.

1.9 “Converted Pension” means the retirement benefit due a Participant or Beneficiary and converted into a currency other than U.S. Dollars. A “Converted Pension” election can be exercised only at the time a benefit is due from the Plan and must be approved by the Company. Once a “Converted Pension” payment is selected and approved it is irrevocable.

1.10 “Credited Service” means all full years and full months of continuous service, not to exceed 35 years, with the Company while an EFSE and a Participant under the provisions of this Plan. Time spent on an approved paid leave of absence shall be considered as continuous service for purposes of this Plan, provided the leave is ended by return to work, retirement, death or disability.

Time spent on approved unpaid leave of absence in excess of 30 days for other than total disability, shall be deducted from continuous service. A Participant who fails to return to work from an approved leave of absence shall be considered as having terminated his employment on the last day that he was at work.

Once an employee is designated as an EFSE, all prior credited service under a Company Sponsored Pension Plan shall be considered Credited Service for the purpose of accruing benefits under this Plan. However, for Employees who are designated as EFSEs on or after July 1, 1999, Credited Service shall only include continuous service while an EFSE.

Notwithstanding the foregoing, Participants shall not receive Credited Service for benefit accrual purposes for any periods of employment on or after January 1, 2020. For avoidance of doubt, a Participant shall continue to receive Credited Service for any period of service on or after January 1, 2020 for purposes of determining the Participant’s vesting and eligibility to commence benefits under the Plan.

1.11 “Disability” means total and permanent disability of a Participant due to bodily or mental injury, sickness or disease, which prevents him from engaging in any employment or occupation for remuneration or profit for more than six months. Such total disability shall be determined on the basis of a medical examination by a qualified physician selected by the Company.

The definition of Disability shall not include illness or injury resulting from:

- (A) chronic alcoholism; or
- (B) addiction to narcotics; or
- (C) injury suffered while engaged in a felonious or criminal act or enterprise; or
- (D) service in the armed forces; or
- (E) participation in war or act of war.

1.12 “European Foreign Service Employee (EFSE)” means an employee designated as such by the Company.

1.13 “Married Participant” means a Participant who is lawfully married on the date Retirement Benefits become payable pursuant to Articles IV, V or VI.

1.14 “Participant” means an Employee designated pursuant to Article II and who continues to be entitled to any benefits under the Plan.

1.15 "Pensionable Earnings" means the average Compensation which has been paid to a Participant on account of continuous service during those 36 consecutive months of EFSE employment, included within the last 60 full months of his EFSE employment prior to Normal Retirement (or actual period of employment, if less) for which he received his highest compensation during such periods.

A Participant who has ten (10) years or more of continuous service and who is over fifty-five (55) years of age, is transferred prior to retirement to a part-time status without interruption of continuity of service, his Pensionable Earnings shall be determined by the Company as if such employee has retired when placed on a part-time status.

Notwithstanding the foregoing, Pensionable Earnings shall not include Compensation earned or paid on or after January 1, 2020.

1.16 "Plan" means the Solar Turbines Incorporated Pension Plan for European Foreign Service Employees as herein set forth and as it may thereafter be amended from time to time.

1.17 "Plan Year" means the 12 month period beginning January 1.

1.18 "Social Security Benefit" means all benefits (including the actuarial equivalent of lump sum benefits expressed as a lifetime pension) available to the Participant as of his Normal Retirement Date under the provisions of governmental, provincial or state Social Security Act(s). If a Participant terminates his employment before Normal Retirement, his Social Security Benefit will be estimated by assuming: a) that he will receive no further earnings if he then satisfies the requirements for Early Retirement or Disability Retirement under Article III; or b) that his earnings will continue at the same rate as in effect on the date of termination of employment if he does not then satisfy the requirements for Early Retirement or Disability Retirement under Article III.

The Company may adopt rules governing the computation of such amounts, and the fact that the Participant does not actually receive such amounts because of failure to apply, or continuance of 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); provided, however, that any monthly benefits paid under the applicable supplement of RIP that reflects the provisions and benefits of the Solar Turbines Incorporated Retirement Plan on and after the merger of the Solar Turbines Incorporated Retirement Plan with and into the RIP effective as of 11:59 PM CST on December 31, 2014 shall be included in 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.

1. 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.

2. 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

1. 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:

<u>Years of Credited Service</u>	<u>Vested %</u>
less than 5	0
5 or more	100

10.2 A Participant whose employment is terminated for any reason, other than Death, Disability, prior to the completion of 5 Years of Credited Service shall cease to be a Participant; his Accrued Retirement Benefit will be cancelled, and he shall not be entitled to any benefits under the Plan.

10.3 If the Company decides that a Participant is no longer eligible, the Participant’s Accrued Benefit shall be frozen until he qualifies for a pension under any provision in Article III.

10.4 Should a Participant resign or be discharged before satisfaction of the requirements for a pension under Article III, no person shall have any vested claim to benefits under this Plan except as provided in Section 10.1. Should any Participant die after becoming eligible for retirement benefits under the Plan, no person shall have any claim to benefits under this Plan except as provided by the Participant through the selection of an optional annuity as prescribed by the Company.

10.5 Any Participant who leaves the employ of the Company and is subsequently reemployed shall be considered, for purposes of this Plan, as a new Employee from the date of his reemployment, unless otherwise determined by the Company.

10.6 For the calculation of credited service, all service as a European Foreign Service Employee or previously known as International Employees or European Employees shall be counted.

**ARTICLE XI
CONTRIBUTIONS**

11.1 Employer Contributions. For periods before the effective date of this amended and restated Plan, this Section is intended to clarify the Plan as in effect since it was established. Subject to Section 14.1, the Company will contribute to an insurance contract such amounts as it considers appropriate based on actuarial calculations to provide the benefits under this Plan. The Company is under no obligation to make any contributions under the Plan after the Plan is terminated, whether or not benefits accrued or vested prior to such date or termination have been fully funded.

ARTICLE XII
ADMINISTRATION OF THE PLAN

12.1 This Plan is administered by the Company.

The Company shall have the power and authority to interpret the provisions of this Plan and to devise and make effective from time to time such procedures as may, in its judgment, be advisable and necessary to carry out said provisions. Whenever, in the Company's opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Company may direct payments to such person or to his legal representative for his benefit, or to apply the payment for the benefit of such person in such manner as the Company considers advisable. Determination by the Company as to the interpretation and application of this Plan shall be conclusive on all parties and its action shall not be subject to any review.

The Company reserves the right to carefully review the situation of each employee and if necessary, to modify the provisions of this Plan to adapt the underlying philosophy and objectives to a particular employee or employment situation.

Nothing contemplated herein shall be inconsistent with any applicable provisions of Code Section 409A.

ARTICLE XIII
AMENDMENT OR TERMINATION

13.1 Subject to the provisions of this Article XIII, the Company and the Company's parent, Caterpillar Inc., each may amend the Plan at any time as designated by a written instrument duly adopted on behalf of the Company or Caterpillar Inc., as applicable. However, no amendment or modification shall make it possible to deprive any Participant of a previous Accrued Vested Retirement Benefit.

No amendment which becomes effective subsequent to the most recent retirement or other termination of employment of a Participant, shall in any way affect the amount or conditions of payment of any benefit to which such Participant is, or may become, entitled hereunder, except to the extent expressly so provided in such amendment.

13.2 While the Company and the Company's parent, Caterpillar Inc., intend to continue the Plan indefinitely, nevertheless they assume no contractual obligation as to its continuance and the Company or Caterpillar Inc., each may terminate the Plan.

However, if for any unforeseen reason the Plan is terminated, the Participant retains the right to the Accrued Vested Retirement Benefit determined as of the date of termination.

ARTICLE XIV
GENERAL PROVISIONS

14.1 For periods before the effective date of this amended and restated Plan, this Section is intended to clarify the Plan as in effect since it was established. To the extent that the Company acquires or holds designated assets in connection with its obligation hereunder (including the insurance contract described in Section 11.1), the Plan at all times shall nonetheless be entirely unfunded, and the right of a Participant or his Beneficiary to receive benefits under the Plan shall be an unsecured claim against such assets. All amounts accrued by Participants hereunder, or designated assets acquired or held by the Company in connection with its obligation hereunder, shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. The Company will make contributions to an insurance contract pursuant to Section 11.1, but any assets thereof shall be available to pay the claims of the Company's general creditors in the event of the Company's insolvency.

14.2 This Plan shall not be deemed to constitute a contract between the Company and any Employee or other person whether or not in the employ of the Company, nor shall anything herein contained be deemed to give any Employee or other person, whether or not in the employ of the Company, any right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge any Employee at any time and to treat him without regard to the effect which such treatment might have upon him as Participant of the Plan.

14.3 Except as may otherwise be provided by law, no distribution or payment under the Plan to any Participant or Beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment, voluntarily or involuntarily.

The Company, in its discretion, may hold, or cause to be held or applied, such distribution or payment or any part thereof to or for the benefit of such Participant or Beneficiary, in such manner as the Company shall direct.

14.4 If the Company determines that any person entitled to payments under the Plan is an infant, or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for the benefit of the person entitled to payment, without responsibility to follow applications of amounts so paid.

14.5 Subject to Section 14.1, the insurance contract and other designated assets acquired and held by the Company in connection with its obligation hereunder shall be the sole source of benefits under this Plan, and each Employee, Participant, Beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the insurance contract and such assets for payment of benefits. The Company shall have no further liability to make or continue from its own funds the payment of any benefit under the Plan.

14.6 If it is determined that the benefits under the Plan should be have been paid or should have been paid in a lesser amount, written notice thereof shall be given to the recipient of such benefits (or his legal representative) and he shall repay the amount of overpayment to the Company. If he fails to repay such amount of overpayment promptly, the Company shall arrange to recover for the Plan the amount of the overpayment by making an appropriate deduction or deductions from any future benefit payment or payments payable to that person (or his survivor or beneficiary) under the Plan or from any other benefit plan of the Company.

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

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

(A) Generally . Except as specified under this Section 14.8 or as prohibited by applicable law, to the extent the Plan provides for any benefit, right, feature, restriction, or obligation relating to, or upon, a Participant's "spouse", "Beneficiary", "survivor", or "surviving spouse" (or any individual having a similar relationship to the Participant), the Plan administrator shall also apply such benefit, right, feature, restriction, or obligation to a Participant's "same-sex domestic partner" (as defined in (B) below) in a uniform and non-discriminatory manner that is similar to how an opposite-gender spouse would be treated under the Plan.

(B) Definition of "Same-Sex Domestic Partner" . For purposes of this Section 14.8, the term "same-sex domestic partner" means the sole, same-sex person who is in a civil union, domestic partnership, or legal relationship similar thereto, with the Participant as recognized under the laws of the federal government or a state government of the United States of America, including its territories and possessions and the District of Columbia (or, with respect to any other country, legally recognized by the equivalent government(s) thereof). The Plan shall continue to treat such relationship as a same-sex domestic

partnership, regardless of whether the Participant and his same-sex domestic partner remain in the jurisdiction where the relationship was legally entered into. In the event more than one person meets this definition for a given Participant, then the “same-sex domestic partner” shall be the person who first met the criteria in this definition. Notwithstanding anything herein to the contrary, if a Participant has a spouse recognized for purposes of federal law, no person will qualify as the Participant’s same-sex domestic partner unless such Participant’s marriage to such spouse is first lawfully dissolved. Except with respect to determining the length of time the same-sex domestic partner has satisfied the definition of same-sex domestic partner under the Plan, a Participant shall be considered to have a same-sex domestic partner only with respect to periods beginning on or after January 1, 2013, regardless of when such same-sex partnership was created.

(C) Domestic Relations Orders. Only a spouse recognized for purposes of federal law or another “alternate payee” (as defined under Section 414(p) of the Code) may enforce a domestic relations order against the Plan or a Participant’s interests hereunder pursuant to Section 14.7.”

14.9 Determination of “spouse”. The term “spouse” means the person who is a Participant’s spouse for federal tax purposes pursuant to applicable Internal Revenue Service guidance; provided, however, that effective on and after June 26, 2013, the term spouse shall include a lawful same-sex spouse recognized by a state or other jurisdiction in which the ceremony establishing the marital relationship was performed - even if the Participant and spouse now reside in a state or other jurisdiction that does not recognize same-sex marriage. To the extent provided in any domestic relations order applicable to benefits payable under this Plan, a Participant’s former spouse may be treated as the surviving spouse for purposes of this Plan.

**CATERPILLAR INC.
AND ITS SUBSIDIARIES**

COMPUTATIONS OF EARNINGS PER SHARE

FOR THE YEARS ENDED DECEMBER 31,

(Dollars in millions except per share data)

	2014	2013	2012
Profit for the period (A) ⁽¹⁾	\$ 3,695	\$ 3,789	\$ 5,681
Determination of shares (in millions):			
Weighted average number of common shares outstanding (B)	617.2	645.2	652.6
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	11.7	13.4	17.0
Average common shares outstanding for fully diluted computation (C) ⁽²⁾	628.9	658.6	669.6
Profit per share of common stock:			
Assuming no dilution (A/B)	\$ 5.99	\$ 5.87	\$ 8.71
Assuming full dilution (A/C) ⁽²⁾	\$ 5.88	\$ 5.75	\$ 8.48
Shares outstanding as of December 31 (in millions)	606.2	637.8	655.0

⁽¹⁾ Profit attributable to common stockholders.

⁽²⁾ Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

**CATERPILLAR INC.
AND CONSOLIDATED SUBSIDIARIES**

**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of dollars)**

YEARS ENDED DECEMBER 31,

	2014	2013	2012	2011	2010
Earnings ⁽¹⁾	\$ 5,083	\$ 5,128	\$ 8,236	\$ 6,725	\$ 3,750
Plus: Interest expense	1,108	1,192	1,264	1,222	1,257
One-third of rental expense ⁽²⁾	127	145	158	143	120
Adjusted Earnings	<u>6,318</u>	<u>6,465</u>	<u>9,658</u>	<u>8,090</u>	<u>5,127</u>
Fixed charges:					
Interest expense ⁽³⁾	1,108	1,192	1,264	1,222	1,257
Capitalized interest	13	25	26	18	26
One-third of rental expense ⁽²⁾	127	145	158	143	120
Total fixed charges	<u>\$ 1,248</u>	<u>\$ 1,362</u>	<u>\$ 1,448</u>	<u>\$ 1,383</u>	<u>\$ 1,403</u>
Ratio of earnings to fixed charges	5.1	4.7	6.7	5.8	3.7

⁽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

**CATERPILLAR INC.
GENERAL AND FINANCIAL INFORMATION
2014**

A- 1

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**MANAGEMENT’S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Management assessed the effectiveness of the company’s internal control over financial reporting as of December 31, 2014 . 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* (2013). Based on our assessment we concluded that, as of December 31, 2014 , the company’s internal control over financial reporting was effective based on those criteria.

The effectiveness of the company’s internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their report appears on page A-4.

/s/Douglas R. Oberhelman

Douglas R. Oberhelman
Chairman of the Board
and Chief Executive Officer

/s/Bradley M. Halverson

Bradley M. Halverson
Group President
and Chief Financial Officer

February 17, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Caterpillar Inc.:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of results of operations, comprehensive income, changes in stockholders' equity, and of cash flow, including pages A-5 through A-97, present fairly, in all material respects, the financial position of Caterpillar Inc. and its subsidiaries at December 31, 2014, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 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, 2014, based on criteria established in Internal Control - Integrated Framework (2013) 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.

/s/PricewaterhouseCoopers LLP

Peoria, Illinois
February 17, 2015

STATEMENT 1

Caterpillar Inc.

Consolidated Results of Operations for the Years Ended December 31

(Dollars in millions except per share data)

	2014	2013	2012
Sales and revenues:			
Sales of Machinery, Energy & Transportation	\$ 52,142	\$ 52,694	\$ 63,068
Revenues of Financial Products	3,042	2,962	2,807
Total sales and revenues	55,184	55,656	65,875
Operating costs:			
Cost of goods sold	39,767	40,727	47,055
Selling, general and administrative expenses	5,697	5,547	5,919
Research and development expenses	2,135	2,046	2,466
Interest expense of Financial Products	624	727	797
Goodwill impairment charge	—	—	580
Other operating (income) expenses	1,633	981	485
Total operating costs	49,856	50,028	57,302
Operating profit	5,328	5,628	8,573
Interest expense excluding Financial Products	484	465	467
Other income (expense)	239	(35)	130
Consolidated profit before taxes	5,083	5,128	8,236
Provision (benefit) for income taxes	1,380	1,319	2,528
Profit of consolidated companies	3,703	3,809	5,708
Equity in profit (loss) of unconsolidated affiliated companies	8	(6)	14
Profit of consolidated and affiliated companies	3,711	3,803	5,722
Less: Profit (loss) attributable to noncontrolling interests	16	14	41
Profit ¹	\$ 3,695	\$ 3,789	\$ 5,681
Profit per common share	\$ 5.99	\$ 5.87	\$ 8.71
Profit per common share — diluted ²	\$ 5.88	\$ 5.75	\$ 8.48
Weighted-average common shares outstanding (millions)			
- Basic	617.2	645.2	652.6
- Diluted ²	628.9	658.6	669.6
Cash dividends declared per common share	\$ 2.70	\$ 2.32	\$ 2.02

¹ Profit attributable to common stockholders.² Diluted by assumed exercise of stock-based compensation awards, using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

STATEMENT 2

Caterpillar Inc.

Consolidated Comprehensive Income for the Years Ended December 31
(Millions of dollars)

	2014	2013	2012
Profit of consolidated and affiliated companies	\$ 3,711	\$ 3,803	\$ 5,722
Other comprehensive income (loss), net of tax:			
Foreign currency translation, net of tax (provision)/benefit of: 2014 - \$(78); 2013 - \$57; 2012 - \$9	(1,164)	(277)	60
Pension and other postretirement benefits:			
Current year actuarial gain (loss), net of tax (provision)/benefit of: 2014 - \$838; 2013 - \$(1,232); 2012 - \$372	(1,578)	2,277	(731)
Amortization of actuarial (gain) loss, net of tax (provision)/benefit of: 2014 - \$(175); 2013 - \$(265); 2012 - \$(243)	344	516	458
Current year prior service credit (cost), net of tax (provision)/benefit of: 2014 - \$(2); 2013 - \$(2); 2012 - \$(12)	4	3	23
Amortization of prior service (credit) cost, net of tax (provision)/benefit of: 2014 - \$13; 2013 - \$19; 2012 - \$17	(25)	(35)	(31)
Amortization of transition (asset) obligation, net of tax (provision)/benefit of: 2014 - \$0; 2013 - \$(1); 2012 - \$(1)	—	1	1
Derivative financial instruments:			
Gains (losses) deferred, net of tax (provision)/benefit of: 2014 - \$69; 2013 - \$2; 2012 - \$29	(118)	(4)	(48)
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2014 - \$(2); 2013 - \$(25); 2012 - \$(10)	4	41	16
Available-for-sale securities:			
Gains (losses) deferred, net of tax (provision)/benefit of: 2014 - \$(12); 2013 - \$(15); 2012 - \$(13)	24	29	26
(Gains) losses reclassified to earnings, net of tax (provision)/benefit of: 2014 - \$11; 2013 - \$6; 2012 - \$1	(24)	(13)	(3)
Total other comprehensive income (loss), net of tax	(2,533)	2,538	(229)
Comprehensive income	1,178	6,341	5,493
Less: comprehensive income attributable to the noncontrolling interests	(16)	(17)	(24)
Comprehensive income attributable to stockholders	\$ 1,162	\$ 6,324	\$ 5,469

See accompanying notes to Consolidated Financial Statements.

STATEMENT 3

Caterpillar Inc.

Consolidated Financial Position at December 31

(Dollars in millions)

	2014	2013	2012
Assets			
Current assets:			
Cash and short-term investments	\$ 7,341	\$ 6,081	\$ 5,490
Receivables – trade and other	7,737	8,413	9,706
Receivables – finance	9,027	8,763	8,860
Deferred and refundable income taxes	1,739	1,553	1,547
Prepaid expenses and other current assets	818	900	988
Inventories	12,205	12,625	15,547
Total current assets	38,867	38,335	42,138
Property, plant and equipment – net	16,577	17,075	16,461
Long-term receivables – trade and other	1,364	1,397	1,316
Long-term receivables – finance	14,644	14,926	14,029
Investments in unconsolidated affiliated companies	257	272	272
Noncurrent deferred and refundable income taxes	1,404	594	2,011
Intangible assets	3,076	3,596	4,016
Goodwill	6,694	6,956	6,942
Other assets	1,798	1,745	1,785
Total assets	\$ 84,681	\$ 84,896	\$ 88,970
Liabilities			
Current liabilities:			
Short-term borrowings:			
Machinery, Energy & Transportation	\$ 9	\$ 16	\$ 636
Financial Products	4,699	3,663	4,651
Accounts payable	6,515	6,560	6,753
Accrued expenses	3,548	3,493	3,667
Accrued wages, salaries and employee benefits	2,438	1,622	1,911
Customer advances	1,697	2,360	2,638
Dividends payable	424	382	—
Other current liabilities	1,754	1,849	2,055
Long-term debt due within one year:			
Machinery, Energy & Transportation	510	760	1,113
Financial Products	6,283	6,592	5,991
Total current liabilities	27,877	27,297	29,415
Long-term debt due after one year:			
Machinery, Energy & Transportation	9,493	7,999	8,666
Financial Products	18,291	18,720	19,086
Liability for postemployment benefits	8,963	6,973	11,085
Other liabilities	3,231	3,029	3,136
Total liabilities	67,855	64,018	71,388
Commitments and contingencies (Notes 21 and 22)			
Stockholders' equity			
Common stock of \$1.00 par value:			
Authorized shares: 2,000,000,000			
Issued shares: (2014, 2013 and 2012 – 814,894,624 shares) at paid-in amount	5,016	4,709	4,481
Treasury stock: (2014 – 208,728,065 shares; 2013 – 177,072,282 shares; and 2012 – 159,846,131 shares) at cost	(15,726)	(11,854)	(10,074)
Profit employed in the business	33,887	31,854	29,558
Accumulated other comprehensive income (loss)	(6,431)	(3,898)	(6,433)
Noncontrolling interests	80	67	50
Total stockholders' equity	16,826	20,878	17,582
Total liabilities and stockholders' equity	\$ 84,681	\$ 84,896	\$ 88,970

STATEMENT 4

Caterpillar Inc.

Changes in Consolidated Stockholders' Equity for the Years Ended December 31

(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance at January 1, 2012	\$ 4,273	\$ (10,281)	\$ 25,219	\$ (6,328)	\$ 46	\$ 12,929
Profit of consolidated and affiliated companies	—	—	5,681	—	41	5,722
Foreign currency translation, net of tax	—	—	—	83	(23)	60
Pension and other postretirement benefits, net of tax	—	—	—	(285)	5	(280)
Derivative financial instruments, net of tax	—	—	—	(32)	—	(32)
Available-for-sale securities, net of tax	—	—	—	22	1	23
Change in ownership from noncontrolling interests	—	—	—	—	(4)	(4)
Dividends declared	—	—	(1,319)	—	—	(1,319)
Distribution to noncontrolling interests	—	—	—	—	(6)	(6)
Common shares issued from treasury stock for stock-based compensation: 7,515,149	(155)	207	—	—	—	52
Stock-based compensation expense	245	—	—	—	—	245
Net excess tax benefits from stock-based compensation	192	—	—	—	—	192
Cat Japan share redemption ¹	(74)	—	(23)	107	(10)	—
Balance at December 31, 2012	\$ 4,481	\$ (10,074)	\$ 29,558	\$ (6,433)	\$ 50	\$ 17,582
Profit of consolidated and affiliated companies	—	—	3,789	—	14	3,803
Foreign currency translation, net of tax	—	—	—	(280)	3	(277)
Pension and other postretirement benefits, net of tax	—	—	—	2,762	—	2,762
Derivative financial instruments, net of tax	—	—	—	37	—	37
Available-for-sale securities, net of tax	—	—	—	16	—	16
Change in ownership from noncontrolling interests	(6)	—	—	—	13	7
Dividends declared	—	—	(1,493)	—	—	(1,493)
Distribution to noncontrolling interests	—	—	—	—	(13)	(13)
Common shares issued from treasury stock for stock-based compensation: 6,258,692	(92)	220	—	—	—	128
Stock-based compensation expense	231	—	—	—	—	231
Net excess tax benefits from stock-based compensation	95	—	—	—	—	95
Common shares repurchased: 23,484,843 ²	—	(2,000)	—	—	—	(2,000)
Balance at December 31, 2013	\$ 4,709	\$ (11,854)	\$ 31,854	\$ (3,898)	\$ 67	\$ 20,878

(Continued)

STATEMENT 4

Caterpillar Inc.

Changes in Consolidated Stockholders' Equity for the Years Ended December 31

(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Balance at December 31, 2013	\$ 4,709	\$ (11,854)	\$ 31,854	\$ (3,898)	\$ 67	\$ 20,878
Profit of consolidated and affiliated companies	—	—	3,695	—	16	3,711
Foreign currency translation, net of tax	—	—	—	(1,164)	—	(1,164)
Pension and other postretirement benefits, net of tax	—	—	—	(1,255)	—	(1,255)
Derivative financial instruments, net of tax	—	—	—	(114)	—	(114)
Available-for-sale securities, net of tax	—	—	—	—	—	—
Change in ownership from noncontrolling interests	—	—	—	—	4	4
Dividends declared	—	—	(1,662)	—	—	(1,662)
Distribution to noncontrolling interests	—	—	—	—	(7)	(7)
Common shares issued from treasury stock for stock-based compensation : 1 0,106,542	(127)	366	—	—	—	239
Stock-based compensation expense	254	—	—	—	—	254
Net excess tax benefits from stock-based compensation	180	—	—	—	—	180
Common shares repurchased: 41,762,325 ²	—	(4,238)	—	—	—	(4,238)
Balance at December 31, 2014	\$ 5,016	\$ (15,726)	\$ 33,887	\$ (6,431)	\$ 80	\$ 16,826

¹ See Note 25 regarding the Cat Japan share redemption.² See Note 16 regarding shares repurchased.

See accompanying notes to Consolidated Financial Statements.

STATEMENT 5

Caterpillar Inc.

Consolidated Statement of Cash Flow for the Years Ended December 31
(Millions of dollars)

	2014	2013	2012
Cash flow from operating activities:			
Profit of consolidated and affiliated companies	\$ 3,711	\$ 3,803	\$ 5,722
Adjustments for non-cash items:			
Depreciation and amortization	3,163	3,087	2,813
Net (gain)/loss from sale of businesses and investments	4	(68)	(630)
Goodwill impairment charge	—	—	580
Other	549	550	439
Changes in assets and liabilities, net of acquisitions and divestitures:			
Receivables — trade and other	163	835	(15)
Inventories	101	2,658	(1,149)
Accounts payable	222	134	(1,868)
Accrued expenses	(10)	(108)	126
Accrued wages, salaries and employee benefits	901	(279)	(490)
Customer advances	(593)	(301)	83
Other assets — net	(300)	(49)	252
Other liabilities — net	146	(71)	(679)
Net cash provided by (used for) operating activities	8,057	10,191	5,184
Cash flow from investing activities:			
Capital expenditures — excluding equipment leased to others	(1,539)	(2,522)	(3,350)
Expenditures for equipment leased to others	(1,840)	(1,924)	(1,726)
Proceeds from disposals of leased assets and property, plant and equipment	904	844	1,117
Additions to finance receivables	(11,278)	(11,422)	(12,010)
Collections of finance receivables	9,841	9,567	8,995
Proceeds from sale of finance receivables	177	220	132
Investments and acquisitions (net of cash acquired)	(30)	(195)	(618)
Proceeds from sale of businesses and investments (net of cash sold)	199	365	1,199
Proceeds from sale of securities	810	449	306
Investments in securities	(825)	(402)	(402)
Other — net	(46)	(26)	167
Net cash provided by (used for) investing activities	(3,627)	(5,046)	(6,190)
Cash flow from financing activities:			
Dividends paid	(1,620)	(1,111)	(1,617)
Distribution to noncontrolling interests	(7)	(13)	(6)
Contribution from noncontrolling interests	4	—	—
Common stock issued, including treasury shares reissued	239	128	52
Treasury shares purchased	(4,238)	(2,000)	—
Excess tax benefit from stock-based compensation	182	96	192
Acquisitions of redeemable noncontrolling interests	—	—	(444)
Acquisitions of noncontrolling interests	—	—	(5)
Proceeds from debt issued (original maturities greater than three months):			
- Machinery, Energy & Transportation	1,994	195	2,209
- Financial Products	8,655	9,133	13,806
Payments on debt (original maturities greater than three months):			
- Machinery, Energy & Transportation	(785)	(1,769)	(1,107)
- Financial Products	(8,463)	(9,101)	(9,940)
Short-term borrowings — net (original maturities three months or less)	1,043	(69)	466
Net cash provided by (used for) financing activities	(2,996)	(4,511)	3,606
Effect of exchange rate changes on cash	(174)	(43)	(167)
Increase (decrease) in cash and short-term investments	1,260	591	2,433
Cash and short-term investments at beginning of period	6,081	5,490	3,057
Cash and short-term investments at end of period	\$ 7,341	\$ 6,081	\$ 5,490

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: In 2012, \$1,325 million of debentures with varying interest rates and maturity dates were exchanged for \$1,722 million of 3.803% debentures due in 2042 and \$179 million of cash. The \$179 million of cash paid is included in Other liabilities — net in the operating activities section of the Consolidated Statement of Cash Flow.

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, Energy & Transportation – Represents the aggregate total of Construction Industries, Resource Industries, Energy & Transportation and All Other operating 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 Financial Insurance Services (Insurance Services) and their respective subsidiaries.

Our products are sold primarily under the brands "Caterpillar," "CAT," design versions of "CAT" and "Caterpillar," "Electro-Motive," "FG Wilson," "MaK," "MWM," "Perkins," "Progress Rail," "SEM" and "Solar Turbines".

We conduct operations in our Machinery, Energy & Transportation 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 equipment that we do, there are numerous companies, large and small, which compete with us in the sale of each of our products.

Our machines are distributed principally through a worldwide organization of dealers (dealer network), 48 located in the United States and 129 located outside the United States, serving 182 countries and operating 3,580 places of business, including 1,267 dealer rental outlets. Reciprocating engines are sold principally through the dealer network and to other manufacturers for use in products. Some of the reciprocating engines manufactured by our subsidiary Perkins Engines Company Limited, are also sold through a worldwide network of 103 distributors located in 182 countries. Some of the electric power generation systems manufactured by our subsidiary Caterpillar Northern Ireland Limited, formerly known as F.G. Wilson Engineering Limited, are sold through its worldwide network of 264 distributors located in 145 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. Some products, primarily turbines and locomotives, are sold directly to end customers through sales forces employed by the company. At times, these employees are assisted by independent sales representatives.

The Financial Products line of business also conducts operations under highly competitive conditions. Financing for users of Caterpillar products is available through a variety of competitive sources, principally commercial banks and finance and leasing companies. We emphasize prompt and responsive service to meet customer requirements, and offer various financing plans designed to increase the opportunity for sales of our products and generate financing income for our company. A significant portion of Financial Products activity is conducted in North America, with additional offices in Asia/Pacific, Europe and Latin America.

B. Basis of presentation

The consolidated financial statements include the accounts of Caterpillar Inc. and its subsidiaries where we have a controlling financial interest.

Investments in companies where our ownership exceeds 20 percent and we do not have a controlling interest or where the ownership is less than 20 percent and for which we have a significant influence are accounted for by the equity method. See Note 9 for further discussion.

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. See Note 21 for further discussion on a consolidated VIE.

We have affiliates, suppliers and dealers that are VIEs of which we are not the primary beneficiary. Although we have provided financial support, we do not have the power to direct the activities that most significantly impact the entity's economic performance. Our maximum exposure to loss from VIEs for which we are not the primary beneficiary was as follows:

(Millions of dollars)	December 31,		
	2014	2013	2012
Receivables - trade and other	\$ 36	\$ 21	\$ 23
Receivables - finance	216	185	122
Long-term receivables - finance	285	334	353
Investments in unconsolidated affiliated companies	83	89	93
Guarantees	129	151	176
Total	\$ 749	\$ 780	\$ 767

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, Insurance Services' underwriting expenses, gains (losses) on disposal of long-lived assets and business divestitures, long-lived asset impairment charges, legal settlements, employee separation charges and benefit plan curtailment, settlement and contractual termination benefits.

Prepaid expenses and other current assets in Statement 3 include prepaid rent, prepaid insurance, assets held for sale, core to be returned for remanufacturing, restricted cash and other short-term investments, and other prepaid items.

Certain amounts for prior years have been reclassified to conform with the current-year financial statement presentation.

C. Sales and revenue recognition

Sales of Machinery, Energy & Transportation 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) collectibility 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 collectibility at the time of the sale and if collectibility is not reasonably assured, the sale is deferred and not recognized until collectibility 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, Energy & Transportation sales noted above (title to the entire remanufactured product passes to the dealer upon sale). At the time of sale, the deposit is recognized in Other current liabilities in Statement 3. In addition, the core to be returned is recognized as an asset in Prepaid expenses and other current assets in Statement 3 at the estimated replacement cost (based on historical experience with useable cores). Upon receipt of an acceptable core, we repay the deposit and relieve the liability. The returned core is then included in inventory. In the event that the deposit is forfeited (i.e. upon failure by the dealer to return an acceptable core in the specified time period), we recognize the core deposit and the cost of the core in Sales and Cost of goods sold, 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 dealer invoice terms are established by marketing region. Our invoice terms for end-user customer sales are established by the responsible business unit. 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. Dealers and customers must make payment within the established invoice terms to avoid potential interest costs. Interest at or above prevailing market rates may be charged on any past due balance, and generally our practice is to not forgive this interest. In 2014 and 2013, terms were extended to not more than one year for \$624 million and \$706 million of receivables, respectively, which represent approximately 1 percent of consolidated sales. In 2012, terms were extended to not more than one year for \$354 million of receivables, which represent less than 1 percent of consolidated sales.

We establish a bad debt allowance for Machinery, Energy & Transportation receivables when it becomes probable that the receivable will not be collected. Our allowance for bad debts is not significant.

Revenues of Financial Products primarily represent the following Cat Financial revenues:

- Retail finance revenue on finance leases and installment sale contracts is recognized over the term of the contract at a constant rate of return on the scheduled outstanding principal balance. Revenue on retail notes is recognized based on the daily balance of retail receivables outstanding and the applicable effective interest rate.
- Operating lease revenue is recorded on a straight-line basis in the period earned over the life of the contract.
- Cat Financial provides wholesale inventory financing to dealers. Wholesale finance revenue on finance leases and installment sale contracts related to financing dealer inventory and rental fleets 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 amortized to revenue using the interest method over the life of the finance receivables.

Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed. See Note 6 for more information.

Sales and revenues are presented net of sales and other related taxes.

D. Inventories

Inventories are stated at the lower of cost or market. Cost is principally determined using the last-in, first-out (LIFO) method. The value of inventories on the LIFO basis represented about 60 percent of total inventories at December 31, 2014, 2013 and 2012.

If the FIFO (first-in, first-out) method had been in use, inventories would have been \$2,430 million, \$2,504 million and \$2,750 million higher than reported at December 31, 2014, 2013 and 2012, respectively.

E. Depreciation and amortization

Depreciation of plant and equipment is computed principally using accelerated methods. Depreciation on equipment leased to others, primarily for Financial Products, is computed using the straight-line method over the term of the lease. The depreciable basis is the original cost of the equipment less the estimated residual value of the equipment at the end of the lease term. In 2014 , 2013 and 2012 , Cat Financial depreciation on equipment leased to others was \$872 million , \$768 million and \$688 million , respectively, and was included in Other operating (income) expenses in Statement 1. In 2014 , 2013 and 2012 , consolidated depreciation expense was \$2,795 million , \$2,710 million and \$2,421 million , respectively. Amortization of purchased finite-lived intangibles is computed principally using the straight-line method, generally not to exceed a period of 20 years .

F. Foreign currency translation

The functional currency for most of our Machinery, Energy & Transportation consolidated companies is the U.S. dollar. The functional currency for most of our Financial Products and affiliates accounted for under the equity method is the respective local currency. Gains and losses resulting from the remeasurement of foreign currency amounts to the functional currency are included in Other income (expense) in Statement 1. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in Accumulated other comprehensive income (loss) in Statement 3.

G. Derivative financial instruments

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates, interest rates and commodity prices. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate, interest rate and commodity price exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward, option, and cross currency contracts, interest rate swaps, and commodity forward and option contracts. All derivatives are recorded at fair value. See Note 3 for more information.

H. Income taxes

The provision for income taxes is determined using the asset and liability approach taking into account guidance related to uncertain tax positions. Tax laws require items to be included in tax filings at different times than the items are reflected in the financial statements. A current liability is recognized for the estimated taxes payable for the current year. Deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. Deferred taxes are adjusted for enacted changes in tax rates and tax laws. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

I. Goodwill

For acquisitions accounted for as a business combination, goodwill represents the excess of the cost over the fair value of the net assets acquired. We are required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a reporting unit may be below its carrying value. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. Because Caterpillar is a highly integrated company, the businesses we acquire are sometimes combined with or integrated into existing reporting units. When changes occur in the composition of our operating segments or reporting units, goodwill is reassigned to the affected reporting units based on their relative fair values.

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual goodwill impairment test as of October 1 and monitor for interim triggering events on an ongoing basis. Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the two-step process, the first step requires us to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss. See Note 10 for further details.

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

Parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity – In March 2013, the Financial Accounting Standards Board (FASB) issued accounting guidance on the parent's accounting for the cumulative translation adjustment (CTA) upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The new standard clarifies existing guidance regarding when the CTA should be released into earnings upon various deconsolidation and consolidation transactions. This guidance was effective January 1, 2014 and did not have a material impact on our financial statements.

Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists – In July 2013, the FASB issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward in the financial statements if available under the applicable tax jurisdiction. The guidance was effective January 1, 2014 and did not have a material impact on our financial statements.

Reporting discontinued operations and disclosures of disposals of components of an entity – In April 2014, the FASB issued accounting guidance for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The guidance defines a discontinued operation as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This guidance is effective January 1, 2015. We do not expect the adoption to have a material impact on our financial statements.

Revenue recognition – In May 2014, the FASB issued new revenue recognition guidance to provide a single, comprehensive revenue recognition model for all contracts with customers. Under the new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. A five step model has been introduced for an entity to apply when recognizing revenue. The new guidance also includes enhanced disclosure requirements, and is effective January 1, 2017. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented, or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Consolidated Statement of Changes in Stockholders' Equity. We are in the process of evaluating the application and implementation of the new guidance.

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 10,106,542 for 2014 , 6,258,692 for 2013 and 7,515,149 for 2012 .

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, if the participant is 55 years of age or older with more than five years of service, the participant meets the criteria for a "Long Service Separation". If the "Long Service Separation" criteria are met, the vested options/SARs will have a life that is the lesser of ten years from the original grant date or five years from the separation date.

Our stock-based compensation plans allow for the immediate vesting upon separation for employees who meet the criteria for a "Long Service Separation" and who have fulfilled the requisite service period of six months . Compensation expense is recognized over the period from the grant date to the end date of the requisite service period for employees who meet the immediate vesting upon retirement requirements. For those employees who become eligible for immediate vesting upon retirement subsequent to the requisite service period and prior to the completion of the vesting period, compensation expense is recognized over the period from grant date to the date eligibility is achieved.

Accounting guidance on share-based payments requires companies to estimate the fair value of options/SARs on the date of grant using an option-pricing model. The fair value of our option/SAR grants 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 Caterpillar stock price movement and current implied volatilities from traded options on Caterpillar 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, 2014 , 2013 and 2012 , respectively.

	Grant Year		
	2014	2013	2012
Weighted-average dividend yield	2.2%	2.1%	2.2%
Weighted-average volatility	28.2%	30.6%	35.0%
Range of volatilities	18.4-36.2%	23.4-40.6%	33.3-40.4%
Range of risk-free interest rates	0.12-2.60%	0.16-1.88%	0.17-2.00%
Weighted-average expected lives	8 years	8 years	7 years

The fair value of the RSU grant was 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 dividend yield at the time of the grant.

The amount of stock-based compensation expense capitalized for the years ended December 31, 2014 , 2013 and 2012 did not have a significant impact on our financial statements.

At December 31, 2014 , there was \$193 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

	2014		2013		2012	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Stock options/SARs activity:						
Outstanding at beginning of year	43,375,747	\$ 65.03	45,827,599	\$ 59.45	50,372,991	\$ 53.01
Granted to officers and key employees ¹	4,448,218	\$ 96.31	4,276,060	\$ 89.75	3,318,188	\$ 110.09
Exercised	(13,026,311)	\$ 50.27	(6,476,082)	\$ 41.10	(7,708,343)	\$ 38.73
Forfeited / expired	(216,571)	\$ 85.93	(251,830)	\$ 84.64	(155,237)	\$ 67.50
Outstanding at end of year	<u>34,581,083</u>	<u>\$ 74.48</u>	<u>43,375,747</u>	<u>\$ 65.03</u>	<u>45,827,599</u>	<u>\$ 59.45</u>
Exercisable at year-end	23,991,377	\$ 64.46	34,200,054	\$ 55.93	33,962,000	\$ 51.75
RSUs activity:						
Outstanding at beginning of year	3,823,328		3,580,220		4,281,490	
Granted to officers and key employees	1,429,512		1,614,870		1,429,939	
Vested	(1,081,304)		(1,286,934)		(2,077,485)	
Forfeited	(87,400)		(84,828)		(53,724)	
Outstanding at end of year	<u>4,084,136</u>		<u>3,823,328</u>		<u>3,580,220</u>	

Stock options/SARs outstanding and exercisable:

Exercise Prices	Outstanding				Exercisable			
	Shares Outstanding at 12/31/14	Weighted-Average Contractual Life (Years)	Weighted-Average Exercise Price	Aggregate Intrinsic Value ²	Shares Outstanding at 12/31/14	Weighted-Average Contractual Life (Years)	Weighted-Average Exercise Price	Aggregate Intrinsic Value ²
\$22.17 - 45.64	4,740,246	3.01	\$ 28.93	\$ 301	4,740,246	3.01	\$ 28.93	\$ 301
\$57.85 - 63.04	7,634,038	4.31	\$ 59.33	253	7,634,038	4.31	\$ 59.33	253
\$66.77 - 73.20	7,744,932	2.02	\$ 72.51	155	7,744,932	2.02	\$ 72.51	155
\$86.77 - 89.75	4,195,185	8.06	\$ 89.68	12	420,340	8.15	\$ 89.75	1
\$96.31 - 110.09	10,266,682	7.76	\$ 102.04	—	3,451,821	6.40	\$ 103.43	—
	<u>34,581,083</u>		\$ 74.48	<u>\$ 721</u>	<u>23,991,377</u>		\$ 64.46	<u>\$ 710</u>

¹ No SARs were granted during the years ended December 31, 2014 , 2013 or 2012 .

² The difference between a stock award's exercise price and the underlying stock's market price at December 31, 2014 , 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, 2014 , there were 4,084,136 outstanding RSUs with a weighted average remaining contractual life of 1.2 years .

TABLE II— Additional Stock-based Award Information

(Dollars in millions except per share data)

	2014	2013	2012
Stock options/SARs activity:			
Weighted-average fair value per share of stock awards granted	\$ 29.52	\$ 28.34	\$ 39.20
Intrinsic value of stock awards exercised	\$ 649	\$ 312	\$ 488
Fair value of stock awards vested	\$ 108	\$ 167	\$ 66
Cash received from stock awards exercised	\$ 259	\$ 152	\$ 112
RSUs activity:			
Weighted-average fair value per share of stock awards granted	\$ 89.18	\$ 84.05	\$ 104.61
Fair value of stock awards vested	\$ 106	\$ 117	\$ 229

Before tax, stock-based compensation expense for 2014 , 2013 and 2012 was \$254 million , \$231 million and \$245 million , respectively, with a corresponding income tax benefit of \$79 million , \$73 million and \$78 million , respectively.

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 2014 , 2013 and 2012 were \$253 million , \$127 million and \$217 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 \$26 million will be recorded in additional paid-in capital when these deductions reduce our future income taxes payable.

3. Derivative financial instruments and risk management

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates, interest rates and commodity prices. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate, interest rate and commodity price exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward, option and cross currency contracts, interest rate swaps and commodity forward and option contracts. Our derivative activities are subject to the management, direction and control of our senior financial officers. Risk management practices, including the use of financial derivative instruments, are presented to the Audit Committee of the Board of Directors at least annually.

All derivatives are recognized in Statement 3 at their fair value. On the date the derivative contract is entered into, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge), or (3) an undesignated instrument. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in Accumulated other comprehensive income (loss) (AOCI), to the extent effective, in Statement 3 until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings. Cash flow from designated derivative financial instruments are classified within the same category as the item being hedged on Statement 5. Cash flow from undesignated derivative financial instruments are included in the investing category on Statement 5.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities in Statement 3 and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, we discontinue hedge accounting prospectively, in accordance with the derecognition criteria for hedge accounting.

A. Foreign currency exchange rate risk

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

Our Machinery, Energy & Transportation 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, Energy & Transportation foreign currency contracts are undesignated, including any hedges designed to protect our competitive exposure.

As of December 31, 2014 , \$68 million of deferred net losses, net of tax, included in equity (AOCI in Statement 3), are expected to be reclassified to current earnings (Other income (expense) in Statement 1) over the next twelve months when earnings are affected by the hedged transactions. The actual amount recorded in Other income (expense) will vary based on exchange rates at the time the hedged transactions impact earnings.

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

B. Interest rate risk

Interest rate movements create a degree of risk by affecting the amount of our interest payments and the value of our fixed-rate debt. Our practice is to use interest rate derivatives to manage our exposure to interest rate changes.

Our Machinery, Energy & Transportation 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. We designate fixed-to-floating interest rate swaps as fair value hedges at inception of the contract, and we designate certain forward rate agreements as cash flow hedges at inception of the contract.

As of December 31, 2014 , \$4 million of deferred net losses, net of tax, included in equity (AOCI in Statement 3), related to Machinery, Energy & Transportation forward rate agreements, are expected to be reclassified to current earnings (Interest expense excluding Financial Products in Statement 1) over the next twelve months.

Financial Products operations has a match-funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate) of Cat Financial's debt portfolio with the interest rate profile of their receivables portfolio within predetermined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This matched funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

Our policy allows us to use fixed-to-floating, floating-to-fixed, and floating-to-floating interest rate swaps to meet the match-funding objective. We designate fixed-to-floating interest rate swaps as fair value hedges to protect debt against changes in

fair value due to changes in the benchmark interest rate. We designate most floating-to-fixed interest rate swaps as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

As of December 31, 2014 , \$1 million of deferred net losses, net of tax, included in equity (AOCI in Statement 3), related to Financial Products floating-to-fixed interest rate swaps, are expected to be reclassified to current earnings (Interest expense of Financial Products in Statement 1) over the next twelve months. The actual amount recorded in Interest expense of Financial Products will vary based on interest rates at the time the hedged transactions impact earnings.

We have, at certain times, liquidated fixed-to-floating and floating-to-fixed interest rate swaps at both Machinery, Energy & Transportation 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.

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, Energy & Transportation operations purchase base and precious metals embedded in the components we purchase from suppliers. Our suppliers pass on to us price changes in the commodity portion of the component cost. In addition, we are subject to price changes on energy products such as natural gas and diesel fuel purchased for operational use.

Our objective is to minimize volatility in the price of these commodities. Our policy allows us to enter into commodity forward and option contracts to lock in the purchase price of a portion of these commodities within a five -year horizon. All such commodity forward and option contracts are undesignated.

The location and fair value of derivative instruments reported in Statement 3 are as follows:

(Millions of dollars)	Consolidated	Asset (Liability) Fair Value		
	Statement of Financial Position Location	Years ended December 31,		
		2014	2013	2012
Designated derivatives				
Foreign exchange contracts				
Machinery, Energy & Transportation	Receivables — trade and other	\$ 25	\$ 54	\$ 28
Machinery, Energy & Transportation	Accrued expenses	(134)	(39)	(66)
Interest rate contracts				
Financial Products	Receivables — trade and other	6	7	17
Financial Products	Long-term receivables — trade and other	73	115	209
Financial Products	Accrued expenses	(8)	(6)	(8)
		<u>\$ (38)</u>	<u>\$ 131</u>	<u>\$ 180</u>
Undesignated derivatives				
Foreign exchange contracts				
Machinery, Energy & Transportation	Receivables — trade and other	\$ 2	\$ 19	\$ 31
Machinery, Energy & Transportation	Accrued expenses	(43)	(1)	(63)
Financial Products	Receivables — trade and other	5	7	10
Financial Products	Long-term receivables — trade and other	17	9	—
Financial Products	Accrued expenses	(15)	(4)	(6)
Interest rate contracts				
Financial Products	Receivables — trade and other	—	—	2
Financial Products	Accrued expenses	—	—	(1)
Commodity contracts				
Machinery, Energy & Transportation	Receivables — trade and other	—	—	1
Machinery, Energy & Transportation	Accrued expenses	(14)	—	—
		<u>\$ (48)</u>	<u>\$ 30</u>	<u>\$ (26)</u>

The total notional amounts of the derivative instruments are as follows:

(Millions of dollars)	Years ended December 31,		
	2014	2013	2012
Machinery, Energy & Transportation	\$ 3,128	\$ 3,565	\$ 4,438
Financial Products	\$ 5,249	\$ 6,743	\$ 9,817

The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties. The amounts exchanged by the parties are calculated by reference to the notional amounts and by other terms of the derivatives, such as foreign currency exchange rates, interest rates, or commodity prices.

The effect of derivatives designated as hedging instruments on Statement 1 is as follows:

Fair Value Hedges		Year ended December 31, 2014	
(Millions of dollars)	Classification	Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Interest rate contracts			
Financial Products	Other income (expense)	\$ (41)	\$ 23
		<u>\$ (41)</u>	<u>\$ 23</u>
		Year ended December 31, 2013	
	Classification	Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Interest rate contracts			
Financial Products	Other income (expense)	\$ (107)	\$ 114
		<u>\$ (107)</u>	<u>\$ 114</u>
		Year ended December 31, 2012	
	Classification	Gains (Losses) on Derivatives	Gains (Losses) on Borrowings
Interest rate contracts			
Financial Products	Other income (expense)	(20)	36
		<u>\$ (20)</u>	<u>\$ 36</u>

Cash Flow Hedges

(Millions of dollars)

Year ended December 31, 2014				
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	Recognized in Earnings		
		Classification of Gains (Losses)	Amount of Gains (Losses) Reclassified from AOCI to Earnings	Recognized in Earnings (Ineffective Portion)
Foreign exchange contracts				
Machinery, Energy & Transportation	\$ (118)	Other income (expense)	\$ 5	\$ —
Interest rate contracts				
Machinery, Energy & Transportation	(63)	Interest expense excluding Financial Products	(5)	—
Financial Products	(6)	Interest expense of Financial Products	(6)	—
	<u>\$ (187)</u>		<u>\$ (6)</u>	<u>\$ —</u>
Year ended December 31, 2013				
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	Recognized in Earnings		
		Classification of Gains (Losses)	Amount of Gains (Losses) Reclassified from AOCI to Earnings	Recognized in Earnings (Ineffective Portion)
Foreign exchange contracts				
Machinery, Energy & Transportation	\$ (4)	Other income (expense)	\$ (57) ²	\$ —
Interest rate contracts				
Machinery, Energy & Transportation	—	Other income (expense)	(3)	—
Financial Products	(2)	Interest expense of Financial Products	(6)	1 ¹
	<u>\$ (6)</u>		<u>\$ (66)</u>	<u>\$ 1</u>
Year ended December 31, 2012				
	Amount of Gains (Losses) Recognized in AOCI (Effective Portion)	Recognized in Earnings		
		Classification of Gains (Losses)	Amount of Gains (Losses) Reclassified from AOCI to Earnings	Recognized in Earnings (Ineffective Portion)
Foreign exchange contracts				
Machinery, Energy & Transportation	\$ (78)	Other income (expense)	\$ (30) ²	\$ —
Interest rate contracts				
Financial Products	1	Interest expense of Financial Products	4	(1) ¹
	<u>\$ (77)</u>		<u>\$ (26)</u>	<u>\$ (1)</u>

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

² Includes \$3 million and \$7 million of losses reclassified from AOCI to Other income (expense) in 2013 and 2012, respectively as certain derivatives were dedesignated as the related transactions are no longer probable to occur.

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

(Millions of dollars)	Classification of Gains (Losses)	Years ended December 31,		
		2014	2013	2012
Foreign exchange contracts				
Machinery, Energy & Transportation	Other income (expense)	\$ (60)	\$ 17	\$ 62
Financial Products	Other income (expense)	(47)	8	6
Interest rate contracts				
Machinery, Energy & Transportation	Other income (expense)	2	(1)	2
Financial Products	Other income (expense)	—	(3)	—
Commodity contracts				
Machinery, Energy & Transportation	Other income (expense)	(15)	(3)	2
		<u>\$ (120)</u>	<u>\$ 18</u>	<u>\$ 72</u>

We enter into International Swaps and Derivatives Association (ISDA) master netting agreements within Machinery, Energy & Transportation and Financial Products that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event.

Collateral is generally not required of the counterparties or of our company under the master netting agreements. As of December 31, 2014, 2013 and 2012, no cash collateral was received or pledged under the master netting agreements.

The effect of the net settlement provisions of the master netting agreements on our derivative balances upon an event of default or termination event is as follows:

December 31, 2014			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount of Assets
Derivatives						
Machinery, Energy & Transportation	\$ 27	\$ —	\$ 27	\$ (27)	\$ —	\$ —
Financial Products	101	—	101	(8)	—	93
Total	\$ 128	\$ —	\$ 128	\$ (35)	\$ —	\$ 93
December 31, 2014			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Pledged	Net Amount of Liabilities
Derivatives						
Machinery, Energy & Transportation	\$ (191)	\$ —	\$ (191)	\$ 27	\$ —	\$ (164)
Financial Products	(23)	—	(23)	8	—	(15)
Total	\$ (214)	\$ —	\$ (214)	\$ 35	\$ —	\$ (179)
December 31, 2013			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount of Assets
Derivatives						
Machinery, Energy & Transportation	\$ 73	\$ —	\$ 73	\$ (32)	\$ —	\$ 41
Financial Products	138	—	138	(9)	—	129
Total	\$ 211	\$ —	\$ 211	\$ (41)	\$ —	\$ 170
December 31, 2013			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Pledged	Net Amount of Liabilities
Derivatives						
Machinery, Energy & Transportation	\$ (40)	\$ —	\$ (40)	\$ 32	\$ —	\$ (8)
Financial Products	(10)	—	(10)	9	—	(1)
Total	\$ (50)	\$ —	\$ (50)	\$ 41	\$ —	\$ (9)

December 31, 2012			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount of Assets
Derivatives						
Machinery, Energy & Transportation	\$ 60	\$ —	\$ 60	\$ (59)	\$ —	\$ 1
Financial Products	238	—	238	(12)	—	226
Total	<u>\$ 298</u>	<u>\$ —</u>	<u>\$ 298</u>	<u>\$ (71)</u>	<u>\$ —</u>	<u>\$ 227</u>

December 31, 2012			Gross Amounts Not Offset in the Statement of Financial Position			
(Millions of dollars)	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Pledged	Net Amount of Liabilities
Derivatives						
Machinery, Energy & Transportation	\$ (129)	\$ —	\$ (129)	\$ 59	\$ —	\$ (70)
Financial Products	(15)	—	(15)	12	—	(3)
Total	<u>\$ (144)</u>	<u>\$ —</u>	<u>\$ (144)</u>	<u>\$ 71</u>	<u>\$ —</u>	<u>\$ (73)</u>

4. Other income (expense)

(Millions of dollars)	Years ended December 31,		
	2014	2013	2012
Investment and interest income	\$ 66	\$ 84	\$ 82
Foreign exchange gains (losses) ¹	54	(254)	(116)
License fee income	128	114	99
Gains (losses) on sale of securities and affiliated companies	36	21	4
Miscellaneous income (loss)	(45)	—	61
Total	<u>\$ 239</u>	<u>\$ (35)</u>	<u>\$ 130</u>

¹ Includes gains (losses) from foreign exchange derivative contracts. See Note 3 for further details.

5. Income taxes

The components of profit before taxes were:

(Millions of dollars)	Years ended December 31,		
	2014	2013	2012
U.S.	\$ 2,022	\$ 1,938	\$ 4,090
Non-U.S.	3,061	3,190	4,146
	<u>\$ 5,083</u>	<u>\$ 5,128</u>	<u>\$ 8,236</u>

Profit before taxes, as shown above, is based on the location of the entity to which such earnings are attributable. Where an entity's earnings are subject to taxation, however, may not correlate solely to where an entity is located. Thus, the income tax provision shown below as U.S. or non-U.S. may not correspond to the earnings shown above.

The components of the provision (benefit) for income taxes were:

(Millions of dollars)	Years ended December 31,		
	2014	2013	2012
Current tax provision (benefit):			
U.S.	\$ 715	\$ 407	\$ 971
Non-U.S.	883	805	1,250
State (U.S.)	48	33	56
	<u>1,646</u>	<u>1,245</u>	<u>2,277</u>
Deferred tax provision (benefit):			
U.S.	(167)	79	332
Non-U.S.	(77)	(7)	(89)
State (U.S.)	(22)	2	8
	<u>(266)</u>	<u>74</u>	<u>251</u>
Total provision (benefit) for income taxes	<u>\$ 1,380</u>	<u>\$ 1,319</u>	<u>\$ 2,528</u>

We paid net income tax and related interest of \$1,595 million , \$1,544 million and \$2,396 million in 2014 , 2013 and 2012 , respectively.

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

(Millions of dollars)	Years ended December 31,					
	2014		2013		2012	
Taxes at U.S. statutory rate	\$ 1,779	35.0 %	\$ 1,795	35.0 %	\$ 2,882	35.0 %
(Decreases) increases in taxes resulting from:						
Non-U.S. subsidiaries taxed at other than 35%	(249)	(4.9)%	(268)	(5.2)%	(342)	(4.2)%
State and local taxes, net of federal	17	0.3 %	23	0.4 %	55	0.7 %
Interest and penalties, net of tax	12	0.2 %	4	0.1 %	22	0.3 %
U.S. research and production incentives	(125)	(2.4)%	(91)	(1.8)%	(80)	(1.0)%
Other—net	(10)	(0.2)%	(2)	— %	(27)	(0.3)%
	<u>1,424</u>	<u>28.0 %</u>	<u>1,461</u>	<u>28.5 %</u>	<u>2,510</u>	<u>30.5 %</u>
Prior year tax and interest adjustments	(21)	(0.4)%	(55)	(1.1)%	(300)	(3.7)%
Nondeductible goodwill	—	— %	—	— %	318	3.9 %
Release of valuation allowances	(23)	(0.5)%	—	— %	—	— %
Tax law changes	—	— %	(87)	(1.7)%	—	— %
Provision (benefit) for income taxes	<u>\$ 1,380</u>	<u>27.1 %</u>	<u>\$ 1,319</u>	<u>25.7 %</u>	<u>\$ 2,528</u>	<u>30.7 %</u>

The provision for income taxes for 2014 included a benefit of \$23 million for the release of a valuation allowance against the deferred tax assets of a non-U.S. subsidiary and a net benefit of \$21 million to adjust prior years' U.S. taxes and interest. The net benefit for prior years' U.S. taxes and interest included a \$33 million benefit to reflect a settlement with the U.S. Internal Revenue Service (IRS) related to 1992 through 1994 which resulted in a \$16 million benefit to remeasure previously unrecognized tax benefits and a \$17 million benefit to adjust related interest, net of tax. This benefit of \$33 million was offset by a net charge of \$12 million to adjust prior years' U.S. taxes that included a charge of \$55 million to correct for an error which resulted in an understatement of tax liabilities for prior years. Management has concluded that the error was not material to any period presented.

The provision for income taxes for 2013 included a \$87 million benefit primarily related to the research and development tax credit that was retroactively extended in 2013 for 2012 and a benefit of \$55 million resulting from true-up of estimated amounts used in the tax provision to the 2012 U.S. tax return as filed in September 2013.

The provision for income taxes for 2012 included a \$300 million benefit for adjusting prior year taxes and interest primarily to reflect a settlement reached with the U.S. Internal Revenue Service (IRS) for tax years 2000 to 2006. The largest drivers of the settlement benefit were a \$188 million benefit to remeasure and recognize previously unrecognized tax benefits and a \$96 million benefit to adjust related interest and penalties, net of tax. This benefit was offset by a negative impact from nondeductible goodwill of \$203 million related to the ERA Mining Machinery Limited (Siwei) goodwill impairment and \$115 million related to the divestiture of portions of the Bucyrus distribution business. See Note 10 and Note 26 for more information.

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 \$18 billion which are considered indefinitely reinvested. Determination of the amount of unrecognized deferred tax liability related to indefinitely reinvested profits is not feasible. If management intentions or U.S. tax law changes in the future, there may be a significant negative impact on the provision for income taxes to record an incremental tax liability in the period the change occurs.

Accounting for income taxes under U.S. GAAP requires that individual tax-paying entities of the company offset all current deferred tax liabilities and assets within each particular tax jurisdiction and present them as a single amount in the Consolidated Financial Position. A similar procedure is followed for all noncurrent deferred tax liabilities and assets. Amounts in different tax jurisdictions cannot be offset against each other. The amount of deferred income taxes at December 31, included on the following lines in Statement 3, are as follows:

(Millions of dollars)	December 31,		
	2014	2013	2012
Assets:			
Deferred and refundable income taxes	\$ 992	\$ 877	\$ 979
Noncurrent deferred and refundable income taxes	1,267	456	1,863
	2,259	1,333	2,842
Liabilities:			
Other current liabilities	62	86	66
Other liabilities	414	447	484
Deferred income taxes—net	<u>\$ 1,783</u>	<u>\$ 800</u>	<u>\$ 2,292</u>

Deferred income tax assets and liabilities:

(Millions of dollars)	December 31,		
	2014	2013	2012
Deferred income tax assets:			
Pension	\$ 1,513	\$ 903	\$ 2,100
Postemployment benefits other than pensions	1,514	1,435	1,678
Tax carryforwards	826	760	663
Warranty reserves	346	313	358
Stock-based compensation	327	320	281
Inventory	123	112	195
Allowance for credit losses	198	184	170
Post sale discounts	175	146	141
Deferred compensation	132	126	110
Other—net	549	524	491
	<u>5,703</u>	<u>4,823</u>	<u>6,187</u>
Deferred income tax liabilities:			
Capital and intangible assets	(2,625)	(2,815)	(2,759)
Bond discount	(233)	(240)	(249)
Translation	(252)	(133)	(173)
Undistributed profits of non-U.S. subsidiaries	(69)	(90)	(128)
	<u>(3,179)</u>	<u>(3,278)</u>	<u>(3,309)</u>
Valuation allowance for deferred tax assets	<u>(741)</u>	<u>(745)</u>	<u>(586)</u>
Deferred income taxes—net	<u>\$ 1,783</u>	<u>\$ 800</u>	<u>\$ 2,292</u>

At December 31, 2014 , approximately \$568 million of U.S. state tax net operating losses (NOLs) and \$158 million of U.S. state tax credit carryforwards were available. The state NOLs primarily expire between 2015 and 2034. The state tax credit carryforwards primarily expire over the next five years with certain carryforwards set to expire over the next fifteen years. We established a valuation allowance of \$162 million for those state NOLs and credit carryforwards that are more likely than not to expire prior to utilization.

At December 31, 2014 , approximately \$61 million of U.S. foreign tax credits were available for carryforward. These credits expire in 2025.

At December 31, 2014 , amounts and expiration dates of net operating loss carryforwards in various non-U.S. taxing jurisdictions were:

(Millions of dollars)						
2015	2016	2017	2018	2019-2035	Unlimited	Total
\$ 7	\$ 5	\$ 14	\$ 96	\$ 700	\$ 1,389	\$ 2,211

At December 31, 2014 a valuation allowance of \$579 million has been recorded at certain non-U.S. entities that have not yet demonstrated consistent and/or sustainable profitability to support the realization of net deferred tax assets.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, follows.

Reconciliation of unrecognized tax benefits: ¹

(Millions of dollars)	Years ended December 31,		
	2014	2013	2012
Balance at January 1,	\$ 759	\$ 715	\$ 958
Additions for tax positions related to current year	58	63	64
Additions for tax positions related to prior years	84	52	178
Reductions for tax positions related to prior years	(31)	(31)	(266)
Reductions for settlements ²	(18)	(15)	(191)
Reductions for expiration of statute of limitations	(6)	(25)	(28)
Balance at December 31,	<u>\$ 846</u>	<u>\$ 759</u>	<u>\$ 715</u>
Amount that, if recognized, would impact the effective tax rate	<u>\$ 804</u>	<u>\$ 726</u>	<u>\$ 669</u>

¹ Foreign currency translation amounts are included within each line as applicable.

² Includes cash payment or other reduction of assets to settle liability.

We classify interest and penalties on income taxes as a component of the provision for income taxes. We recognized a net provision (benefit) for interest and penalties of \$3 million , \$7 million and \$(114) million during the years ended December 31, 2014 , 2013 and 2012 , respectively. The 2012 amount includes a benefit from adjustments for the 2000 through 2006 settlement discussed previously. The total amount of interest and penalties accrued was \$61 million , \$59 million and \$134 million as of December 31, 2014 , 2013 and 2012 , respectively.

On January 30, 2015, we received a Revenue Agent's Report (RAR) from the Internal Revenue Service (IRS) indicating the end of the field examination of our U.S. tax returns for 2007 to 2009 including the impact of a loss carryback to 2005. The RAR proposed tax increases and penalties for these years of approximately \$1 billion primarily related to two significant areas that we intend to vigorously contest through the IRS Appeals process. In the first area, the IRS has proposed to tax in the United States profits earned from certain parts transactions by one of our non-U.S. subsidiaries, Caterpillar SARL (CSARL), based on the IRS examination team's application of the "substance-over-form" or "assignment-of-income" judicial doctrines. We believe that the relevant transactions complied with applicable tax laws and did not violate judicial doctrines. We have filed U.S. tax returns on this same basis for years after 2009. In the second area, the IRS disallowed approximately \$125 million of foreign tax credits that arose as a result of certain financings unrelated to CSARL. Based on the information currently available, we do not anticipate a significant increase or decrease to our recognized tax benefits for these matters within the next 12 months. We currently believe the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, liquidity or results of operations. We expect the IRS field examination of our U.S. tax returns for 2010 to 2012 to begin in 2015. 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 3 and were \$2,170 million , \$1,945 million , and \$2,152 million at December 31, 2014 , 2013 and 2012 , respectively.

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

Amounts Due In	December 31, 2014			
	Wholesale Installment Contracts	Wholesale Finance Leases	Wholesale Notes	Total
2015	\$ 200	\$ 109	\$ 867	\$ 1,176
2016	109	85	262	456
2017	70	58	202	330
2018	39	27	17	83
2019	15	7	—	22
Thereafter	3	2	—	5
	436	288	1,348	2,072
Guaranteed residual value	—	98	—	98
Unguaranteed residual value	—	38	—	38
Less: Unearned income	(7)	(28)	(3)	(38)
Total	\$ 429	\$ 396	\$ 1,345	\$ 2,170

Please refer to Note 18 and Table III for fair value information.

B. Finance receivables

Finance receivables are receivables of Cat Financial, which generally can be repaid or refinanced without penalty prior to contractual maturity. Total finance receivables reported in Statement 3 are net of an allowance for credit losses.

Cat Financial provides financing only when acceptable criteria are met. Credit decisions are based on, among other things, the customer's credit history, financial strength and intended use of equipment. Cat Financial typically maintains a security interest in retail financed equipment and requires physical damage insurance coverage on financed equipment.

Contractual maturities of outstanding finance receivables:
(Millions of dollars)

Amounts Due In	December 31, 2014			
	Retail Installment Contracts	Retail Finance Leases	Retail Notes	Total
2015	\$ 2,308	\$ 2,956	\$ 3,891	\$ 9,155
2016	1,736	2,064	2,238	6,038
2017	1,184	1,159	1,896	4,239
2018	587	513	1,069	2,169
2019	174	209	848	1,231
Thereafter	10	131	970	1,111
	5,999	7,032	10,912	23,943
Guaranteed residual value	—	323	—	323
Unguaranteed residual value	—	622	—	622
Less: Unearned income	(106)	(630)	(86)	(822)
Total	\$ 5,893	\$ 7,347	\$ 10,826	\$ 24,066

Please refer to Note 18 and Table III for fair value information.

C. Credit quality of financing receivables and allowance for credit losses

Cat Financial applies a systematic methodology to determine the allowance for credit losses for finance receivables. Based upon Cat Financial's analysis of credit losses and risk factors, portfolio segments are as follows:

- Customer - Finance receivables with retail customers.
- Dealer - Finance receivables with Caterpillar dealers.

Cat Financial further evaluates portfolio segments by the class of finance receivables, which is defined as a level of information (below a portfolio segment) in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. Typically, Cat Financial's finance receivables within a geographic area have similar credit risk profiles and methods for assessing and monitoring credit risk. Cat Financial's classes, which align with management reporting for credit losses, are as follows:

- North America - Finance receivables originated in the United States or Canada.
- Europe - Finance receivables originated in Europe, Africa, Middle East and the Commonwealth of Independent States.
- Asia Pacific - Finance receivables originated in Australia, New Zealand, China, Japan, South Korea and Southeast Asia.
- Mining - Finance receivables related to large mining customers worldwide.
- Latin America - Finance receivables originated in Central and South American countries and Mexico.
- Caterpillar Power Finance - Finance receivables related to marine vessels with Caterpillar engines worldwide and Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems worldwide.

Impaired loans and finance leases

For all classes, a loan or finance lease is considered impaired, based on current information and events, if it is probable that Cat Financial will be unable to collect all amounts due according to the contractual terms of the loan or finance lease. Loans and finance leases reviewed for impairment include loans and finance leases that are past due, non-performing or in bankruptcy. Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or in instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans or finance leases are recorded against the receivable and then to any unrecognized income.

At December 31, 2014, 2013 and 2012, 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 2014, 2013 and 2012.

Individually impaired loans and finance leases for the Customer portfolio segment were as follows:

(Millions of dollars)	December 31, 2014		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<u>Impaired Loans and Finance Leases With No Allowance Recorded</u>			
Customer			
North America	\$ 14	\$ 14	\$ —
Europe	44	43	—
Asia Pacific	1	1	—
Mining	29	29	—
Latin America	34	34	—
Caterpillar Power Finance	129	128	—
Total	\$ 251	\$ 249	\$ —
<u>Impaired Loans and Finance Leases With An Allowance Recorded</u>			
Customer			
North America	\$ 6	\$ 6	\$ 1
Europe	12	12	4
Asia Pacific	29	29	8
Mining	138	137	9
Latin America	42	42	12
Caterpillar Power Finance	135	134	41
Total	\$ 362	\$ 360	\$ 75
<u>Total Impaired Loans and Finance Leases</u>			
Customer			
North America	\$ 20	\$ 20	\$ 1
Europe	56	55	4
Asia Pacific	30	30	8
Mining	167	166	9
Latin America	76	76	12
Caterpillar Power Finance	264	262	41
Total	\$ 613	\$ 609	\$ 75

(Millions of dollars)	December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<u>Impaired Loans and Finance Leases With No Allowance Recorded</u>			
Customer			
North America	\$ 23	\$ 22	\$ —
Europe	48	47	—
Asia Pacific	7	7	—
Mining	134	134	—
Latin America	11	11	—
Caterpillar Power Finance	223	222	—
Total	\$ 446	\$ 443	\$ —
<u>Impaired Loans and Finance Leases With An Allowance Recorded</u>			
Customer			
North America	\$ 13	\$ 13	\$ 4
Europe	20	19	7
Asia Pacific	16	16	2
Mining	—	—	—
Latin America	23	23	6
Caterpillar Power Finance	110	106	51
Total	\$ 182	\$ 177	\$ 70
<u>Total Impaired Loans and Finance Leases</u>			
Customer			
North America	\$ 36	\$ 35	\$ 4
Europe	68	66	7
Asia Pacific	23	23	2
Mining	134	134	—
Latin America	34	34	6
Caterpillar Power Finance	333	328	51
Total	\$ 628	\$ 620	\$ 70

(Millions of dollars)	December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
<u>Impaired Loans and Finance Leases With No Allowance Recorded</u>			
Customer			
North America	\$ 28	\$ 27	\$ —
Europe	45	45	—
Asia Pacific	2	2	—
Mining	1	1	—
Latin America	7	7	—
Caterpillar Power Finance	295	295	—
Total	\$ 378	\$ 377	\$ —
<u>Impaired Loans and Finance Leases With An Allowance Recorded</u>			
Customer			
North America	\$ 25	\$ 23	\$ 7
Europe	28	26	11
Asia Pacific	19	19	4
Mining	—	—	—
Latin America	30	30	8
Caterpillar Power Finance	113	109	24
Total	\$ 215	\$ 207	\$ 54
<u>Total Impaired Loans and Finance Leases</u>			
Customer			
North America	\$ 53	\$ 50	\$ 7
Europe	73	71	11
Asia Pacific	21	21	4
Mining	1	1	—
Latin America	37	37	8
Caterpillar Power Finance	408	404	24
Total	\$ 593	\$ 584	\$ 54

	Years ended December 31,					
	2014		2013		2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
(Millions of dollars)						
<u>Impaired Loans and Finance Leases</u>						
<u>With No Allowance Recorded</u>						
Customer						
North America	\$ 20	\$ 1	\$ 25	\$ 3	\$ 50	\$ 3
Europe	47	1	49	1	45	1
Asia Pacific	3	—	4	—	3	—
Mining	69	3	61	3	8	—
Latin America	30	—	11	—	6	—
Caterpillar Power Finance	164	6	271	5	220	2
Total	\$ 333	\$ 11	\$ 421	\$ 12	\$ 332	\$ 6
<u>Impaired Loans and Finance Leases</u>						
<u>With An Allowance Recorded</u>						
Customer						
North America	\$ 9	\$ —	\$ 18	\$ 1	\$ 25	\$ 1
Europe	21	1	22	1	27	1
Asia Pacific	22	1	18	1	15	1
Mining	90	7	1	—	—	—
Latin America	36	1	44	2	27	2
Caterpillar Power Finance	96	2	135	1	94	—
Total	\$ 274	\$ 12	\$ 238	\$ 6	\$ 188	\$ 5
<u>Total Impaired Loans and Finance Leases</u>						
Customer						
North America	\$ 29	\$ 1	\$ 43	\$ 4	\$ 75	\$ 4
Europe	68	2	71	2	72	2
Asia Pacific	25	1	22	1	18	1
Mining	159	10	62	3	8	—
Latin America	66	1	55	2	33	2
Caterpillar Power Finance	260	8	406	6	314	2
Total	\$ 607	\$ 23	\$ 659	\$ 18	\$ 520	\$ 11

Non-accrual and past due loans and finance leases

For all classes, Cat Financial considers a loan or finance lease past due if any portion of a contractual payment is due and unpaid for more than 30 days . Recognition of income is suspended and the loan or finance lease is placed on non-accrual status when management determines that collection of future income is not probable (generally after 120 days past due except in locations where local regulatory requirements dictate a different method, or in instances in which relevant information is known that warrants placing the loan or finance lease on non-accrual status). Accrual is resumed, and previously suspended income is recognized, when the loan or finance lease becomes contractually current and/or collection doubts are removed.

As of December 31, 2014 , 2013 and 2012 , 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,		
	2014	2013	2012
Customer			
North America	\$ 27	\$ 26	\$ 59
Europe	28	28	38
Asia Pacific	54	50	36
Mining	62	23	12
Latin America	201	179	148
Caterpillar Power Finance	96	119	220
Total	\$ 468	\$ 425	\$ 513

Aging related to loans and finance leases was as follows:

(Millions of dollars)	December 31, 2014						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	\$ 46	\$ 8	\$ 27	\$ 81	\$ 7,192	\$ 7,273	\$ 4
Europe	16	23	29	68	2,607	2,675	6
Asia Pacific	29	22	69	120	2,316	2,436	16
Mining	28	—	11	39	2,084	2,123	—
Latin America	55	23	196	274	2,583	2,857	8
Caterpillar Power Finance	1	4	64	69	3,079	3,148	1
Dealer							
North America	—	—	—	—	2,189	2,189	—
Europe	—	—	—	—	153	153	—
Asia Pacific	—	—	—	—	566	566	—
Mining	—	—	—	—	—	—	—
Latin America	—	—	—	—	646	646	—
Caterpillar Power Finance	—	—	—	—	—	—	—
Total	\$ 175	\$ 80	\$ 396	\$ 651	\$ 23,415	\$ 24,066	\$ 35

(Millions of dollars)	December 31, 2013						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	\$ 37	\$ 12	\$ 24	\$ 73	\$ 6,508	\$ 6,581	\$ —
Europe	26	15	29	70	2,805	2,875	6
Asia Pacific	54	23	59	136	2,752	2,888	11
Mining	3	—	12	15	2,128	2,143	—
Latin America	54	25	165	244	2,474	2,718	5
Caterpillar Power Finance	55	30	60	145	2,946	3,091	—
Dealer							
North America	—	—	—	—	2,283	2,283	—
Europe	—	—	—	—	150	150	—
Asia Pacific	—	—	—	—	583	583	—
Mining	—	—	—	—	1	1	—
Latin America	—	—	—	—	748	748	—
Caterpillar Power Finance	—	—	—	—	—	—	—
Total	<u>\$ 229</u>	<u>\$ 105</u>	<u>\$ 349</u>	<u>\$ 683</u>	<u>\$ 23,378</u>	<u>\$ 24,061</u>	<u>\$ 22</u>

(Millions of dollars)	December 31, 2012						
	31-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Finance Receivables	91+ Still Accruing
Customer							
North America	\$ 35	\$ 8	\$ 52	\$ 95	\$ 5,872	\$ 5,967	\$ —
Europe	23	9	36	68	2,487	2,555	6
Asia Pacific	53	19	54	126	2,912	3,038	18
Mining	—	1	12	13	1,960	1,973	—
Latin America	62	19	138	219	2,500	2,719	—
Caterpillar Power Finance	15	14	126	155	3,017	3,172	4
Dealer							
North America	—	—	—	—	2,063	2,063	—
Europe	—	—	—	—	185	185	—
Asia Pacific	—	—	—	—	751	751	—
Mining	—	—	—	—	1	1	—
Latin America	—	—	—	—	884	884	—
Caterpillar Power Finance	—	—	—	—	—	—	—
Total	<u>\$ 188</u>	<u>\$ 70</u>	<u>\$ 418</u>	<u>\$ 676</u>	<u>\$ 22,632</u>	<u>\$ 23,308</u>	<u>\$ 28</u>

Allowance for credit loss activity

An analysis of the allowance for credit losses during 2014 , 2013 and 2012 was as follows:

(Millions of dollars)	December 31, 2014		
	Customer	Dealer	Total
Allowance for Credit Losses:			
Balance at beginning of year	\$ 365	\$ 10	\$ 375
Receivables written off	(151)	—	(151)
Recoveries on receivables previously written off	47	—	47
Provision for credit losses	150	—	150
Other	(23)	—	(23)
Balance at end of year	<u>\$ 388</u>	<u>\$ 10</u>	<u>\$ 398</u>
Individually evaluated for impairment	\$ 75	\$ —	\$ 75
Collectively evaluated for impairment	313	10	323
Ending Balance	<u>\$ 388</u>	<u>\$ 10</u>	<u>\$ 398</u>
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	\$ 613	\$ —	\$ 613
Collectively evaluated for impairment	19,899	3,554	23,453
Ending Balance	<u>\$ 20,512</u>	<u>\$ 3,554</u>	<u>\$ 24,066</u>

(Millions of dollars)	December 31, 2013		
	Customer	Dealer	Total
Allowance for Credit Losses:			
Balance at beginning of year	\$ 414	\$ 9	\$ 423
Receivables written off	(179)	—	(179)
Recoveries on receivables previously written off	56	—	56
Provision for credit losses	83	1	84
Other	(9)	—	(9)
Balance at end of year	<u>\$ 365</u>	<u>\$ 10</u>	<u>\$ 375</u>
Individually evaluated for impairment	\$ 70	\$ —	\$ 70
Collectively evaluated for impairment	295	10	305
Ending Balance	<u>\$ 365</u>	<u>\$ 10</u>	<u>\$ 375</u>
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	\$ 628	\$ —	\$ 628
Collectively evaluated for impairment	19,668	3,765	23,433
Ending Balance	<u>\$ 20,296</u>	<u>\$ 3,765</u>	<u>\$ 24,061</u>

(Millions of dollars)	December 31, 2012		
	Customer	Dealer	Total
Allowance for Credit Losses:			
Balance at beginning of year	\$ 360	\$ 6	\$ 366
Receivables written off	(149)	—	(149)
Recoveries on receivables previously written off	47	—	47
Provision for credit losses	157	3	160
Other	(1)	—	(1)
Balance at end of year	<u>\$ 414</u>	<u>\$ 9</u>	<u>\$ 423</u>
Individually evaluated for impairment	\$ 54	\$ —	\$ 54
Collectively evaluated for impairment	360	9	369
Ending Balance	<u>\$ 414</u>	<u>\$ 9</u>	<u>\$ 423</u>
Recorded Investment in Finance Receivables:			
Individually evaluated for impairment	\$ 593	\$ —	\$ 593
Collectively evaluated for impairment	18,831	3,884	22,715
Ending Balance	<u>\$ 19,424</u>	<u>\$ 3,884</u>	<u>\$ 23,308</u>

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 less selling costs. In addition, Cat Financial considers credit enhancements such as additional collateral and contractual third-party guarantees in determining the allowance for credit losses attributable to non-performing receivables.

The recorded investment in performing and non-performing finance receivables was as follows:

(Millions of dollars)	December 31, 2014		
	Customer	Dealer	Total
Performing			
North America	\$ 7,246	\$ 2,189	\$ 9,435
Europe	2,647	153	2,800
Asia Pacific	2,382	566	2,948
Mining	2,061	—	2,061
Latin America	2,656	646	3,302
Caterpillar Power Finance	3,052	—	3,052
Total Performing	\$ 20,044	\$ 3,554	\$ 23,598
Non-Performing			
North America	\$ 27	\$ —	\$ 27
Europe	28	—	28
Asia Pacific	54	—	54
Mining	62	—	62
Latin America	201	—	201
Caterpillar Power Finance	96	—	96
Total Non-Performing	\$ 468	\$ —	\$ 468
Performing & Non-Performing			
North America	\$ 7,273	\$ 2,189	\$ 9,462
Europe	2,675	153	2,828
Asia Pacific	2,436	566	3,002
Mining	2,123	—	2,123
Latin America	2,857	646	3,503
Caterpillar Power Finance	3,148	—	3,148
Total	\$ 20,512	\$ 3,554	\$ 24,066

(Millions of dollars)	December 31, 2013		
	Customer	Dealer	Total
Performing			
North America	\$ 6,555	\$ 2,283	\$ 8,838
Europe	2,847	150	2,997
Asia Pacific	2,838	583	3,421
Mining	2,120	1	2,121
Latin America	2,539	748	3,287
Caterpillar Power Finance	2,972	—	2,972
Total Performing	<u>\$ 19,871</u>	<u>\$ 3,765</u>	<u>\$ 23,636</u>
Non-Performing			
North America	\$ 26	\$ —	\$ 26
Europe	28	—	28
Asia Pacific	50	—	50
Mining	23	—	23
Latin America	179	—	179
Caterpillar Power Finance	119	—	119
Total Non-Performing	<u>\$ 425</u>	<u>\$ —</u>	<u>\$ 425</u>
Performing & Non-Performing			
North America	\$ 6,581	\$ 2,283	\$ 8,864
Europe	2,875	150	3,025
Asia Pacific	2,888	583	3,471
Mining	2,143	1	2,144
Latin America	2,718	748	3,466
Caterpillar Power Finance	3,091	—	3,091
Total	<u>\$ 20,296</u>	<u>\$ 3,765</u>	<u>\$ 24,061</u>

(Millions of dollars)	December 31, 2012		
	Customer	Dealer	Total
Performing			
North America	\$ 5,908	\$ 2,063	\$ 7,971
Europe	2,517	185	2,702
Asia Pacific	3,002	751	3,753
Mining	1,961	1	1,962
Latin America	2,571	884	3,455
Caterpillar Power Finance	2,952	—	2,952
Total Performing	\$ 18,911	\$ 3,884	\$ 22,795
Non-Performing			
North America	\$ 59	\$ —	\$ 59
Europe	38	—	38
Asia Pacific	36	—	36
Mining	12	—	12
Latin America	148	—	148
Caterpillar Power Finance	220	—	220
Total Non-Performing	\$ 513	\$ —	\$ 513
Performing & Non-Performing			
North America	\$ 5,967	\$ 2,063	\$ 8,030
Europe	2,555	185	2,740
Asia Pacific	3,038	751	3,789
Mining	1,973	1	1,974
Latin America	2,719	884	3,603
Caterpillar Power Finance	3,172	—	3,172
Total	\$ 19,424	\$ 3,884	\$ 23,308

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, extended skip payment periods and reduction of principal and/or accrued interest.

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 less selling costs. In addition, Cat Financial considers credit enhancements such as additional collateral and contractual third-party guarantees in determining the allowance for credit losses attributable to TDRs.

There were no loans or finance lease receivables modified as TDRs during the years ended December 31, 2014, 2013 or 2012 for the Dealer portfolio segment.

Loan and finance lease receivables in the Customer portfolio segment modified as TDRs during the years ended December 31, 2014, 2013, and 2012 were as follows:

(Millions of dollars)

		Year ended December 31, 2014		
		Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
Customer				
North America	34	\$	12	\$ 7
Europe	8		7	7
Asia Pacific	2		—	—
Mining	51		185	176
Latin America	51		32	31
Caterpillar Power Finance ¹	18		137	139
Total ²	164	\$	373	\$ 360
		Year ended December 31, 2013		
		Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
Customer				
North America	62	\$	9	\$ 9
Europe	51		7	7
Asia Pacific	3		1	1
Mining	45		123	123
Latin America	16		2	2
Caterpillar Power Finance ¹	17		153	157
Total ²	194	\$	295	\$ 299
		Year ended December 31, 2012		
		Number of Contracts	Pre-TDR Outstanding Recorded Investment	Post-TDR Outstanding Recorded Investment
Customer				
North America	98	\$	15	\$ 15
Europe	21		8	8
Asia Pacific	12		3	3
Mining	—		—	—
Latin America	41		5	5
Caterpillar Power Finance ¹	27		253	253
Total ²	199	\$	284	\$ 284

¹ During the year ended December 31, 2014, no additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. During the years ended December 31, 2013 and 2012, \$25 million and \$24 million, respectively, of additional funds were subsequently loaned to a borrower whose terms had been modified in a TDR. The \$25 million and \$24 million of additional funds are not reflected in the table above as no incremental modifications have been made with the borrower during the periods presented. At December 31, 2014, there were no remaining commitments to lend additional funds to a borrower whose terms have been modified in a TDR.

² Modifications include extended contract maturities, inclusion of interest only periods, below market interest rates, extended skip payment periods and reduction of principal and/or accrued interest.

TDRs in the Customer portfolio segment with a payment default during the years ended December 31, 2014 , 2013 , and 2012 which had been modified within twelve months prior to the default date, were as follows:

(Millions of dollars)	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2012	
	Number of Contracts	Post-TDR Recorded Investment	Number of Contracts	Post-TDR Recorded Investment	Number of Contracts	Post-TDR Recorded Investment
Customer						
North America	11	\$ 1	19	\$ 4	49	\$ 4
Europe	46	2	5	—	—	—
Asia Pacific	—	—	—	—	2	1
Mining	—	—	—	—	—	—
Latin America	11	1	—	—	—	—
Caterpillar Power Finance	—	—	2	3	16	21
Total	68	\$ 4	26	\$ 7	67	\$ 26

7. Inventories

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

(Millions of dollars)	December 31,		
	2014	2013	2012
Raw materials	\$ 2,986	\$ 2,966	\$ 3,573
Work-in-process	2,455	2,589	2,920
Finished goods	6,504	6,785	8,767
Supplies	260	285	287
Total inventories	\$ 12,205	\$ 12,625	\$ 15,547

We had long-term material purchase obligations of approximately \$2,142 million at December 31, 2014 .

During 2013 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 2013, the effect of this reduction of inventory decreased Cost of goods sold by approximately \$115 million and increased Profit by approximately \$81 million or \$0.12 per share. There were no significant LIFO liquidations during 2014 or 2012.

8. Property, plant and equipment

(Millions of dollars)	Useful Lives (Years)	December 31,		
		2014	2013	2012
Land	—	\$ 665	\$ 688	\$ 723
Buildings and land improvements	20-45	7,119	6,928	6,214
Machinery, equipment and other	3-10	16,971	16,793	16,073
Equipment leased to others	1-10	5,596	5,365	4,658
Construction-in-process	—	1,221	1,542	2,264
Total property, plant and equipment, at cost		31,572	31,316	29,932
Less: Accumulated depreciation		(14,995)	(14,241)	(13,471)
Property, plant and equipment—net		<u>\$ 16,577</u>	<u>\$ 17,075</u>	<u>\$ 16,461</u>

We had commitments for the purchase or construction of capital assets of approximately \$294 million at December 31, 2014 .

Assets recorded under capital leases: ¹

(Millions of dollars)	December 31,		
	2014	2013	2012
Gross capital leases ²	\$ 111	\$ 125	\$ 134
Less: Accumulated depreciation	(52)	(50)	(58)
Net capital leases	<u>\$ 59</u>	<u>\$ 75</u>	<u>\$ 76</u>

¹ Included in Property, plant and equipment table above.

² Consists primarily of machinery and equipment.

At December 31, 2014 , scheduled minimum rental payments on assets recorded under capital leases were:

(Millions of dollars)					
2015	2016	2017	2018	2019	Thereafter
\$ 8	\$ 26	\$ 10	\$ 7	\$ 7	\$ 35

Equipment leased to others (primarily by Cat Financial):

(Millions of dollars)	December 31,		
	2014	2013	2012
Equipment leased to others—at original cost	\$ 5,596	\$ 5,365	\$ 4,658
Less: Accumulated depreciation	(1,565)	(1,521)	(1,383)
Equipment leased to others—net	<u>\$ 4,031</u>	<u>\$ 3,844</u>	<u>\$ 3,275</u>

At December 31, 2014 , scheduled minimum rental payments to be received for equipment leased to others were:

(Millions of dollars)					
2015	2016	2017	2018	2019	Thereafter
\$ 951	\$ 621	\$ 353	\$ 180	\$ 73	\$ 28

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,		
	2014	2013	2012
Results of Operations:			
Sales	\$ 1,662	\$ 1,336	\$ 1,084
Cost of sales	1,292	1,048	872
Gross profit	<u>\$ 370</u>	<u>\$ 288</u>	<u>\$ 212</u>
Profit (loss)	<u>\$ (30)</u>	<u>\$ (28)</u>	<u>\$ 28</u>

Financial Position of unconsolidated affiliated companies:			
(Millions of dollars)	December 31,		
	2014	2013	2012
Financial Position:			
Assets:			
Current assets	\$ 716	\$ 683	\$ 715
Property, plant and equipment—net	653	710	529
Other assets	557	608	616
	<u>1,926</u>	<u>2,001</u>	<u>1,860</u>
Liabilities:			
Current liabilities	518	437	443
Long-term debt due after one year	867	900	708
Other liabilities	215	262	170
	<u>1,600</u>	<u>1,599</u>	<u>1,321</u>
Equity	<u>\$ 326</u>	<u>\$ 402</u>	<u>\$ 539</u>

Caterpillar's investments in unconsolidated affiliated companies:			
(Millions of dollars)	December 31,		
	2014	2013	2012
Investments in equity method companies	\$ 248	\$ 262	\$ 256
Plus: Investments in cost method companies	9	10	16
Total investments in unconsolidated affiliated companies	<u>\$ 257</u>	<u>\$ 272</u>	<u>\$ 272</u>

10. Intangible assets and goodwill

A. Intangible assets

Intangible assets are comprised of the following:

(Millions of dollars)	Weighted Amortizable Life (Years)	December 31, 2014		
		Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	15	\$ 2,489	\$ (669)	\$ 1,820
Intellectual property	11	1,724	(578)	1,146
Other	11	239	(129)	110
Total finite-lived intangible assets	14	<u>\$ 4,452</u>	<u>\$ (1,376)</u>	<u>\$ 3,076</u>

	Weighted Amortizable Life (Years)	December 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	15	\$ 2,653	\$ (539)	\$ 2,114
Intellectual property	11	1,821	(495)	1,326
Other	10	274	(136)	138
Total finite-lived intangible assets	13	<u>4,748</u>	<u>(1,170)</u>	<u>3,578</u>
Indefinite-lived intangible assets - In-process research & development		18	—	18
Total intangible assets		<u>\$ 4,766</u>	<u>\$ (1,170)</u>	<u>\$ 3,596</u>

	Weighted Amortizable Life (Years)	December 31, 2012		
		Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	15	\$ 2,756	\$ (377)	\$ 2,379
Intellectual property	12	1,767	(342)	1,425
Other	10	299	(105)	194
Total finite-lived intangible assets	13	<u>4,822</u>	<u>(824)</u>	<u>3,998</u>
Indefinite-lived intangible assets - In-process research & development		18	—	18
Total intangible assets		<u>\$ 4,840</u>	<u>\$ (824)</u>	<u>\$ 4,016</u>

Gross customer relationship intangibles of \$48 million and related accumulated amortization of \$9 million were divested during 2014, and are not included in the December 31, 2014 balances in the table above. These transactions were related to the divestiture of portions of the Bucyrus distribution business. See Note 26 for additional information on divestitures.

In-process research & development indefinite-lived intangibles of \$18 million from the Energy & Transportation segment were impaired during 2014. Fair value of the intangibles was determined using an income approach based on the present value of discounted cash flows. The impairment of \$18 million was recognized in Other operating (income) expenses in Statement 1 and included in the Energy & Transportation segment.

During 2013, we acquired finite-lived intangible assets aggregating \$70 million due to the purchase of Johan Walter Berg AB (Berg). See Note 24 for details on this acquisition.

Gross customer relationship intangibles of \$168 million and related accumulated amortization of \$25 million were reclassified from Intangible assets to assets held for sale and/or divested during 2013, and are not included in the December 31, 2013 balances in the table above. These transactions were related to the divestiture of portions of the Bucyrus distribution business. See Note 26 for additional information on divestitures.

During 2012, we acquired finite-lived intangible assets aggregating \$120 million due to purchases of ERA Mining Machinery Limited (Siwei) (\$112 million) and Caterpillar Tohoku Ltd. (Cat Tohoku) (\$8 million). See Note 24 for details on these acquisitions.

Gross customer relationship intangibles of \$207 million with related accumulated amortization of \$93 million were reclassified from Intangible assets to held for sale and/or divested during 2012, and are not included in the December 31, 2012 balances in the table above. These transactions primarily related to the divestiture of portions of the Bucyrus distribution business and our third party logistics business. See Note 26 for additional information on divestitures.

Gross customer relationship intangibles of \$51 million with related accumulated amortization of \$29 million from the All Other segments were impaired during 2012. Fair value of the intangibles was determined using an income approach based on the present value of discounted cash flows. The impairment of \$22 million was recognized in Other operating (income) expenses in Statement 1 and included in the All Other segments.

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 \$365 million , \$371 million and \$387 million for 2014 , 2013 and 2012 , respectively.

As of December 31, 2014 , amortization expense related to intangible assets is expected to be:

(Millions of dollars)					
2015	2016	2017	2018	2019	Thereafter
\$ 345	\$ 323	\$ 322	\$ 320	\$ 318	\$ 1,448

B. Goodwill

During 2013, we acquired net assets with related goodwill of \$106 million due to the purchase of Berg. In 2014, we finalized the allocation of the Berg purchase price to identifiable assets and liabilities, adjusting goodwill from our December 31, 2013 preliminary allocation by an increase of \$7 million . See Note 24 for details on this acquisition.

There were no goodwill impairments during 2014 or 2013.

As discussed in Note 24, we recorded goodwill of \$625 million related to our May 2012 acquisition of Siwei. In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition.

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which was a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a \$580 million goodwill impairment charge, which resulted in goodwill of \$45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

Additionally, during 2012, we recorded goodwill of \$22 million related to the acquisition of Cat Tohoku. See Note 24 for details on this acquisition.

Goodwill of \$15 million , \$65 million and \$181 million was reclassified to held for sale and/or divested during 2014 , 2013 and 2012 , respectively, and is not included in the December 31, 2014 , 2013 and 2012 respective balances in the table below. The reclassified/divested amount in 2014 and 2012 primarily related to the divestiture of portions of the Bucyrus distribution business. The reclassified/divested amounts in 2013 was related to the divestiture of portions of the Bucyrus distribution business and the sale of certain Energy & Transportation assets that were accounted for as a business. See Note 26 for additional information on divestitures.

As discussed in Note 23, effective January 1, 2014, we revised our reportable segments in line with the changes to our organization structure. 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, 2014 , 2013 and 2012 were as follows:

(Millions of dollars)	Held for Sale and Business Divestitures					
	December 31, 2013	Acquisitions ¹	Business Divestitures ²	Impairment Loss	Other Adjustments ³	December 31, 2014
Construction Industries						
Goodwill	\$ 291	\$ —	\$ —	\$ —	\$ (16)	\$ 275
Resource Industries						
Goodwill	4,468	—	(15)	—	(166)	4,287
Impairments	(580)	—	—	—	—	(580)
Net goodwill	3,888	—	(15)	—	(166)	3,707
Energy & Transportation						
Goodwill	2,600	7	—	—	(65)	2,542
All Other ⁴						
Goodwill	199	—	—	—	(7)	192
Impairment	(22)	—	—	—	—	(22)
Net goodwill	177	—	—	—	(7)	170
Consolidated total						
Goodwill	7,558	7	(15)	—	(254)	7,296
Impairments	(602)	—	—	—	—	(602)
Net goodwill	\$ 6,956	\$ 7	\$ (15)	\$ —	\$ (254)	\$ 6,694
	December 31, 2012	Acquisitions ¹	Held for Sale and Business Divestitures ²	Impairment Loss	Other Adjustments ³	December 31, 2013
Construction Industries						
Goodwill	\$ 333	\$ —	\$ —	\$ —	\$ (42)	\$ 291
Resource Industries						
Goodwill	4,511	—	(55)	—	12	4,468
Impairments	(580)	—	—	—	—	(580)
Net goodwill	3,931	—	(55)	—	12	3,888
Energy & Transportation						
Goodwill	2,486	106	(10)	—	18	2,600
All Other ⁴						
Goodwill	214	—	—	—	(15)	199
Impairment	(22)	—	—	—	—	(22)
Net goodwill	192	—	—	—	(15)	177
Consolidated total						
Goodwill	7,544	106	(65)	—	(27)	7,558
Impairments	(602)	—	—	—	—	(602)
Net goodwill	\$ 6,942	\$ 106	\$ (65)	\$ —	\$ (27)	\$ 6,956
	December 31, 2011	Acquisitions ¹	Held for Sale and Business Divestitures ²	Impairment Loss	Other Adjustments ³	December 31, 2012
Construction Industries						
Goodwill	\$ 331	\$ 15	\$ —	\$ —	\$ (13)	\$ 333
Resource Industries						
Goodwill	4,073	597	(181)	—	22	4,511
Impairments	—	—	—	(580)	—	(580)
Net goodwill	4,073	597	(181)	(580)	22	3,931
Energy & Transportation						
Goodwill	2,486	9	—	—	(9)	2,486
All Other ⁴						
Goodwill	212	7	—	—	(5)	214
Impairment	(22)	—	—	—	—	(22)
Net goodwill	190	7	—	—	(5)	192
Consolidated total						
Goodwill	7,102	628	(181)	—	(5)	7,544
Impairments	(22)	—	—	(580)	—	(602)
Net goodwill	\$ 7,080	\$ 628	\$ (181)	\$ (580)	\$ (5)	\$ 6,942

¹ See Note 24 for additional information.

² See Note 26 for additional information.

³ Other adjustments are comprised primarily of foreign currency translation.

⁴ Includes All Other operating segments (See Note 23).

11. Available-for-sale securities

We have investments in certain debt and equity securities, primarily at Insurance Services, that have been classified as available-for-sale and recorded at fair value based upon quoted market prices. These investments are primarily included in Other assets in Statement 3. Unrealized gains and losses arising from the revaluation of available-for-sale securities are included, net of applicable deferred income taxes, in equity (Accumulated other comprehensive income (loss) in Statement 3). Realized gains and losses on sales of investments are generally determined using the specific identification method for debt and equity securities. Realized gains and losses are included in Other income (expense) in Statement 1.

(Millions of dollars)	December 31, 2014			December 31, 2013			December 31, 2012		
	Cost Basis	Unrealized Pretax Net Gains (Losses)	Fair Value	Cost Basis	Unrealized Pretax Net Gains (Losses)	Fair Value	Cost Basis	Unrealized Pretax Net Gains (Losses)	Fair Value
Government debt									
U.S. treasury bonds	\$ 10	\$ —	\$ 10	\$ 10	\$ —	\$ 10	\$ 10	\$ —	\$ 10
Other U.S. and non-U.S. government bonds	94	—	94	119	1	120	144	2	146
Corporate bonds									
Corporate bonds	677	16	693	612	21	633	626	38	664
Asset-backed securities	103	2	105	72	—	72	96	—	96
Mortgage-backed debt securities									
U.S. governmental agency	292	2	294	322	(1)	321	291	8	299
Residential	15	—	15	18	—	18	26	(1)	25
Commercial	63	4	67	87	6	93	117	10	127
Equity securities									
Large capitalization value	150	83	233	173	81	254	147	38	185
Smaller company growth	17	26	43	25	24	49	22	12	34
Total	\$ 1,421	\$ 133	\$ 1,554	\$ 1,438	\$ 132	\$ 1,570	\$ 1,479	\$ 107	\$ 1,586

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

(Millions of dollars)	December 31, 2014					
	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	\$ 195	\$ 1	\$ 32	\$ —	\$ 227	\$ 1
Mortgage-backed debt securities						
U.S. governmental agency	34	—	140	3	174	3
Equity securities						
Large capitalization value	15	2	1	—	16	2
Total	\$ 244	\$ 3	\$ 173	\$ 3	\$ 417	\$ 6

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, 2013					
	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	\$ 159	\$ 2	\$ 1	\$ —	\$ 160	\$ 2
Asset-backed securities	6	—	20	1	26	1
Mortgage-backed debt securities						
U.S. governmental agency	140	4	65	2	205	6
Total	<u>\$ 305</u>	<u>\$ 6</u>	<u>\$ 86</u>	<u>\$ 3</u>	<u>\$ 391</u>	<u>\$ 9</u>

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, 2012					
	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	\$ —	\$ —	\$ 20	\$ 3	\$ 20	\$ 3
Mortgage-backed debt securities						
U.S. governmental agency	84	1	15	—	99	1
Residential	—	—	14	1	14	1
Equity securities						
Large capitalization value	25	2	10	1	35	3
Total	<u>\$ 109</u>	<u>\$ 3</u>	<u>\$ 59</u>	<u>\$ 5</u>	<u>\$ 168</u>	<u>\$ 8</u>

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 relate 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, 2014 .

Mortgage-Backed Debt Securities. The unrealized losses on our investments in mortgage-backed securities relate 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 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, 2014 .

Equity Securities. Insurance Services maintains a well-diversified equity portfolio consisting of two specific mandates: large capitalization value stocks and smaller company growth stocks. The unrealized losses on our investments in equity securities relate to inherent risks of individual holdings and/or their respective sectors. U.S. equity valuations were higher on average during the fourth quarter of 2014 on generally favorable economic data. We do not consider these investments to be other-than-temporarily impaired as of December 31, 2014 .

The cost basis and fair value of the available-for-sale debt securities at December 31, 2014, 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)	December 31, 2014	
	Cost Basis	Fair Value
Due in one year or less	\$ 72	\$ 73
Due after one year through five years	744	760
Due after five years through ten years	41	42
Due after ten years	27	27
U.S. governmental agency mortgage-backed securities	292	294
Residential mortgage-backed securities	15	15
Commercial mortgage-backed securities	63	67
Total debt securities – available-for-sale	<u>\$ 1,254</u>	<u>\$ 1,278</u>

Sales of Securities:

(Millions of dollars)	Years Ended December 31,		
	2014	2013	2012
Proceeds from the sale of available-for-sale securities	\$ 434	\$ 449	\$ 306
Gross gains from the sale of available-for-sale securities	\$ 38	\$ 22	\$ 6
Gross losses from the sale of available-for-sale securities	\$ 2	\$ 2	\$ —

12. Postemployment benefit plans

We provide defined benefit pension plans, defined contribution plans and/or other postretirement benefit plans (retirement health care and life insurance) to employees in many of our locations throughout the world. Our defined benefit pension 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. The benefit obligation related to our non-U.S. defined benefit pension plans are for employees located primarily in Europe, Japan and Brazil. For other postretirement benefits, substantially all of our benefit obligation is for employees located in the United States.

Our U.S. defined benefit pension plans for support and management employees were frozen for certain employees on December 31, 2010, and will freeze for remaining employees on December 31, 2019. On the respective transition dates employees move to a retirement benefit that provides a frozen pension benefit and a 401(k) plan that will include a matching contribution and a new annual employer contribution.

In February 2012, we announced the closure of the Electro-Motive Diesel facility located in London, Ontario. As a result of the closure, we recognized a \$37 million other postretirement benefits curtailment gain. This excludes a \$21 million loss of a third-party receivable for other postretirement benefits that was eliminated due to the closure. In addition, a \$10 million contractual termination benefit expense was recognized related to statutory pension benefits required to be paid to certain affected employees. As a result, a net gain of \$6 million related to the facility closure was recognized in Other operating (income) expenses in Statement 1.

In August 2012, we announced changes to our U.S. hourly pension plan, which impacted certain hourly employees. For the impacted employees, pension benefit accruals were frozen on January 1, 2013 or will freeze January 1, 2016, at which time employees will become eligible for various provisions of company sponsored 401(k) plans including a matching contribution and an annual employer contribution. The plan changes resulted in a curtailment and required a remeasurement as of August 31, 2012. The curtailment and the remeasurement resulted in a net increase in our Liability for postemployment benefits of \$243 million and a net loss of \$153 million, net of tax, recognized in Accumulated other comprehensive income (loss). The increase in the liability was primarily due to a decline in the discount rate. Also, the curtailment resulted in expense of \$7 million which was recognized in Other operating (income) expenses in Statement 1.

A. Benefit obligations

(Millions of dollars)	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Change in benefit obligation:									
Benefit obligation, beginning of year	\$ 14,419	\$ 15,913	\$ 14,782	\$ 4,609	\$ 4,737	\$ 4,299	\$ 4,784	\$ 5,453	\$ 5,381
Service cost	157	196	185	109	120	108	82	108	92
Interest cost	648	581	609	185	166	182	213	195	221
Plan amendments	—	—	—	—	—	12	(1)	1	(38)
Actuarial losses (gains)	1,994	(1,450)	1,168	604	(41)	385	196	(658)	186
Foreign currency exchange rates	—	—	—	(436)	(81)	49	(30)	(19)	(11)
Participant contributions	—	—	—	9	10	9	61	57	48
Benefits paid - gross	(963)	(845)	(831)	(206)	(254)	(190)	(377)	(339)	(394)
Less: federal subsidy on benefits paid	—	—	—	—	—	—	14	8	16
Curtailments, settlements and termination benefits	(6)	(7)	—	(53)	(56)	(67)	(4)	—	(48)
Acquisitions, divestitures and other ¹	—	31	—	(20)	8	(50)	—	(22)	—
Benefit obligation, end of year	<u>\$ 16,249</u>	<u>\$ 14,419</u>	<u>\$ 15,913</u>	<u>\$ 4,801</u>	<u>\$ 4,609</u>	<u>\$ 4,737</u>	<u>\$ 4,938</u>	<u>\$ 4,784</u>	<u>\$ 5,453</u>
Accumulated benefit obligation, end of year	<u>\$ 15,701</u>	<u>\$ 14,056</u>	<u>\$ 15,132</u>	<u>\$ 4,408</u>	<u>\$ 4,247</u>	<u>\$ 4,329</u>			

Weighted-average assumptions used to determine benefit obligation:

Discount rate ²	3.8%	4.6%	3.7%	3.3%	4.1%	3.7%	3.9%	4.6%	3.7%
Rate of compensation increase ²	4.0%	4.0%	4.5%	4.0%	4.2%	3.9%	4.0%	4.0%	4.4%

¹ In 2013, charge to recognize a previously unrecorded liability related to a subsidiary's pension plans and an adjustment to other postretirement benefits related to certain other benefits. See Note 26 regarding the divestiture of the third party logistics business in 2012.

² End of year rates are used to determine net periodic cost for the subsequent year. See Note 12E.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(Millions of dollars)	One-percentage-point increase	One-percentage-point decrease
Effect on 2014 service and interest cost components of other postretirement benefit cost	\$ 24	\$ (20)
Effect on accumulated postretirement benefit obligation	\$ 298	\$ (245)

B. Plan assets

(Millions of dollars)	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Change in plan assets:									
Fair value of plan assets, beginning of year	\$ 12,395	\$ 10,981	\$ 9,997	\$ 3,949	\$ 3,426	\$ 2,818	\$ 822	\$ 789	\$ 814
Actual return on plan assets	849	1,722	1,235	507	535	368	75	158	117
Foreign currency exchange rates	—	—	—	(352)	(41)	47	—	—	—
Company contributions	255	541	580	265	303	446	195	157	204
Participant contributions	—	—	—	9	10	9	61	57	48
Benefits paid	(963)	(845)	(831)	(206)	(254)	(190)	(377)	(339)	(394)
Settlements and termination benefits	(6)	(4)	—	(50)	(30)	(72)	—	—	—
Acquisitions, divestitures and other	—	—	—	(22)	—	—	—	—	—
Fair value of plan assets, end of year	<u>\$ 12,530</u>	<u>\$ 12,395</u>	<u>\$ 10,981</u>	<u>\$ 4,100</u>	<u>\$ 3,949</u>	<u>\$ 3,426</u>	<u>\$ 776</u>	<u>\$ 822</u>	<u>\$ 789</u>

In general, our strategy for both the U.S. and non-U.S. pensions includes further aligning our investments to our liabilities, while reducing risk in our portfolio. The current U.S. pension target asset allocations are 50 percent equities and 50 percent fixed income. These target allocations will be revisited periodically to ensure that they reflect our overall objectives. The non-U.S. pension weighted-average target allocations are 46 percent equities, 46 percent fixed income, 6 percent real estate and 2 percent other. The target allocations for each plan vary based upon local statutory requirements, demographics of plan participants and funded status. The non-U.S. plan assets are primarily invested in non-U.S. securities.

Our target allocations for the other postretirement benefit plans are 70 percent equities and 30 percent fixed income.

The U.S. plans are rebalanced to plus or minus 5 percentage points of the target asset allocation ranges on a monthly basis. The frequency of rebalancing for the non-U.S. plans varies depending on the plan. As a result of our diversification strategies, there are no significant concentrations of risk within the portfolio of investments except for the holdings in Caterpillar stock in 2013 and 2012 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 18 for a discussion of the fair value hierarchy.

Fair values are determined as follows:

- Equity securities are primarily based on valuations for identical instruments in active markets.
- Fixed income securities are primarily based upon models that take into consideration such market-based factors as recent sales, risk-free yield curves and prices of similarly rated bonds.
- Real estate is stated at the fund's net asset value or at appraised value.
- Cash, short-term instruments and other are based on the carrying amount, which approximates fair value, or 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, 2014			
	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 3,713	\$ 1	\$ 161	\$ 3,875
Non-U.S. equities	2,291	12	1	2,304
Fixed income securities:				
U.S. corporate bonds	—	3,985	25	4,010
Non-U.S. corporate bonds	—	552	—	552
U.S. government bonds	—	528	—	528
U.S. governmental agency mortgage-backed securities	—	752	2	754
Non-U.S. government bonds	—	62	2	64
Real estate	—	—	9	9
Cash, short-term instruments and other	37	397	—	434
Total U.S. pension assets	<u>\$ 6,041</u>	<u>\$ 6,289</u>	<u>\$ 200</u>	<u>\$ 12,530</u>
(Millions of dollars)	December 31, 2013			
	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 4,337	\$ —	\$ 129	\$ 4,466
Non-U.S. equities	3,058	—	—	3,058
Fixed income securities:				
U.S. corporate bonds	—	2,123	34	2,157
Non-U.S. corporate bonds	—	327	20	347
U.S. government bonds	—	774	—	774
U.S. governmental agency mortgage-backed securities	—	905	—	905
Non-U.S. government bonds	—	52	—	52
Real estate	—	—	8	8
Cash, short-term instruments and other	22	606	—	628
Total U.S. pension assets	<u>\$ 7,417</u>	<u>\$ 4,787</u>	<u>\$ 191</u>	<u>\$ 12,395</u>

(Millions of dollars)	December 31, 2012			
	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 4,460	\$ 3	\$ 98	\$ 4,561
Non-U.S. equities	2,691	2	—	2,693
Fixed income securities:				
U.S. corporate bonds	—	1,490	23	1,513
Non-U.S. corporate bonds	—	231	10	241
U.S. government bonds	—	694	8	702
U.S. governmental agency mortgage-backed securities	—	794	1	795
Non-U.S. government bonds	—	33	3	36
Real estate	—	—	8	8
Cash, short-term instruments and other	13	419	—	432
Total U.S. pension assets	<u>\$ 7,164</u>	<u>\$ 3,666</u>	<u>\$ 151</u>	<u>\$ 10,981</u>

(Millions of dollars)	December 31, 2014			
	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Non-U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 552	\$ —	\$ —	\$ 552
Non-U.S. equities	794	250	—	1,044
Global equities ¹	218	52	—	270
Fixed income securities:				
U.S. corporate bonds	—	81	9	90
Non-U.S. corporate bonds	—	503	2	505
U.S. government bonds	—	1	—	1
Non-U.S. government bonds	—	836	—	836
Global fixed income ¹	—	363	—	363
Real estate	—	182	48	230
Cash, short-term instruments and other ²	159	50	—	209
Total non-U.S. pension assets	<u>\$ 1,723</u>	<u>\$ 2,318</u>	<u>\$ 59</u>	<u>\$ 4,100</u>

	December 31, 2013			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Non-U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 607	\$ 1	\$ —	\$ 608
Non-U.S. equities	1,022	160	—	1,182
Global equities ¹	235	54	—	289
Fixed income securities:				
U.S. corporate bonds	—	84	9	93
Non-U.S. corporate bonds	—	534	12	546
U.S. government bonds	—	3	—	3
Non-U.S. government bonds	—	418	—	418
Global fixed income ¹	—	397	—	397
Real estate	—	136	111	247
Cash, short-term instruments and other ²	141	25	—	166
Total non-U.S. pension assets	\$ 2,005	\$ 1,812	\$ 132	\$ 3,949

	December 31, 2012			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Non-U.S. Pension</u>				
Equity securities:				
U.S. equities	\$ 436	\$ 2	\$ —	\$ 438
Non-U.S. equities	1,038	118	—	1,156
Global equities ¹	244	27	—	271
Fixed income securities:				
U.S. corporate bonds	—	37	3	40
Non-U.S. corporate bonds	—	494	2	496
U.S. government bonds	—	3	—	3
Non-U.S. government bonds	—	169	—	169
Global fixed income ¹	—	403	—	403
Real estate	—	114	104	218
Cash, short-term instruments and other ²	185	47	—	232
Total non-U.S. pension assets	\$ 1,903	\$ 1,414	\$ 109	\$ 3,426

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.

	December 31, 2014			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Other Postretirement Benefits</u>				
Equity securities:				
U.S. equities	\$ 392	\$ —	\$ —	\$ 392
Non-U.S. equities	158	1	—	159
Fixed income securities:				
U.S. corporate bonds	—	103	—	103
Non-U.S. corporate bonds	—	17	—	17
U.S. government bonds	—	30	—	30
U.S. governmental agency mortgage-backed securities	—	50	—	50
Non-U.S. government bonds	—	3	—	3
Cash, short-term instruments and other	9	13	—	22
Total other postretirement benefit assets	\$ 559	\$ 217	\$ —	\$ 776

	December 31, 2013			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Other Postretirement Benefits</u>				
Equity securities:				
U.S. equities	\$ 388	\$ —	\$ —	\$ 388
Non-U.S. equities	189	—	—	189
Fixed income securities:				
U.S. corporate bonds	—	101	—	101
Non-U.S. corporate bonds	—	17	—	17
U.S. government bonds	—	23	—	23
U.S. governmental agency mortgage-backed securities	—	49	—	49
Non-U.S. government bonds	—	2	—	2
Cash, short-term instruments and other	8	45	—	53
Total other postretirement benefit assets	<u>\$ 585</u>	<u>\$ 237</u>	<u>\$ —</u>	<u>\$ 822</u>

	December 31, 2012			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets, at Fair Value
<u>Other Postretirement Benefits</u>				
Equity securities:				
U.S. equities	\$ 387	\$ —	\$ —	\$ 387
Non-U.S. equities	194	—	—	194
Fixed income securities:				
U.S. corporate bonds	—	70	—	70
Non-U.S. corporate bonds	—	11	—	11
U.S. government bonds	—	27	—	27
U.S. governmental agency mortgage-backed securities	—	33	—	33
Non-U.S. government bonds	—	2	—	2
Cash, short-term instruments and other	18	47	—	65
Total other postretirement benefit assets	\$ 599	\$ 190	\$ —	\$ 789

Below are roll-forwards of assets measured at fair value using Level 3 inputs for the years ended December 31, 2014 , 2013 and 2012 . These instruments were valued using pricing models that, in management's judgment, reflect the assumptions a market participant would use.

(Millions of dollars)					Equities	Fixed Income	Real Estate	Other
<u>U.S. Pension</u>								
Balance at December 31, 2011					\$ 77	\$ 51	\$ 8	\$ —
Unrealized gains (losses)					(4)	—	—	(1)
Realized gains (losses)					4	2	—	—
Purchases, issuances and settlements, net					21	(4)	—	1
Transfers in and/or out of Level 3					—	(4)	—	—
Balance at December 31, 2012					\$ 98	\$ 45	\$ 8	\$ —
Unrealized gains (losses)					10	(1)	—	—
Realized gains (losses)					4	—	—	—
Purchases, issuances and settlements, net					17	12	—	—
Transfers in and/or out of Level 3					—	(2)	—	—
Balance at December 31, 2013					\$ 129	\$ 54	\$ 8	\$ —
Unrealized gains (losses)					1	—	1	—
Realized gains (losses)					19	3	—	—
Purchases, issuances and settlements, net					13	(23)	—	—
Transfers in and/or out of Level 3					—	(5)	—	—
Balance at December 31, 2014					<u>\$ 162</u>	<u>\$ 29</u>	<u>\$ 9</u>	<u>\$ —</u>
<u>Non-U.S. Pension</u>								
Balance at December 31, 2011					\$ —	\$ 9	\$ 97	\$ —
Unrealized gains (losses)					—	—	8	—
Realized gains (losses)					—	—	—	—
Purchases, issuances and settlements, net					—	(1)	(1)	—
Transfers in and/or out of Level 3					—	(3)	—	—
Balance at December 31, 2012					\$ —	\$ 5	\$ 104	\$ —
Unrealized gains (losses)					—	—	7	—
Realized gains (losses)					—	—	—	—
Purchases, issuances and settlements, net					—	16	—	—
Transfers in and/or out of Level 3					—	—	—	—
Balance at December 31, 2013					\$ —	\$ 21	\$ 111	\$ —
Unrealized gains (losses)					—	(1)	(23)	—
Realized gains (losses)					—	—	22	—
Purchases, issuances and settlements, net					—	(1)	(62)	—
Transfers in and/or out of Level 3					—	(8)	—	—
Balance at December 31, 2014					<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 48</u>	<u>\$ —</u>

Equity securities within plan assets include Caterpillar Inc. common stock in the amounts of:

(Millions of dollars)	U.S. Pension Benefits ¹			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Caterpillar Inc. common stock	<u>\$ —</u>	<u>\$ 495</u>	<u>\$ 597</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>

¹ Amounts represent 4 percent and 5 percent of total plan assets for 2013 and 2012, respectively.

C. Funded status

The funded status of the plans, reconciled to the amount reported on Statement 3, is as follows:

(Millions of dollars)	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
End of Year									
Fair value of plan assets	\$ 12,530	\$ 12,395	\$ 10,981	\$ 4,100	\$ 3,949	\$ 3,426	\$ 776	\$ 822	\$ 789
Benefit obligations	16,249	14,419	15,913	4,801	4,609	4,737	4,938	4,784	5,453
Over (under) funded status recognized in financial position	<u>\$ (3,719)</u>	<u>\$ (2,024)</u>	<u>\$ (4,932)</u>	<u>\$ (701)</u>	<u>\$ (660)</u>	<u>\$ (1,311)</u>	<u>\$ (4,162)</u>	<u>\$ (3,962)</u>	<u>\$ (4,664)</u>
Components of net amount recognized in financial position:									
Other assets (non-current asset)	\$ 3	\$ 5	\$ —	\$ 144	\$ 123	\$ 30	\$ —	\$ —	\$ —
Accrued wages, salaries and employee benefits (current liability)	(28)	(26)	(23)	(24)	(29)	(27)	(160)	(169)	(169)
Liability for postemployment benefits (non-current liability)	(3,694)	(2,003)	(4,909)	(821)	(754)	(1,314)	(4,002)	(3,793)	(4,495)
Net liability recognized	<u>\$ (3,719)</u>	<u>\$ (2,024)</u>	<u>\$ (4,932)</u>	<u>\$ (701)</u>	<u>\$ (660)</u>	<u>\$ (1,311)</u>	<u>\$ (4,162)</u>	<u>\$ (3,962)</u>	<u>\$ (4,664)</u>
Amounts recognized in Accumulated other comprehensive income (pre-tax) consist of:									
Net actuarial loss (gain)	\$ 6,034	\$ 4,396	\$ 7,286	\$ 1,494	\$ 1,373	\$ 1,907	\$ 800	\$ 662	\$ 1,528
Prior service cost (credit)	2	19	36	9	13	22	(31)	(84)	(159)
Transition obligation (asset)	—	—	—	—	—	—	—	—	3
Total	<u>\$ 6,036</u>	<u>\$ 4,415</u>	<u>\$ 7,322</u>	<u>\$ 1,503</u>	<u>\$ 1,386</u>	<u>\$ 1,929</u>	<u>\$ 769</u>	<u>\$ 578</u>	<u>\$ 1,372</u>

The estimated amounts that will be amortized from Accumulated other comprehensive income (loss) at December 31, 2014 into net periodic benefit cost (pre-tax) in 2015 are as follows:

(Millions of dollars)	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Postretirement Benefits
Net actuarial loss (gain)	\$ 507	\$ 101	\$ 53
Prior service cost (credit)	1	—	(55)
Total	<u>\$ 508</u>	<u>\$ 101</u>	<u>\$ (2)</u>

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			Non-U.S. Pension Benefits at Year-end		
	2014	2013	2012	2014	2013	2012
Projected benefit obligation	\$ 16,182	\$ 14,352	\$ 15,913	\$ 4,539	\$ 4,177	\$ 4,310
Accumulated benefit obligation	\$ 15,634	\$ 13,989	\$ 15,132	\$ 4,148	\$ 3,820	\$ 3,903
Fair value of plan assets	\$ 12,460	\$ 12,323	\$ 10,981	\$ 3,695	\$ 3,394	\$ 2,969

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			Non-U.S. Pension Benefits at Year-end		
	2014	2013	2012	2014	2013	2012
Projected benefit obligation	\$ 16,182	\$ 14,352	\$ 15,913	\$ 1,879	\$ 1,436	\$ 4,107
Accumulated benefit obligation	\$ 15,634	\$ 13,989	\$ 15,132	\$ 1,734	\$ 1,374	\$ 3,752
Fair value of plan assets	\$ 12,460	\$ 12,323	\$ 10,981	\$ 1,068	\$ 797	\$ 2,806

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

D. Expected cash flow

Information about the expected cash flow for the pension and other postretirement benefit plans is as follows:

(Millions of dollars)	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Postretirement Benefits
Employer contributions:			
2015 (expected)	\$ 30	\$ 160	\$ 200
Expected benefit payments:			
2015	\$ 890	\$ 220	\$ 320
2016	910	200	320
2017	920	190	320
2018	930	190	330
2019	940	200	330
2020-2024	4,790	1,140	1,630
Total	\$ 9,380	\$ 2,140	\$ 3,250

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)	2015	2016	2017	2018	2019	2020-2024	Total
Other postretirement benefits	\$ 15	\$ 15	\$ 15	\$ 15	\$ 20	\$ 95	\$ 175

E. Net periodic cost

(Millions of dollars)	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Components of net periodic benefit cost:									
Service cost	\$ 157	\$ 196	\$ 185	\$ 109	\$ 120	\$ 108	\$ 82	\$ 108	\$ 92
Interest cost	648	581	609	185	166	182	213	195	221
Expected return on plan assets ¹	(885)	(832)	(812)	(258)	(225)	(215)	(52)	(56)	(63)
Other adjustments ²	—	31	—	—	—	—	—	(22)	—
Curtailments, settlements and termination benefits ³	—	—	7	14	2	38	(2)	—	(40)
Amortization of:									
Transition obligation (asset)	—	—	—	—	—	—	—	2	2
Prior service cost (credit) ⁴	17	18	19	—	1	1	(55)	(73)	(68)
Net actuarial loss (gain) ⁵	392	546	504	86	128	97	41	107	100
Total cost included in operating profit	\$ 329	\$ 540	\$ 512	\$ 136	\$ 192	\$ 211	\$ 227	\$ 261	\$ 244
Other changes in plan assets and benefit obligations recognized in other comprehensive income (pre-tax):									
Current year actuarial loss (gain)	\$ 2,030	\$ (2,344)	\$ 745	\$ 207	\$ (406)	\$ 225	\$ 179	\$ (759)	\$ 133
Amortization of actuarial (loss) gain	(392)	(546)	(504)	(86)	(128)	(97)	(41)	(107)	(100)
Current year prior service cost (credit)	—	—	(7)	(4)	(7)	10	(2)	2	(38)
Amortization of prior service (cost) credit	(17)	(18)	(19)	—	(1)	(1)	55	73	68
Amortization of transition (obligation) asset	—	—	—	—	—	—	—	(2)	(2)
Total recognized in other comprehensive income	1,621	(2,908)	215	117	(542)	137	191	(793)	61
Total recognized in net periodic cost and other comprehensive income	\$ 1,950	\$ (2,368)	\$ 727	\$ 253	\$ (350)	\$ 348	\$ 418	\$ (532)	\$ 305
Weighted-average assumptions used to determine net cost:									
Discount rate	4.6%	3.7%	4.3%	4.1%	3.7%	4.3%	4.6%	3.7%	4.3%
Expected rate of return on plan assets ⁶	7.8%	7.8%	8.0%	6.9%	6.8%	7.1%	7.8%	7.8%	8.0%
Rate of compensation increase	4.0%	4.5%	4.5%	4.2%	3.9%	3.9%	4.0%	4.4%	4.4%

¹ Expected return on plan assets developed using calculated market-related value of plan assets which recognizes differences in expected and actual returns over a three-year period.

² Charge to recognize a previously unrecorded liability related to a subsidiary's pension plans and an adjustment to other postretirement benefits related to certain other benefits.

³ Curtailments, settlements and termination benefits were recognized in Other operating (income) expenses in Statement 1.

⁴ Prior service cost (credit) for both pension and other postretirement benefits are generally amortized using the straight-line method over the average remaining service period of active employees expected to receive benefits from the plan. For pension plans in which all or almost all of the plan's participants are inactive and other postretirement benefit plans in which all or almost all of the plan's participants are fully eligible for benefits under the plan, prior service cost (credit) are amortized using the straight-line method over the remaining life expectancy of those participants.

⁵ Net actuarial loss (gain) for pension and other postretirement benefit plans are generally amortized using the straight-line method over the average remaining service period of active employees expected to receive benefits from the plan. For plans in which all or almost all of the plan's participants are inactive, net actuarial loss (gain) are amortized using the straight-line method over the remaining life expectancy of the inactive participants.

⁶ The weighted-average rates for 2015 are 7.4 percent and 6.8 percent for U.S. and non-U.S. pension plans, respectively.

The assumed discount rate is used to discount future benefit obligations back to today's dollars. The U.S. discount rate is based on a benefit cash flow-matching approach and represents the rate at which our benefit obligations could effectively be settled as of our measurement date, December 31. The benefit cash flow-matching approach involves analyzing Caterpillar's projected cash flows against a high quality bond yield curve, calculated using a wide population of corporate Aa bonds available on the measurement date. The very highest and lowest yielding bonds (top and bottom 10 percent) are excluded from the analysis. A similar process is used to determine the assumed discount rate for our most significant non-U.S. plans. This rate is sensitive to changes in interest rates. A decrease in the discount rate would increase our obligation and future expense.

Our U.S. expected long-term rate of return on plan assets is based on our estimate of long-term passive returns for equities and fixed income securities weighted by the allocation of our pension assets. Based on historical performance, we increase the passive returns due to our active management of the plan assets. To arrive at our expected long-term return, the amount added for active management was 1 percent for 2014, 2013 and 2012 . A similar process is used to determine this rate for our non-U.S. plans.

The assumed health care trend rate represents the rate at which health care costs are assumed to increase. We assumed a weighted-average increase of 6.6 percent in our calculation of 2014 benefit expense. We expect a weighted-average increase of 6.6 percent during 2015. The 2015 rates are assumed to decrease gradually to the ultimate health care trend rate of 5 percent in 2021 . This rate represents 3 percent general inflation plus 2 percent additional health care inflation.

F. Other postemployment benefit plans

We offer long-term disability benefits, continued health care for disabled employees, survivor income benefit insurance and supplemental unemployment benefits to substantially all 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 primary U.S. 401(k) plan allows eligible employees to contribute a portion of their cash compensation to the plan on a tax-deferred basis. Employees with frozen defined benefit pension accruals are eligible for matching contributions equal to 100 percent of employee contributions to the plan up to 6 percent of cash compensation and an annual employer contribution that ranges from 3 to 5 percent of cash compensation (depending on years of service and age). Employees that are still accruing benefits under a defined benefit pension plan are eligible for matching contributions equal to 50 percent of employee contributions up to 6 percent of cash 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.

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

(Millions of dollars)	2014	2013	2012
U.S. plans	\$ 301	\$ 308	\$ 260
Non-U.S. plans	85	64	60
	<u>\$ 386</u>	<u>\$ 372</u>	<u>\$ 320</u>

H. Summary of long-term liability:

(Millions of dollars)	December 31,		
	2014	2013	2012
Pensions:			
U.S. pensions	\$ 3,694	\$ 2,003	\$ 4,909
Non-U.S. pensions	821	754	1,314
Total pensions	4,515	2,757	6,223
Postretirement benefits other than pensions	4,002	3,793	4,495
Other postemployment benefits	112	99	81
Defined contribution	334	324	286
	<u>\$ 8,963</u>	<u>\$ 6,973</u>	<u>\$ 11,085</u>

13. Short-term borrowings

(Millions of dollars)	December 31,		
	2014	2013	2012
Machinery, Energy & Transportation:			
Notes payable to banks	\$ 9	\$ 16	\$ 484
Notes payable to certain former shareholders of Siwei	—	—	152
Commercial paper	—	—	—
	9	16	636
Financial Products:			
Notes payable to banks	411	545	418
Commercial paper	3,688	2,502	3,654
Demand notes	600	616	579
	4,699	3,663	4,651
Total short-term borrowings	<u>\$ 4,708</u>	<u>\$ 3,679</u>	<u>\$ 5,287</u>

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

	December 31,		
	2014	2013	2012
Notes payable to banks	6.8%	6.3%	5.8%
Commercial paper	0.3%	0.5%	0.6%
Demand notes	0.8%	0.8%	0.8%

The notes payable to certain former shareholders of Siwei did not bear interest and were settled during the second quarter of 2013. Please refer to Note 24 for more information. Please refer to Note 18 and Table III for fair value information on short-term borrowings.

14. Long-term debt

(Millions of dollars)	December 31,		
	2014	2013	2012
Machinery, Energy & Transportation:			
Notes—1.375% due 2014	\$ —	\$ —	\$ 750
Notes—5.700% due 2016	504	506	508
Notes—3.900% due 2021	1,246	1,246	1,245
Notes—5.200% due 2041	757	757	757
Debentures—0.950% due 2015	—	500	500
Debentures—1.500% due 2017	500	500	499
Debentures—7.900% due 2018	899	899	899
Debentures—9.375% due 2021	120	120	120
Debentures—2.600% due 2022	498	498	498
Debentures—8.000% due 2023	82	82	82
Debentures—3.400% due 2024	1,000	—	—
Debentures—6.625% due 2028	193	193	193
Debentures—7.300% due 2031	241	241	241
Debentures—5.300% due 2035 ¹	211	209	208
Debentures—6.050% due 2036	459	459	459
Debentures—8.250% due 2038	65	65	65
Debentures—6.950% due 2042	160	160	160
Debentures—3.803% due 2042 ²	1,188	1,168	1,149
Debentures—4.300% due 2044	497	—	—
Debentures—4.750% due 2064	498	—	—
Debentures—7.375% due 2097	244	244	244
Capital lease obligations	85	97	73
Other	46	55	16
Total Machinery, Energy & Transportation	9,493	7,999	8,666
Financial Products:			
Commercial paper	—	—	—
Medium-term notes	17,295	17,856	18,036
Other	996	864	1,050
Total Financial Products	18,291	18,720	19,086
Total long-term debt due after one year	\$ 27,784	\$ 26,719	\$ 27,752

¹ Debentures due in 2035 have a face value of \$307 million and an effective yield to maturity of 8.55% .

² Debentures due in 2042 have a face value of \$1,722 million and an effective yield to maturity of 6.33% .

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

On May 8, 2014, we issued \$1.0 billion of 3.400% Senior Notes due 2024, \$500 million of 4.300% Senior Notes due 2044, and \$500 million of 4.750% Senior Notes due 2064.

On June 26, 2012 we issued \$500 million of 0.950% Senior Notes due 2015, \$500 million of 1.500% Senior Notes due 2017, and \$500 million of 2.600% Senior Notes due 2022.

On August 15, 2012 and August 27, 2012, we exchanged \$1.72 billion of newly issued 3.803% Debentures due 2042 and \$179 million of cash for \$1.33 billion of several series of our outstanding debentures of varying interest rates and maturity dates. This exchange met the requirements to be accounted for as a debt modification.

We may redeem the 5.700% , 3.900% and 5.200% notes and the 7.900% , 6.625% , 7.300% , 5.300% , 6.050% , 8.250% , 6.950% and 7.375% debentures in whole or in part at our option at any time at a redemption price equal to the greater of 100% of the principal amount or the sum of the present value of the remaining scheduled payments of principal and interest of the notes or debentures to be redeemed. We may redeem some or all of the 0.950% debentures and the 1.500% debentures at our option at any time, and some or all of the 2.600% debentures at any time prior to March 26, 2022 (three months prior to the maturity date of the 2022 debentures), in each case at a redemption price equal to the greater of 100% of the principal amount of the notes being redeemed or at the discounted present value of the notes, calculated in accordance with the terms of the relevant notes. We may redeem some or all of the 3.803% debentures at any time at a redemption price equal to the greater of 100% of the principal amount of the debentures being redeemed or at a make-whole price calculated in accordance with the terms of the debentures. The terms of other notes and debentures do not specify a redemption option prior to maturity.

Cat Financial's medium term notes are offered by prospectus and are issued through agents at fixed and floating rates. These notes have a weighted average interest rate of 2.4% with remaining maturities up to 12 years at December 31, 2014 .

The aggregate amounts of maturities of long-term debt during each of the years 2015 through 2019, including amounts due within one year and classified as current, are:

(Millions of dollars)	December 31,				
	2015	2016	2017	2018	2019
Machinery, Energy & Transportation	\$ 510	\$ 543	\$ 509	\$ 906	\$ 7
Financial Products	6,283	5,507	5,487	2,411	2,381
	<u>\$ 6,793</u>	<u>\$ 6,050</u>	<u>\$ 5,996</u>	<u>\$ 3,317</u>	<u>\$ 2,388</u>

Interest paid on short-term and long-term borrowings for 2014 , 2013 and 2012 was \$1,109 million , \$1,141 million and \$1,404 million , respectively.

Please refer to Note 18 and Table III for fair value information on long-term debt.

15. Credit commitments

(Millions of dollars)	December 31, 2014		
	Consolidated	Machinery, Energy & Transportation	Financial Products
Credit lines available:			
Global credit facilities	\$ 10,500	\$ 2,750	\$ 7,750
Other external	4,254	195	4,059
Total credit lines available	<u>14,754</u>	<u>2,945</u>	<u>11,809</u>
Less: Commercial paper outstanding	(3,688)	—	(3,688)
Less: Utilized credit	<u>(1,904)</u>	<u>(9)</u>	<u>(1,895)</u>
Available credit	<u>\$ 9,162</u>	<u>\$ 2,936</u>	<u>\$ 6,226</u>

We have three global credit facilities with a syndicate of banks totaling \$10.50 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to Machinery, Energy & Transportation as of December 31, 2014 was \$2.75 billion . Our three Global Credit Facilities are:

- The 364 -day facility of \$3.15 billion (of which \$0.82 billion is available to Machinery, Energy & Transportation) expires in September 2015.
- The 2010 four -year facility, as amended in September 2014, of \$2.73 billion (of which \$0.72 billion is available to Machinery, Energy & Transportation) expires in September 2017.

- The 2011 five -year facility, as amended in September 2014, of \$4.62 billion (of which \$1.21 billion is available to Machinery, Energy & Transportation) expires in September 2019.

Other consolidated credit lines with banks as of December 31, 2014 totaled \$4.25 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, 2014 , Caterpillar's consolidated net worth was \$22.23 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, 2014 , Cat Financial's covenant interest coverage ratio was 2.19 to 1 . This is above the 1.15 to 1 minimum ratio, calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2014 , Cat Financial's six-month covenant leverage ratio was 7.79 to 1 and year-end covenant leverage ratio was 7.83 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 syndicate of banks 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, 2014 , there were no borrowings under the Credit Facility.

16. Profit per share

Computations of profit per share:

(Dollars in millions except per share data)

	2014	2013	2012
Profit for the period (A) ¹	\$ 3,695	\$ 3,789	\$ 5,681
Determination of shares (in millions):			
Weighted average number of common shares outstanding (B)	617.2	645.2	652.6
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	11.7	13.4	17.0
Average common shares outstanding for fully diluted computation (C) ²	628.9	658.6	669.6
Profit per share of common stock:			
Assuming no dilution (A/B)	\$ 5.99	\$ 5.87	\$ 8.71
Assuming full dilution (A/C) ²	\$ 5.88	\$ 5.75	\$ 8.48
Shares outstanding as of December 31 (in millions)	606.2	637.8	655.0

¹ Profit attributable to common stockholders.

² Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

SARs and stock options to purchase 10,266,682 , 10,152,448 and 6,066,777 common shares were outstanding in 2014 , 2013 and 2012 , respectively, which were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

In February 2007, the Board of Directors authorized the repurchase of \$7.5 billion of Caterpillar common stock (the 2007 Authorization), and in December 2011, the 2007 Authorization was extended through December 2015. In April 2013, we entered into a definitive agreement with Citibank, N.A. to purchase shares of our common stock under an accelerated stock

repurchase transaction (April 2013 ASR Agreement), which was completed in June 2013. In accordance with the terms of the April 2013 ASR Agreement, a total of 11.5 million shares of our common stock were repurchased at an aggregate cost to Caterpillar of \$1.0 billion .

In July 2013, we entered into a definitive agreement with Société Générale to purchase shares of our common stock under an accelerated stock repurchase transaction (July 2013 ASR Agreement), which was completed in September 2013. In accordance with the terms of the July 2013 ASR Agreement, a total of 11.9 million shares of our common stock were repurchased at an aggregate cost to Caterpillar of \$1.0 billion .

In January 2014, we completed the 2007 Authorization and entered into a definitive agreement with Citibank, N.A. to purchase shares of our common stock under an accelerated stock repurchase transaction (January 2014 ASR Agreement), which was completed in March 2014. In accordance with the terms of the January 2014 ASR Agreement, a total of approximately 18.1 million shares of our common stock were repurchased at an aggregate cost to Caterpillar of approximately \$1.7 billion .

In January 2014, the Board approved a new authorization to repurchase up to \$10.0 billion of Caterpillar common stock, which will expire on December 31, 2018. In July 2014, we entered into definitive agreements with Société Générale to purchase shares of our common stock under accelerated stock repurchase transactions (July 2014 ASR Agreements) which were completed in September 2014. In accordance with the terms of the July 2014 ASR Agreements, a total of approximately 23.7 million shares of our common stock were repurchased at an aggregate cost to Caterpillar of \$2.5 billion . Through the end of 2014, \$2.5 billion of the \$10.0 billion authorization was spent.

17. Accumulated other comprehensive income (loss)

Comprehensive income and its components are presented in Statement 2. Changes in Accumulated other comprehensive income (loss), net of tax, included in Statement 4, consisted of the following:

(Millions of dollars)	Foreign currency translation	Pension and other postretirement benefits	Derivative financial instruments	Available-for-sale securities	Total
Balance at December 31, 2011	\$ 206	\$ (6,568)	\$ (10)	\$ 44	\$ (6,328)
Balance at December 31, 2012 ¹	\$ 456	\$ (6,914)	\$ (42)	\$ 67	\$ (6,433)
Other comprehensive income (loss) before reclassifications	(280)	2,280	(4)	29	2,025
Amounts reclassified from accumulated other comprehensive (income) loss	—	482	41	(13)	510
Other comprehensive income (loss)	(280)	2,762	37	16	2,535
Balance at December 31, 2013	\$ 176	\$ (4,152)	\$ (5)	\$ 83	\$ (3,898)
Other comprehensive income (loss) before reclassifications	(1,164)	(1,574)	(118)	24	(2,832)
Amounts reclassified from accumulated other comprehensive (income) loss	—	319	4	(24)	299
Other comprehensive income (loss)	(1,164)	(1,255)	(114)	—	(2,533)
Balance at December 31, 2014	\$ (988)	\$ (5,407)	\$ (119)	\$ 83	\$ (6,431)

¹ In conjunction with the Cat Japan share redemption, to reflect the increase in our ownership interest in Cat Japan from 67 percent to 100 percent , \$107 million was reclassified to Accumulated other comprehensive income (loss) from other components of stockholders' equity and was not included in Comprehensive income during the second quarter of 2012. The amount was comprised of foreign currency translation of \$167 million , pension and other postretirement benefits of \$(61) million and available-for-sale securities of \$1 million .

The effect of the reclassifications out of Accumulated other comprehensive income (loss) on Statement 1 is as follows:

(Millions of dollars)	Classification of income (expense)	Year ended December 31,	
		2014	2013
Pension and other postretirement benefits:			
Amortization of actuarial gain (loss)	Note 12 ¹	\$ (519)	\$ (781)
Amortization of prior service credit (cost)	Note 12 ¹	38	54
Amortization of transition asset (obligation)	Note 12 ¹	—	(2)
Reclassifications before tax		(481)	(729)
Tax (provision) benefit		162	247
Reclassifications net of tax		\$ (319)	\$ (482)
Derivative financial instruments:			
Foreign exchange contracts	Other income (expense)	\$ 5	\$ (57)
Interest rate contracts	Interest expense excluding Financial Products	(5)	—
Interest rate contracts	Other income (expense)	—	(3)
Interest rate contracts	Interest expense of Financial Products	(6)	(6)
Reclassifications before tax		(6)	(66)
Tax (provision) benefit		2	25
Reclassifications net of tax		\$ (4)	\$ (41)
Available-for-sale securities:			
Realized gain (loss) on sale of securities	Other income (expense)	\$ 35	\$ 19
Tax (provision) benefit		(11)	(6)
Reclassifications net of tax		\$ 24	\$ 13
Total reclassifications from Accumulated other comprehensive income (loss)		\$ (299)	\$ (510)

¹ Amounts are included in the calculation of net periodic benefit cost. See Note 12 for additional information.

18. Fair value disclosures

A. Fair value measurements

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- **Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty or Caterpillar) will not be fulfilled. For financial assets traded in an active market (Level 1 and certain Level 2), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (certain Level 2 and Level 3), our fair value calculations have been adjusted accordingly.

Available-for-sale securities

Our available-for-sale securities, primarily at Insurance Services, 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.

Derivative financial instruments

The fair value of interest rate swap derivatives is primarily based on models that utilize the appropriate market-based forward swap curves and zero-coupon interest rates to determine discounted cash flows. The fair value of foreign currency and commodity forward, option and cross currency contracts is based on a valuation model that discounts cash flows resulting from the differential between the contract price and the market-based forward rate.

Guarantees

The fair value of guarantees is based on our estimate of the premium a market participant would require to issue the same guarantee in a stand-alone arms-length transaction with an unrelated party. If quoted or observable market prices are not available, fair value is based upon internally developed models that utilize current market-based assumptions.

Assets and liabilities measured on a recurring basis at fair value, primarily related to Financial Products, included in Statement 3 as of December 31, 2014, 2013 and 2012 are summarized below:

	December 31, 2014			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	\$ 10	\$ —	\$ —	\$ 10
Other U.S. and non-U.S. government bonds	—	94	—	94
Corporate bonds				
Corporate bonds	—	693	—	693
Asset-backed securities	—	105	—	105
Mortgage-backed debt securities				
U.S. governmental agency	—	294	—	294
Residential	—	15	—	15
Commercial	—	67	—	67
Equity securities				
Large capitalization value	233	—	—	233
Smaller company growth	43	—	—	43
Total available-for-sale securities	286	1,268	—	1,554
Total Assets	\$ 286	\$ 1,268	\$ —	\$ 1,554
Liabilities				
Derivative financial instruments, net	\$ —	\$ 86	\$ —	\$ 86
Guarantees	—	—	12	12
Total Liabilities	\$ —	\$ 86	\$ 12	\$ 98

	December 31, 2013			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	\$ 10	\$ —	\$ —	\$ 10
Other U.S. and non-U.S. government bonds	—	120	—	120
Corporate bonds				
Corporate bonds	—	633	—	633
Asset-backed securities	—	72	—	72
Mortgage-backed debt securities				
U.S. governmental agency	—	321	—	321
Residential	—	18	—	18
Commercial	—	93	—	93
Equity securities				
Large capitalization value	254	—	—	254
Smaller company growth	49	—	—	49
Total available-for-sale securities	313	1,257	—	1,570
Derivative financial instruments, net	—	161	—	161
Total Assets	\$ 313	\$ 1,418	\$ —	\$ 1,731
Liabilities				
Guarantees	\$ —	\$ —	\$ 13	\$ 13
Total Liabilities	\$ —	\$ —	\$ 13	\$ 13

	December 31, 2012			
(Millions of dollars)	Level 1	Level 2	Level 3	Total Assets / Liabilities, at Fair Value
Assets				
Available-for-sale securities				
Government debt				
U.S. treasury bonds	\$ 10	\$ —	\$ —	\$ 10
Other U.S. and non-U.S. government bonds	—	146	—	146
Corporate bonds				
Corporate bonds	—	664	—	664
Asset-backed securities	—	96	—	96
Mortgage-backed debt securities				
U.S. governmental agency	—	299	—	299
Residential	—	25	—	25
Commercial	—	127	—	127
Equity securities				
Large capitalization value	185	—	—	185
Smaller company growth	34	—	—	34
Total available-for-sale securities	229	1,357	—	1,586
Derivative financial instruments, net	—	154	—	154
Total Assets	\$ 229	\$ 1,511	\$ —	\$ 1,740
Liabilities				
Guarantees	\$ —	\$ —	\$ 14	\$ 14
Total Liabilities	\$ —	\$ —	\$ 14	\$ 14

Below are roll-forwards of liabilities measured at fair value using Level 3 inputs for the years ended December 31, 2014 , 2013 and 2012 . These instruments were valued using pricing models that, in management's judgment, reflect the assumptions of a market participant.

(Millions of dollars)	Guarantees
Balance at December 31, 2011	\$ 7
Acquisitions	6
Issuance of guarantees	7
Expiration of guarantees	(6)
Balance at December 31, 2012	\$ 14
Issuance of guarantees	6
Expiration of guarantees	(7)
Balance at December 31, 2013	\$ 13
Issuance of guarantees	1
Expiration of guarantees	(2)
Balance at December 31, 2014	<u>\$ 12</u>

In addition to the amounts above, Cat Financial impaired loans are subject to measurement at fair value on a nonrecurring basis. A loan is considered impaired when management determines that collection of contractual amounts due is not

probable. In these cases, an allowance for credit losses may be established based primarily on the fair value of associated collateral. As the collateral's fair value is based on observable market prices and/or current appraised values, the impaired loans are classified as Level 2 measurements. Cat Financial had impaired loans with a fair value of \$248 million , \$81 million and \$117 million for the years ended December 31, 2014 , 2013 and 2012 , respectively.

B. Fair values of financial instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair value measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments:

Cash and short-term investments

Carrying amount approximated fair value.

Restricted cash and short-term investments

Carrying amount approximated fair value. Restricted cash and short-term investments are included in Prepaid expenses and other current assets in Statement 3.

Finance receivables

Fair value was estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Wholesale inventory receivables

Fair value was estimated by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Short-term borrowings

Carrying amount approximated fair value.

Long-term debt

Fair value for fixed and floating rate debt was estimated based on quoted market prices.

Please refer to the table below for the fair values of our financial instruments.

TABLE III—Fair Values of Financial Instruments

(Millions of dollars)	2014		2013		2012		Fair Value Levels	Reference	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value			
Assets at December 31,									
Cash and short-term investments	\$ 7,341	\$ 7,341	\$ 6,081	\$ 6,081	\$ 5,490	\$ 5,490	1	Statement 3	
Restricted cash and short-term investments	62	62	53	53	53	53	1	Statement 3	
Available-for-sale securities	1,554	1,554	1,570	1,570	1,586	1,586	1 & 2	Notes 11 & 19	
Finance receivables–net (excluding finance leases ¹)	16,426	16,159	16,049	15,913	15,404	15,359	3	Notes 6 & 19	
Wholesale inventory receivables–net (excluding finance leases ¹)	1,774	1,700	1,529	1,467	1,674	1,609	3	Notes 6 & 19	
Foreign currency contracts–net	—	—	45	45	—	—	2	Notes 3 & 19	
Interest rate swaps–net	71	71	116	116	219	219	2	Notes 3 & 19	
Commodity contracts–net	—	—	—	—	1	1	2	Notes 3 & 19	
Liabilities at December 31,									
Short-term borrowings	4,708	4,708	3,679	3,679	5,287	5,287	1	Note 13	
Long-term debt (including amounts due within one year):									
Machinery, Energy & Transportation	10,003	11,973	8,759	9,905	9,779	11,969	2	Note 14	
Financial Products	24,574	25,103	25,312	25,849	25,077	26,063	2	Note 14	
Foreign currency contracts–net	143	143	—	—	66	66	2	Notes 3 & 19	
Commodity contracts–net	14	14	—	—	—	—	2	Notes 3 & 19	
Guarantees	12	12	13	13	14	14	3	Note 21	

¹ Total excluded items have a net carrying value at December 31, 2014, 2013 and 2012 of \$7,638 million, \$8,053 million and \$7,959 million, respectively.

19. Concentration of credit risk

Financial instruments with potential credit risk consist primarily of trade and finance receivables and short-term and long-term investments. Additionally, to a lesser extent, we have a potential credit risk associated with counterparties to derivative contracts.

Trade receivables are primarily short-term receivables from independently owned and operated dealers and customers which arise in the normal course of business. We perform regular credit evaluations of our dealers and customers. Collateral generally is not required, and the majority of our trade receivables are unsecured. We do, however, when deemed necessary, make use of various devices such as security agreements and letters of credit to protect our interests. No single dealer or customer represents a significant concentration of credit risk.

Finance receivables and wholesale inventory receivables primarily represent receivables under installment sales contracts, receivables arising from leasing transactions and notes receivable. We generally maintain a secured interest in the equipment financed. No single customer or dealer represents a significant concentration of credit risk.

Short-term and long-term investments are held with high quality institutions and, by policy, the amount of credit exposure to any one institution is limited. Long-term investments, primarily included in Other assets in Statement 3, are comprised primarily of available-for-sale securities at Insurance Services.

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 within Machinery, Energy & Transportation and Financial Products that permit the net settlement of amounts owed under their respective derivative contracts. 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, 2014, 2013 and

2012 , the maximum exposure to credit loss, including accrued interest, was \$151 million , \$251 million and \$366 million , respectively, before the application of any master netting agreements.

Please refer to Note 18 and Table III above for fair value information.

20. Operating leases

We lease certain computer and communications equipment, transportation equipment and other property through operating leases. Total rental expense for operating leases was \$391 million , \$436 million , and \$474 million for 2014 , 2013 and 2012 , 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)							
2015	2016	2017	2018	2019	Thereafter	Total	
\$ 229	\$ 174	\$ 125	\$ 92	\$ 65	\$ 189	\$ 874	

21. 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.

We have provided a guarantee to one of our customers in Brazil related to the performance of contractual obligations by a supplier consortium to which one of our Caterpillar subsidiaries is a member. The guarantees cover potential damages (some of them capped) incurred by the customer resulting from the supplier consortium's non-performance. The guarantee will expire when the supplier consortium performs all its contractual obligations, which is expected to be completed in 2025.

We have provided guarantees to third-party lessors for certain properties leased by Cat Logistics Services, LLC, in which we sold a 65 percent equity interest in the third quarter of 2012. See Note 26 for further discussion on this divestiture. The guarantees are for the possibility that the third party logistics business would default on real estate lease payments. The guarantees were granted at lease inception, which was prior to the divestiture, and generally will expire at the end of the lease terms.

No significant loss has been experienced or is anticipated under any of these guarantees. At December 31, 2014 , 2013 and 2012 , the related liability was \$12 million , \$13 million and \$14 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)	2014	2013	2012
Caterpillar dealer guarantees	\$ 209	\$ 193	\$ 180
Customer guarantees	49	62	77
Customer guarantees - supplier consortium	321	364	—
Third party logistics business guarantees	129	151	176
Other guarantees	32	35	53
Total guarantees	<u>\$ 740</u>	<u>\$ 805</u>	<u>\$ 486</u>

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 its 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, 2014, 2013 and 2012, the SPC's assets of \$1,086 million, \$1,005 million and \$927 million, respectively, were primarily comprised of loans to dealers, and the SPC's liabilities of \$1,085 million, \$1,005 million and \$927 million, respectively, were primarily comprised of commercial paper. The assets of the SPC are not available to pay Cat Financial's creditors. Cat Financial may be obligated to perform under the guarantee if the SPC experiences losses. No loss has been experienced or is anticipated under this loan purchase agreement.

Cat Financial is party to agreements in the normal course of business with selected customers and Caterpillar dealers in which they commit to provide a set dollar amount of financing on a pre-approved basis. They also provide lines of credit to certain 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 Cat Financial's 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, 2014, 2013 and 2012 was \$12,412 million, \$10,503 million and \$10,863 million, respectively. The amount of the unused commitments and lines of credit for customers as of December 31, 2014, 2013 and 2012 was \$4,005 million, \$4,635 million and \$4,690 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 by customer or dealer location (inside or outside North America). Specific rates are developed for each product shipment month and are updated monthly based on actual warranty claim experience.

(Millions of dollars)	2014	2013	2012
Warranty liability, January 1	\$ 1,367	\$ 1,477	\$ 1,308
Reduction in liability (payments)	(1,071)	(938)	(920)
Increase in liability (new warranties)	1,130 ¹	828	1,089
Warranty liability, December 31	<u>\$ 1,426</u>	<u>\$ 1,367</u>	<u>\$ 1,477</u>

¹ The increase in liability includes approximately \$170 million for changes in estimates for pre-existing warranties due to higher than expected actual warranty claim experience.

22. Environmental and legal matters

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

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site, and those costs can be reasonably estimated, the investigation, remediation, and operating and maintenance costs are accrued against our earnings. Costs are accrued based on consideration of currently available data and information with respect to each individual site, including available technologies, current applicable laws and regulations, and prior remediation experience. Where no amount within a range of estimates is more likely, we accrue the minimum. Where multiple potentially responsible parties are involved, we consider our proportionate share of the probable costs. In formulating the estimate of probable costs, we do not consider amounts expected to be recovered from insurance companies or others. We reassess these accrued amounts on a quarterly basis. The amount recorded for environmental remediation is not material and is included in Accrued expenses in Statement 3. There is no more than a remote chance that a material amount for remedial activities at any individual site, or at all the sites in the aggregate, will be required.

On January 8, 2015, the Company received a grand jury subpoena from the U.S. District Court for the Central District of Illinois. The subpoena requests documents and information from the Company relating to, among other things, financial information concerning U.S. and non-U.S. Caterpillar subsidiaries (including undistributed profits of non-U.S. subsidiaries and the movement of cash among U.S. and non-U.S. subsidiaries). The Company is cooperating with this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 12, 2014, the SEC notified the Company that it was conducting an informal investigation relating to Caterpillar SARL and related structures. The SEC asked the Company to preserve relevant documents and, on a voluntary basis, the Company made a presentation to the staff of the SEC on these topics. The Company is cooperating with the SEC regarding this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 10, 2014, the SEC issued to Caterpillar a subpoena seeking information concerning the Company's accounting for the goodwill relating to its acquisition of Bucyrus International Inc. in 2011 and related matters. The Company is cooperating with the SEC regarding this subpoena and its ongoing investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On March 20, 2014, Brazil's Administrative Council for Economic Defense (CADE) published a Technical Opinion which named 18 companies and over 100 individuals as defendants, including two subsidiaries of Caterpillar Inc., MGE - Equipamentos e Serviços Ferroviários Ltda. (MGE) and Caterpillar Brasil Ltda. The publication of the Technical Opinion opened CADE's official administrative investigation into allegations that the defendants participated in anticompetitive bid activity for the construction and maintenance of metro and train networks in Brazil. While companies cannot be held criminally liable for anticompetitive conduct in Brazil, criminal charges have been brought against two current employees of MGE and one former employee of MGE involving the same conduct alleged by CADE. The Company has responded to all requests for information from the authorities. The Company is unable to predict the outcome or reasonably estimate the potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On February 19, 2014, Progress Rail Services Corporation (Progress Rail), a wholly-owned subsidiary of Caterpillar Inc., received information from the California Air Resources Board (CARB) Enforcement Division indicating it was contemplating an enforcement proceeding with potential monetary sanctions in excess of \$100,000 in connection with a notice of violation received by Progress Rail on March 15, 2013 alleging violations of air emissions regulations applicable to compression ignition mobile cargo handling equipment operating at California ports or intermodal rail yards. Despite uncertainty regarding the applicability of these regulations, Progress Rail, in coordination with CARB, implemented certain corrective action measures. On November 26, 2014, Progress Rail settled this matter with CARB and paid a civil penalty of \$390,733 to resolve the alleged violations.

On October 24, 2013, Progress Rail received a grand jury subpoena from the U.S. District Court for the Central District of California. The subpoena requests documents and information from Progress Rail, United Industries Corporation, a wholly-owned subsidiary of Progress Rail, and Caterpillar Inc. relating to allegations that Progress Rail conducted improper or unnecessary railcar inspections and repairs and improperly disposed of parts, equipment, tools and other items. In connection with this subpoena, Progress Rail was informed by the U.S. Attorney for the Central District of California that it is a target of a criminal investigation into potential violations of environmental laws and alleged improper business practices. The Company is cooperating with the authorities and is currently in discussions regarding a potential resolution of the matter. Although the Company believes a loss is probable, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

In addition, 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.

23. Segment information

A. Basis for segment information

Our Executive Office is comprised of five Group Presidents, a Senior Vice President, an Executive Vice President and a CEO. Group Presidents are accountable for a related set of end-to-end businesses that they manage. The Senior Vice President leads the Caterpillar Enterprise System Group, which was formed during the second quarter of 2013, and the Executive Vice President leads the Law and Public Policy Division. The CEO allocates resources and manages performance at the Group President level. As such, the CEO 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 Energy & Transportation are led by Group Presidents. One operating segment, Financial Products, is led by a Group President who also 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 the All Other operating segments. The Caterpillar Enterprise System Group and Law and Public Policy Division are cost centers and do not meet the definition of an operating segment.

Effective January 1, 2014, responsibility for paving products, forestry products and industrial and waste products moved from Resource Industries to the All Other operating segments. The responsibility for select work tools was moved from Resource Industries to Construction Industries, and the responsibility for administration of a wholly-owned dealer in Japan moved from Construction Industries to the All Other operating segments. Segment information for 2012 and 2013 has been retrospectively adjusted to conform to the 2014 presentation.

In addition, restructuring costs in 2013 were included in operating segments, and now these costs (including restructuring costs in 2014) are a reconciling item between Segment profit and Consolidated profit before taxes. The restructuring costs in 2012 are included in 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 the 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 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, telehandlers, select work tools, small, medium and large track excavators, wheel excavators, medium wheel loaders, compact

track loaders, medium track-type tractors, track-type loaders, motor graders, pipelayers and mid-tier soil compactors. In addition, Construction Industries has responsibility for an integrated manufacturing cost center. 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, hard rock vehicles, longwall miners, electric rope shovels, draglines, hydraulic shovels, drills, highwall miners, large wheel loaders, off-highway trucks, articulated trucks, wheel tractor scrapers, wheel dozers, select work tools, machinery components and electronics and control systems. Resource Industries also manages areas that provide services to other parts of the company, including integrated manufacturing and research and development. In addition, segment profit includes the impact from divestiture of portions of the Bucyrus distribution business and the acquisition of ERA Mining Machinery Limited, including its wholly-owned subsidiary Zhengzhou Siwei Mechanical & Electrical Manufacturing Co., Ltd., commonly known as Siwei, which was completed during the second quarter of 2012. In the fourth quarter of 2013, Siwei was renamed Caterpillar (Zhengzhou) Ltd. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in China. Inter-segment sales are a source of revenue for this segment.

Energy & Transportation (formerly Power Systems) : A segment primarily responsible for supporting customers using reciprocating engines, turbines, diesel-electric locomotives and related parts across industries serving power generation, industrial, oil and gas and transportation applications, including marine and rail-related businesses. Responsibilities include business strategy, product design, product management, development, manufacturing, marketing, sales and product support of turbines and turbine-related services, 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 oil and gas industries; reciprocating engines supplied to the industrial industry as well as Caterpillar machinery; the business strategy, product design, product management, development, manufacturing, remanufacturing, leasing and service of diesel-electric locomotives and components and other rail-related products and services. Inter-segment sales are a source of revenue for this segment.

Financial Products Segment : Provides financing to customers and dealers for the purchase and lease of Caterpillar and other equipment, as well as some financing for Caterpillar sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment.

All Other operating segments : 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 Cat products, paving products, forestry products and industrial and waste products; the product management, development, marketing, sales and product support of on-highway vocational trucks for North America; parts distribution; distribution services responsible for dealer development and administration including a wholly-owned dealer in Japan, dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts. On July 31, 2012, we sold a majority interest in Caterpillar's third party logistics business. Results for the All Other operating segments are included as a reconciling item between reportable segments and consolidated external reporting.

C. Segment measurement and reconciliations

There are several methodology differences between our segment reporting and our external reporting. The following is a list of the more significant methodology differences:

- Machinery, Energy & Transportation segment net assets generally include inventories, receivables, property, plant and equipment, goodwill, intangibles, accounts payable, and customer advances. Liabilities other than accounts payable and customer advances are generally managed at the corporate level and are not included in segment operations. Financial Products Segment assets generally include all categories of assets.
- Segment inventories and cost of sales are valued using a current cost methodology.
- Goodwill allocated to segments is amortized using a fixed amount based on a 20 year useful life. This methodology difference only impacts segment assets; no goodwill amortization expense is included in segment profit. In addition, only a portion of goodwill for certain acquisitions made in 2011 or later has been allocated to segments.

- The present value of future lease payments for certain Machinery, Energy & Transportation operating leases is included in segment assets. The estimated financing component of the lease payments is excluded.
- Currency exposures for Machinery, Energy & Transportation are generally managed at the corporate level and the effects of changes in exchange rates on results of operations within the year are not included in segment profit. The net difference created in the translation of revenues and costs between exchange rates used for U.S. GAAP reporting and exchange rates used for segment reporting is 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, Energy & Transportation 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-86 to A-91 for financial information regarding significant reconciling items. Most of our reconciling items are self-explanatory given the above explanations. For the reconciliation of profit, we have grouped the reconciling items as follows:

- **Corporate costs:** These costs are related to corporate requirements and strategies that are considered to be for the benefit of the entire organization.
- **Restructuring costs:** Primarily costs for employee separation costs and long-lived asset impairments. A table, Reconciliation of Restructuring Costs on page A-88, has been included to illustrate how segment profit would have been impacted by the restructuring costs. See Note 27 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.

Segment Information
(Millions of dollars)

Reportable Segments:

	External sales and revenues	Inter- segment sales and revenues	Total sales and revenues	Depreciation and amortization	Segment profit	Segment assets at December 31	Capital expenditures
2014							
Construction Industries	\$ 19,362	\$ 250	\$ 19,612	\$ 522	\$ 2,207	\$ 6,596	\$ 369
Resource Industries	8,921	585	9,506	691	501	9,568	277
Energy & Transportation	21,727	2,248	23,975	646	4,038	8,399	608
Machinery, Energy & Transportation	\$ 50,010	\$ 3,083	\$ 53,093	\$ 1,859	\$ 6,746	\$ 24,563	\$ 1,254
Financial Products Segment	3,313	—	3,313	885	901	37,011	1,634
Total	<u>\$ 53,323</u>	<u>\$ 3,083</u>	<u>\$ 56,406</u>	<u>\$ 2,744</u>	<u>\$ 7,647</u>	<u>\$ 61,574</u>	<u>\$ 2,888</u>
2013							
Construction Industries	\$ 18,532	\$ 330	\$ 18,862	\$ 493	\$ 1,374	\$ 7,607	\$ 551
Resource Industries	11,805	465	12,270	698	1,586	10,389	499
Energy & Transportation	20,155	1,895	22,050	642	3,401	8,492	677
Machinery, Energy & Transportation	\$ 50,492	\$ 2,690	\$ 53,182	\$ 1,833	\$ 6,361	\$ 26,488	\$ 1,727
Financial Products Segment	3,224	—	3,224	789	990	36,980	1,806
Total	<u>\$ 53,716</u>	<u>\$ 2,690</u>	<u>\$ 56,406</u>	<u>\$ 2,622</u>	<u>\$ 7,351</u>	<u>\$ 63,468</u>	<u>\$ 3,533</u>
2012							
Construction Industries	\$ 19,451	\$ 470	\$ 19,921	\$ 459	\$ 1,846	\$ 9,624	\$ 984
Resource Industries	19,715	726	20,441	649	4,285	12,466	1,078
Energy & Transportation	21,122	2,407	23,529	604	3,422	9,323	960
Machinery, Energy & Transportation	\$ 60,288	\$ 3,603	\$ 63,891	\$ 1,712	\$ 9,553	\$ 31,413	\$ 3,022
Financial Products Segment	3,090	—	3,090	708	763	36,563	1,660
Total	<u>\$ 63,378</u>	<u>\$ 3,603</u>	<u>\$ 66,981</u>	<u>\$ 2,420</u>	<u>\$ 10,316</u>	<u>\$ 67,976</u>	<u>\$ 4,682</u>

Reconciliation of Sales and Revenues:**(Millions of dollars)****2014**

	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments	Consolidated Total
Total external sales and revenues from reportable segments	\$ 50,010	\$ 3,313	\$ —	\$ 53,323
All Other operating segments	2,251	—	—	2,251
Other	(119)	73	(344) ¹	(390)
Total sales and revenues	<u>\$ 52,142</u>	<u>\$ 3,386</u>	<u>\$ (344)</u>	<u>\$ 55,184</u>

2013

Total external sales and revenues from reportable segments	\$ 50,492	\$ 3,224	\$ —	\$ 53,716
All Other operating segments	2,263	—	—	2,263
Other	(61)	78	(340) ¹	(323)
Total sales and revenues	<u>\$ 52,694</u>	<u>\$ 3,302</u>	<u>\$ (340)</u>	<u>\$ 55,656</u>

2012

Total external sales and revenues from reportable segments	\$ 60,288	\$ 3,090	\$ —	\$ 63,378
All Other operating segments	2,827	—	—	2,827
Other	(47)	70	(353) ¹	(330)
Total sales and revenues	<u>\$ 63,068</u>	<u>\$ 3,160</u>	<u>\$ (353)</u>	<u>\$ 65,875</u>

¹ Elimination of Financial Products revenues from Machinery, Energy & Transportation.

Reconciliation of consolidated profit before taxes:**(Millions of dollars)****2014**

	Machinery, Energy & Transportation	Financial Products	Consolidated Total
Total profit from reportable segments	\$ 6,746	\$ 901	\$ 7,647
All Other operating segments	850	—	850
Cost centers	38	—	38
Corporate costs	(1,584)	—	(1,584)
Timing	(244)	—	(244)
Restructuring costs	(441)	—	(441)
Methodology differences:			
Inventory/cost of sales	55	—	55
Postretirement benefit expense	(411)	—	(411)
Financing costs	(502)	—	(502)
Equity in (profit) loss of unconsolidated affiliated companies	(8)	—	(8)
Currency	(52)	—	(52)
Other income/expense methodology differences	(249)	—	(249)
Other methodology differences	(24)	8	(16)
Total consolidated profit before taxes	<u>\$ 4,174</u>	<u>\$ 909</u>	<u>\$ 5,083</u>

2013

Total profit from reportable segments	\$ 6,361	\$ 990	\$ 7,351
All Other operating segments	736	—	736
Cost centers	119	—	119
Corporate costs	(1,368)	—	(1,368)
Timing	116	—	116
Restructuring costs	(200)	—	(200)
Methodology differences:			
Inventory/cost of sales	(112)	—	(112)
Postretirement benefit expense	(685)	—	(685)
Financing costs	(469)	—	(469)
Equity in (profit) loss of unconsolidated affiliated companies	6	—	6
Currency	(110)	—	(110)
Other income/expense methodology differences	(238)	—	(238)
Other methodology differences	(48)	30	(18)
Total consolidated profit before taxes	<u>\$ 4,108</u>	<u>\$ 1,020</u>	<u>\$ 5,128</u>

2012

Total profit from reportable segments	\$ 9,553	\$ 763	\$ 10,316
All Other operating segments	994	—	994
Cost centers	11	—	11
Corporate costs	(1,502)	—	(1,502)
Timing	(298)	—	(298)
Methodology differences:			
Inventory/cost of sales	43	—	43
Postretirement benefit expense	(696)	—	(696)
Financing costs	(474)	—	(474)
Equity in (profit) loss of unconsolidated affiliated companies	(14)	—	(14)
Currency	108	—	108
Other income/expense methodology differences	(249)	—	(249)
Other methodology differences	(20)	17	(3)
Total consolidated profit before taxes	<u>\$ 7,456</u>	<u>\$ 780</u>	<u>\$ 8,236</u>

Reconciliation of Restructuring costs:

As noted above, restructuring costs are a reconciling item between Segment profit and Consolidated profit before taxes. Had we included the amounts in the segments' results, the profit would have been as shown below:

Reconciliation of Restructuring costs:**(Millions of dollars)****2014**

	Segment profit	Restructuring costs	Segment profit with restructuring costs
Construction Industries	\$ 2,207	\$ (293)	\$ 1,914
Resource Industries	501	(72)	429
Energy & Transportation	4,038	(31)	4,007
Financial Products Segment	901	—	901
All Other operating segments	850	(36)	814
Total	<u>\$ 8,497</u>	<u>\$ (432)</u>	<u>\$ 8,065</u>

2013

Construction Industries	\$ 1,374	\$ (33)	\$ 1,341
Resource Industries	1,586	(105)	1,481
Energy & Transportation	3,401	(32)	3,369
Financial Products Segment	990	—	990
All Other operating segments	736	(27)	709
Total	<u>\$ 8,087</u>	<u>\$ (197)</u>	<u>\$ 7,890</u>

Reconciliation of Assets:**(Millions of dollars)**

	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments	Consolidated Total
2014				
Total assets from reportable segments	\$ 24,563	\$ 37,011	\$ —	\$ 61,574
All Other operating segments	2,810	—	—	2,810
Items not included in segment assets:				
Cash and short-term investments	6,317	—	—	6,317
Intercompany receivables	1,185	—	(1,185)	—
Investment in Financial Products	4,488	—	(4,488)	—
Deferred income taxes	3,627	—	(674)	2,953
Goodwill and intangible assets	3,492	—	—	3,492
Property, plant and equipment – net and other assets	1,174	—	—	1,174
Operating lease methodology difference	(213)	—	—	(213)
Liabilities included in segment assets	9,837	—	—	9,837
Inventory methodology differences	(2,697)	—	—	(2,697)
Other	(395)	(102)	(69)	(566)
Total assets	<u>\$ 54,188</u>	<u>\$ 36,909</u>	<u>\$ (6,416)</u>	<u>\$ 84,681</u>
2013				
Total assets from reportable segments	\$ 26,488	\$ 36,980	\$ —	\$ 63,468
All Other operating segments	2,973	—	—	2,973
Items not included in segment assets:				
Cash and short-term investments	4,597	—	—	4,597
Intercompany receivables	1,219	—	(1,219)	—
Investment in Financial Products	4,798	—	(4,798)	—
Deferred income taxes	2,541	—	(525)	2,016
Goodwill and intangible assets	3,582	—	—	3,582
Property, plant and equipment – net and other assets	1,175	—	—	1,175
Operating lease methodology difference	(273)	—	—	(273)
Liabilities included in segment assets	10,357	—	—	10,357
Inventory methodology differences	(2,539)	—	—	(2,539)
Other	(214)	(135)	(111)	(460)
Total assets	<u>\$ 54,704</u>	<u>\$ 36,845</u>	<u>\$ (6,653)</u>	<u>\$ 84,896</u>
2012				
Total assets from reportable segments	\$ 31,413	\$ 36,563	\$ —	\$ 67,976
All Other operating segments	3,179	—	—	3,179
Items not included in segment assets:				
Cash and short-term investments	3,306	—	—	3,306
Intercompany receivables	303	—	(303)	—
Investment in Financial Products	4,433	—	(4,433)	—
Deferred income taxes	3,926	—	(516)	3,410
Goodwill and intangible assets	3,145	—	—	3,145
Property, plant and equipment – net and other assets	723	—	—	723
Operating lease methodology difference	(305)	—	—	(305)
Liabilities included in segment assets	10,900	—	—	10,900
Inventory methodology differences	(2,949)	—	—	(2,949)
Other	(176)	(107)	(132)	(415)
Total assets	<u>\$ 57,898</u>	<u>\$ 36,456</u>	<u>\$ (5,384)</u>	<u>\$ 88,970</u>

Reconciliation of Depreciation and amortization:**(Millions of dollars)****2014**

Total depreciation and amortization from reportable segments

Machinery, Energy & Transportation	Financial Products	Consolidated Total
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\$ 1,859	\$ 885	\$ 2,744
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Items not included in segment depreciation and amortization:

All Other operating segments

279	—	279
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Cost centers

150	—	150
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Other

(35)	25	(10)
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Total depreciation and amortization

<u>\$ 2,253</u>	<u>\$ 910</u>	<u>\$ 3,163</u>
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2013

Total depreciation and amortization from reportable segments

\$ 1,833	\$ 789	\$ 2,622
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Items not included in segment depreciation and amortization:

All Other operating segments

305	—	305
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Cost centers

151	—	151
-----	---	-----

Other

(16)	25	9
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Total depreciation and amortization

<u>\$ 2,273</u>	<u>\$ 814</u>	<u>\$ 3,087</u>
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2012

Total depreciation and amortization from reportable segments

\$ 1,712	\$ 708	\$ 2,420
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Items not included in segment depreciation and amortization:

All Other operating segments

313	—	313
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Cost centers

96	—	96
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Other

(39)	23	(16)
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Total depreciation and amortization

<u>\$ 2,082</u>	<u>\$ 731</u>	<u>\$ 2,813</u>
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Reconciliation of Capital expenditures:
(Millions of dollars)

	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments	Consolidated Total
2014				
Total capital expenditures from reportable segments	\$ 1,254	\$ 1,634	\$ —	\$ 2,888
Items not included in segment capital expenditures:				
All Other operating segments	331	—	—	331
Cost centers	181	—	—	181
Timing	21	—	—	21
Other	(146)	183	(79)	(42)
Total capital expenditures	<u>\$ 1,641</u>	<u>\$ 1,817</u>	<u>\$ (79)</u>	<u>\$ 3,379</u>
2013				
Total capital expenditures from reportable segments	\$ 1,727	\$ 1,806	\$ —	\$ 3,533
Items not included in segment capital expenditures:				
All Other operating segments	452	—	—	452
Cost centers	191	—	—	191
Timing	363	—	—	363
Other	(128)	105	(70)	(93)
Total capital expenditures	<u>\$ 2,605</u>	<u>\$ 1,911</u>	<u>\$ (70)</u>	<u>\$ 4,446</u>
2012				
Total capital expenditures from reportable segments	\$ 3,022	\$ 1,660	\$ —	\$ 4,682
Items not included in segment capital expenditures:				
All Other operating segments	459	—	—	459
Cost centers	201	—	—	201
Timing	(71)	—	—	(71)
Other	(176)	136	(155)	(195)
Total capital expenditures	<u>\$ 3,435</u>	<u>\$ 1,796</u>	<u>\$ (155)</u>	<u>\$ 5,076</u>

Enterprise-wide Disclosures:
Information about Geographic Areas:

(Millions of dollars)	External sales and revenues ¹			Property, plant and equipment - net		
				December 31,		
	2014	2013	2012	2014	2013	2012
Inside United States	\$ 21,122	\$ 18,579	\$ 20,239	\$ 8,714	\$ 8,723	\$ 8,559
Outside United States	34,062	37,077	45,636 ²	7,863	8,352	7,902
Total	<u>\$ 55,184</u>	<u>\$ 55,656</u>	<u>\$ 65,875</u>	<u>\$ 16,577</u>	<u>\$ 17,075</u>	<u>\$ 16,461</u>

¹ Sales of Machinery, Energy & Transportation are based on dealer or customer location. Revenues from services provided are based on where service is rendered.

² The only country with greater than 10 percent of external sales and revenues for any of the periods presented, other than the United States, is Australia with \$6,822 million as of December 31, 2012.

24. Acquisitions

Johan Walter Berg AB

In September 2013, we acquired 100 percent of the stock of Johan Walter Berg AB (Berg). Berg is a leading manufacturer of mechanically and electrically driven propulsion systems and marine controls for ships. Headquartered in Öckerö Islands, Sweden, Berg has designed and manufactured heavy-duty marine thrusters and controllable pitch propellers since 1929. Its proprietary systems are employed in maritime applications throughout the world that require precise maneuvering and positioning. With the acquisition, Caterpillar will transition from selling only engines and generators to providing complete marine propulsion package systems. The purchase price, net of \$9 million of acquired cash, was approximately \$169 million. The purchase price includes contingent consideration, payable in 2016, with a fair value of approximately \$7 million. The contingent consideration will be based on the revenues achieved by Berg in the period from January 1, 2013 to December 31, 2015 and is capped at €30 million. The contingent consideration will be remeasured each reporting period at its estimated fair value with any adjustment included in Other operating (income) expenses in Statement 1.

The transaction was financed with available cash. Tangible assets as of the acquisition date were \$82 million, recorded at their fair values, and primarily included cash of \$9 million, receivables of \$13 million, inventories of \$32 million and property, plant and equipment of \$28 million. Finite-lived intangible assets acquired of \$70 million included developed technology, customer relationships, and trade names. The finite lived intangible assets are being amortized on a straight-line basis over a weighted-average amortization period of approximately 11 years. Liabilities assumed as of the acquisition date were \$87 million, recorded at their fair values, and primarily included accounts payable of \$19 million, customer advances of \$31 million and net deferred tax liabilities of \$15 million. Goodwill of \$113 million, non-deductible for income tax purposes, represented the excess of the consideration transferred over the net assets recognized and represented the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Factors that contributed to a purchase price resulting in the recognition of goodwill include Berg's strategic fit into our product portfolio, the opportunity to provide worldwide support to marine operators for a complete, optimized propulsion package, 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 Energy & Transportation segment in Note 23. 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.

Black Horse Joint Venture

In December 2012, Caterpillar and Ariel Corporation (Ariel) contributed \$70 million each to obtain a 50 percent equity interest in a newly formed company, Black Horse LLC (Black Horse). Immediately upon formation, Black Horse acquired ProSource, a pump manufacturer headquartered in Houston, Texas. The acquisition of ProSource, which designs and manufactures reciprocating pressure pumps, enables Black Horse to serve the well service market. Black Horse will leverage Caterpillar and Ariel engineering and manufacturing expertise to expand ProSource's existing product line to better serve global oil and gas customers. Frac pumps sold through the combined venture are branded and sold under the Caterpillar name and are distributed through the Caterpillar dealer network. Our investment in Black Horse, accounted for by the equity method, is included in Investments in unconsolidated affiliated companies in Statement 3.

ERA Mining Machinery Limited (Siwei)

During the second quarter of 2012, Caterpillar, through its wholly-owned subsidiary Caterpillar (Luxembourg) Investment Co. S.A. (CAT Lux), completed a tender offer to acquire the issued shares of ERA Mining Machinery Limited (Siwei), including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd. In the fourth quarter of 2013, Siwei was renamed Caterpillar (Zhengzhou) Ltd. Substantially all of the issued shares of Siwei, a public company listed on the Hong Kong Exchange, were acquired at the end of May 2012. In October 2012, the remaining shares of Siwei common stock were acquired for approximately \$7 million in cash. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in mainland China and is known for its expertise in manufacturing mining roof support equipment. The acquisition supports Caterpillar's long-term commitment to invest in China in order to support our growing base of Chinese customers and will further expand our underground mining business both inside and outside of China.

The tender offer allowed Siwei shareholders to choose between two types of consideration in exchange for their shares. The alternatives were either cash consideration of HK \$0.88 or a HK \$1.00 loan note issued by CAT Lux to the former shareholders of Siwei that provided, subject to its terms, for the holder to receive on redemption a minimum of HK \$0.75 up to a maximum of HK \$1.15 depending on Siwei's consolidated gross profit for 2012 and 2013. Approximately 4 billion Siwei shares were tendered for the cash alternative and approximately 1.6 billion Siwei shares were tendered for the loan note alternative. The

purchase price of approximately \$677 million was comprised of net cash paid of approximately \$444 million (\$475 million in cash paid for shares and to cancel share options less cash acquired of \$31 million), the fair value of the loan notes of \$152 million , approximately \$168 million of assumed third-party short term borrowings and notes payable, a loan and interest payable to Caterpillar from Siwei of \$51 million , less restricted cash acquired of approximately \$138 million . The noncontrolling interest for the outstanding shares not tendered was approximately \$7 million .

The transaction was financed with available cash and included the issuance of loan notes to certain former shareholders of Siwei, which had a debt component and a portion that was contingent consideration. The \$152 million fair value represented the minimum redemption amount of the debt component payable in April 2013.

Tangible assets as of the acquisition date and after giving effect to the adjustments described below were \$598 million , recorded at their fair values, and primarily included cash of \$31 million , restricted cash of \$138 million , receivables of \$184 million , inventories of \$77 million and property, plant and equipment of \$94 million . Finite-lived intangible assets acquired of \$112 million were primarily related to customer relationships and also included trade names. The finite-lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 14 years . Liabilities assumed as of the acquisition date and after giving effect to the adjustments described below were \$626 million , recorded at their fair values, and primarily included accounts payable of \$352 million , third-party short term borrowings and notes payable of \$168 million and accrued expenses of \$37 million . Additionally, deferred tax liabilities were \$25 million . Goodwill of \$625 million , substantially all of which is non-deductible for income tax purposes, represented the excess of the consideration transferred over the net assets recognized and represented the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Factors that contributed to a purchase price resulting in the recognition of goodwill include expected cost savings primarily from increased purchasing power for raw materials, improved working capital management, expanded underground mining equipment sales opportunities in China and internationally, along with the acquired assembled workforce. 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 23. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. Due to the identified accounting misconduct that occurred before the acquisition, measurement period adjustments were made to the fair value of the acquired assets and assumed liabilities during the fourth quarter of 2012. The fair values presented above are a final allocation of the purchase price and reflect these changes, which are primarily comprised of a decrease in finite-lived intangible assets of \$82 million , a decrease in receivables of \$29 million , a decrease in inventory of \$17 million and a net increase in liabilities of \$23 million , resulting in an increase in goodwill of \$149 million .

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which was a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a \$580 million goodwill impairment charge, which resulted in goodwill of approximately \$45 million remaining for Siwei. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge was reported in the fourth quarter of 2012 in the Resource Industries segment.

In May 2013, Caterpillar and its wholly-owned subsidiaries CAT Lux and Siwei entered into a settlement agreement with two former directors of Siwei and two other parties with an interest in the settlement, including Mining Machinery Limited (MML). The agreement settles the dispute between the parties which arose from Caterpillar's determination that Siwei senior managers had engaged in accounting misconduct for several years prior to Caterpillar's announcement of the completion of its tender offer for Siwei in the second quarter of 2012.

Under the terms of the settlement agreement, the parties agreed that (i) the loan notes issued by CAT Lux (and guaranteed by Caterpillar) as a portion of the Siwei purchase price and held by MML and (ii) loans made by the two former Siwei directors

to Siwei prior to its acquisition by Caterpillar would all be canceled and discharged in exchange for payments by CAT Lux to MML and the two former directors in an aggregate amount of approximately \$30 million . As of the settlement in May 2013, the loan notes had a book value of approximately \$152 million and the obligation related to the loans by the two former directors was approximately \$13 million . The settlement agreement contains a mutual release and discharge of the parties' respective claims with respect to the dispute and contains an agreement by Caterpillar and CAT Lux not to pursue any such claims against either the auditors or former directors of Siwei. The settlement and discharge of the loan obligations resulted in the recognition of a gain of approximately \$135 million reported in Other operating (income) expenses in Statement 1 and is included in the Resource Industries segment.

Caterpillar Tohoku Ltd.

In March 2012, we acquired 100 percent of the stock of Caterpillar Tohoku Ltd. (Cat Tohoku). Cat Tohoku was an independently owned and operated dealership providing sales, rental, service and after market support for Caterpillar machines and engines in the northeastern part of Japan. The purchase price, net of \$18 million of acquired cash, was approximately \$206 million . The purchase price included the assumption of \$77 million in third-party debt, as well as \$64 million net trade payables due to Caterpillar. We paid approximately \$59 million at closing, \$22 million in July 2012, and \$3 million in March 2013. The acquisition of Cat Tohoku supports Caterpillar's efforts to restructure its distribution network in Japan.

The transaction was financed with available cash. Tangible assets as of the acquisition date were \$252 million and primarily included cash of \$18 million , receivables of \$34 million , inventory of \$26 million , and property, plant and equipment of \$157 million . Finite-lived intangible assets acquired were \$8 million . Liabilities assumed as of the acquisition date were \$135 million , recorded at their fair values, and primarily included debt of \$77 million and accounts payable of \$39 million . Goodwill of \$22 million , which is deductible for income tax purposes, represents the excess of cost over the fair value of net tangible assets acquired. 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 All Other operating segments in Note 23. 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.

25. Redeemable Noncontrolling Interest – Caterpillar Japan Ltd.

On August 1, 2008, Shin Caterpillar Mitsubishi Ltd. (SCM) completed the first phase of a share redemption plan whereby SCM redeemed half of Mitsubishi Heavy Industries' (MHI's) shares in SCM. This resulted in Caterpillar owning 67 percent of the outstanding shares of SCM and MHI owning the remaining 33 percent . As part of the share redemption, SCM was renamed Caterpillar Japan Ltd. (Cat Japan) and we consolidated its financial statements. On April 2, 2012, we redeemed the remaining 33 percent interest at its carrying amount, resulting in Caterpillar becoming the sole owner of Cat Japan. Caterpillar paid \$444 million (36.5 billion Japanese Yen) to acquire the remaining equity interest held in Cat Japan by MHI.

26. Divestitures

Bucyrus Distribution Business Divestitures

In conjunction with our acquisition of Bucyrus in July 2011, we announced our intention to sell the Bucyrus distribution business to Caterpillar dealers that support mining customers around the world in a series of individual transactions. Bucyrus predominantly employed a direct to end customer model to sell and support products. The intention is for all Bucyrus products to be sold and serviced by Caterpillar dealers, consistent with our long-held distribution strategy. These transitions occurred in phases based on the mining business opportunity within each dealer territory and were substantially complete by the end of 2014.

The portions of the Bucyrus distribution business that were sold did 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, has been reported in the Resource Industries segment. Goodwill was 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 was included in the disposal groups. The disposal groups were recorded at the lower of their carrying value or fair value less cost to sell. In 2014, 2013 and 2012, we recorded asset impairment charges of \$4 million , \$11 million and \$27 million respectively, related to disposal groups being sold to Caterpillar dealers. Fair value was determined based upon the negotiated sales price. The impairments were recorded in Other operating (income) expenses and included in the Resource Industries segment. The portions of the distribution business that were sold were not material to our results of operations, financial position or cash flow.

In 2014, we completed 32 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$199 million . For the full year 2014, after-tax profit was unfavorably impacted by \$22 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$21 million of income related to sales transactions, a net unfavorable adjustment of \$14 million related to prior sale transactions (both included in Other operating (income) expenses), costs incurred related to the Bucyrus distribution divestiture activities of \$25 million (included in Selling, general and administrative expenses) and income tax of \$4 million .

Assets sold in 2014 included customer relationship intangibles of \$82 million , other assets of \$24 million , which consisted primarily of inventory and fixed assets, and allocated goodwill of \$63 million related to the divested portions of the Bucyrus distribution business.

As part of the 2014 divestitures, Cat Financial provided \$20 million of financing to two of the Caterpillar dealers.

In 2013, we completed 19 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$467 million . For the full year 2013, after-tax profit was unfavorably impacted by \$39 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$95 million of income related to sales transactions, a \$34 million unfavorable adjustment due to a change in estimate to increase the reserve for parts returns related to prior sale transactions (both included in Other operating (income) expenses), costs incurred related to the Bucyrus distribution divestiture activities of \$104 million (included in Selling, general and administrative expenses) and an income tax benefit of \$4 million .

Assets sold in 2013 included customer relationship intangibles of \$127 million , other assets of \$65 million , which consisted primarily of inventory and fixed assets, and allocated goodwill of \$56 million related to the divested portions of the Bucyrus distribution business.

As part of the 2013 divestitures, Cat Financial provided \$132 million of financing to five of the Caterpillar dealers.

In 2012, we completed 12 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$1,436 million . For the full year 2012, after-tax profit was unfavorably impacted by \$28 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$310 million of income (included in Other operating (income) expenses) related to sales transactions, offset by costs incurred related to the Bucyrus distribution divestiture activities of \$177 million (included in Selling, general and administrative expenses) and income tax of \$161 million .

Assets sold in 2012 included customer relationship intangibles of \$256 million , other assets of \$254 million , which consisted primarily of inventory and fixed assets, and allocated goodwill of \$405 million related to the divested portions of the Bucyrus distribution business.

As part of the 2012 divestitures, Cat Financial provided \$739 million of financing to five of the Caterpillar dealers.

Third Party Logistics Business Divestiture

On July 31, 2012, Platinum Equity acquired a 65 percent equity interest in Caterpillar Logistics Services LLC, the third party logistics division of our wholly owned subsidiary, Caterpillar Logistics Inc., for \$567 million subject to certain working capital adjustments. The purchase price of \$567 million was comprised of a \$107 million equity contribution from Platinum Equity to, and third party debt raised by, Caterpillar Logistics Services LLC. The sale of the third party logistics business supports Caterpillar's increased focus on the continuing growth opportunities in its core businesses. Under the terms of the agreement, Caterpillar retained a 35 percent equity interest.

As a result of the divestiture, we recorded a pretax gain of \$278 million (included in Other operating (income) expenses). In addition, we recognized \$8 million of incremental incentive compensation expense. The fair value of our retained noncontrolling interest was \$58 million , as determined by the \$107 million equity contribution from Platinum Equity, and was included in Investments in unconsolidated affiliated companies in Statement 3. The disposal did not qualify as discontinued operations because Caterpillar has significant continuing involvement through its noncontrolling interest. The financial impact of the disposal was reported in the All Other operating segments. Results for our remaining interest will be recorded in Equity in profit (loss) of unconsolidated affiliated companies and are reported in the All Other operating segments.

The controlling financial interest in Caterpillar Logistics Services LLC was not material to our results of operations, financial position or cash flow.

27. Restructuring costs

Restructuring costs for 2014 , 2013 , and 2012 were \$441 million , \$200 million and \$94 million , respectively, and were recognized in Other operating (income) expenses in Statement 1. The 2014 restructuring costs included \$382 million of employee separation costs, \$33 million of long-lived asset impairments and \$26 million of other restructuring costs. The 2013 restructuring costs included \$151 million of employee separation costs, \$41 million of long-lived asset impairments and \$8 million of other restructuring costs. The 2012 costs were for employee separations.

The restructuring costs in 2014 were primarily related to a reduction in workforce at our Gosselies, Belgium, facility. The most significant charges in 2013 were for the restructuring of management and support functions and the closure or downsizing of several facilities related to our mining business. The separation charges in 2012 were primarily in the Energy & Transportation segment and were related to the closure of the Electro-Motive Diesel facility located in London, Ontario and separation programs in Europe.

Restructuring costs for 2014 and 2013 are a reconciling item between Segment profit and Consolidated profit before taxes. See Note 23 for more information.

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.

The following table summarizes the 2012 , 2013 and 2014 employee separation activity:

(Millions of dollars)	Total
Liability balance at December 31, 2011	\$ 90
Increase in liability (separation charges)	94
Reduction in liability (payments and other adjustments)	(155)
Liability balance at December 31, 2012	\$ 29
Increase in liability (separation charges)	151
Reduction in liability (payments and other adjustments)	(91)
Liability balance at December 31, 2013	\$ 89
Increase in liability (separation charges)	382
Reduction in liability (payments and other adjustments)	(289)
Liability balance at December 31, 2014	<u>\$ 182</u>

The remaining liability balance as of December 31, 2014 represents costs for employees who have not yet separated from the Company or whose full severance has not yet been paid. The majority of these remaining costs are expected to be paid in 2015 .

In December 2013, we announced a restructuring plan for our Gosselies, Belgium, facility. This restructuring plan was designed to improve the competitiveness of our European manufacturing footprint and achieve competitiveness in our European operations by refocusing our current Gosselies operations on final machine assembly, test and paint with limited component and fabrication operations. This action includes reshaping our supply base for more efficient sourcing, improving factory efficiencies and workforce reductions and was approved by the Belgian Minister of Employment in February 2014. We estimate the total employee cash separation costs to be about \$300 million before tax, which represents substantially all of the restructuring costs to be incurred under the restructuring plan. In 2014, we recognized \$273 million of these separation-related charges. The remaining costs are expected to be recognized in 2015.

28. Selected quarterly financial results (unaudited)

	2014 Quarter			
	1st	2nd	3rd	4th
(Dollars in millions except per share data)				
Sales and revenues	\$ 13,241	\$ 14,150	\$ 13,549	\$ 14,244
Less: Revenues	(748)	(759)	(791)	(744)
Sales	12,493	13,391	12,758	13,500
Cost of goods sold	9,437	10,197	9,634	10,499
Gross margin	3,056	3,194	3,124	3,001
Profit ¹	\$ 922	\$ 999	\$ 1,017	\$ 757
Profit per common share	\$ 1.47	\$ 1.60	\$ 1.66	\$ 1.25
Profit per common share–diluted ²	\$ 1.44	\$ 1.57	\$ 1.63	\$ 1.23

	2013 Quarter			
	1st	2nd	3rd	4th
Sales and revenues	\$ 13,210	\$ 14,621	\$ 13,423	\$ 14,402
Less: Revenues	(726)	(735)	(745)	(756)
Sales	12,484	13,886	12,678	13,646
Cost of goods sold	9,639	10,773	9,774	10,541
Gross margin	2,845	3,113	2,904	3,105
Profit ¹	\$ 880	\$ 960	\$ 946	\$ 1,003
Profit per common share	\$ 1.34	\$ 1.48	\$ 1.48	\$ 1.57
Profit per common share–diluted ²	\$ 1.31	\$ 1.45	\$ 1.45	\$ 1.54

¹ Profit attributable to common stockholders.

² Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

As previously disclosed, in connection with the preparation of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, we concluded that certain non-cash transactions should be excluded from both changes in Receivables-trade and other and Accounts payable when preparing our Consolidated Statement of Cash Flow. Accordingly, we prepared our Consolidated Statement of Cash Flow for the six and nine months ended June 30, 2014 and September 30, 2014 on that basis, and we revised our Consolidated Statement of Cash Flow for the comparative periods in 2013. We subsequently concluded that our prior policy of including those transactions in the changes in Receivables-trade and other and Accounts payable is acceptable. Accordingly, we prepared our Consolidated Statement of Cash Flow for the year ended December 31, 2014 using our prior policy. We will revise our Consolidated Statement of Cash Flow to increase Receivables-trade and other and decrease Accounts payable for \$113 million and \$149 million for the six and nine months ended June 30, 2014 and September 30, 2014, respectively, the next time they are filed. The revisions will not impact net cash provided by operating activities.

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

	2014	2013	2012	2011	2010
Years ended December 31,					
Sales and revenues	\$ 55,184	\$ 55,656	\$ 65,875	\$ 60,138	\$ 42,588
Percent inside the United States	38%	33%	31%	30%	32%
Percent outside the United States	62%	67%	69%	70%	68%
Sales	\$ 52,142	\$ 52,694	\$ 63,068	\$ 57,392	\$ 39,867
Revenues	\$ 3,042	\$ 2,962	\$ 2,807	\$ 2,746	\$ 2,721
Profit ⁴	\$ 3,695	\$ 3,789	\$ 5,681	\$ 4,928	\$ 2,700
Profit per common share ¹	\$ 5.99	\$ 5.87	\$ 8.71	\$ 7.64	\$ 4.28
Profit per common share—diluted ²	\$ 5.88	\$ 5.75	\$ 8.48	\$ 7.40	\$ 4.15
Dividends declared per share of common stock	\$ 2.700	\$ 2.320	\$ 2.020	\$ 1.820	\$ 1.740
Return on average common stockholders' equity ³	19.6%	19.7%	37.2%	41.4%	27.4%
Capital expenditures:					
Property, plant and equipment	\$ 1,539	\$ 2,522	\$ 3,350	\$ 2,515	\$ 1,575
Equipment leased to others	\$ 1,840	\$ 1,924	\$ 1,726	\$ 1,409	\$ 1,011
Depreciation and amortization	\$ 3,163	\$ 3,087	\$ 2,813	\$ 2,527	\$ 2,296
Research and development expenses	\$ 2,135	\$ 2,046	\$ 2,466	\$ 2,297	\$ 1,905
As a percent of sales and revenues	3.9%	3.7%	3.7%	3.8%	4.5%
Wages, salaries and employee benefits	\$ 11,416	\$ 10,962	\$ 11,756	\$ 10,994	\$ 9,187
Average number of employees	115,625	122,502	127,758	113,620	98,554
December 31,					
Total assets	\$ 84,681	\$ 84,896	\$ 88,970	\$ 81,218	\$ 63,728
Long-term debt due after one year:					
Consolidated	\$ 27,784	\$ 26,719	\$ 27,752	\$ 24,944	\$ 20,437
Machinery, Energy & Transportation	\$ 9,493	\$ 7,999	\$ 8,666	\$ 8,415	\$ 4,505
Financial Products	\$ 18,291	\$ 18,720	\$ 19,086	\$ 16,529	\$ 15,932
Total debt:					
Consolidated	\$ 39,285	\$ 37,750	\$ 40,143	\$ 34,592	\$ 28,418
Machinery, Energy & Transportation	\$ 10,012	\$ 8,775	\$ 10,415	\$ 9,066	\$ 5,204
Financial Products	\$ 29,273	\$ 28,975	\$ 29,728	\$ 25,526	\$ 23,214

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our 2014 sales and revenues were \$55.184 billion, a decrease of 1 percent from \$55.656 billion in 2013. Profit in 2014 was \$3.695 billion, a decrease of 2 percent from \$3.789 billion in 2013. The 2014 profit per share was \$5.88, up 2 percent from \$5.75 in 2013.

Fourth-quarter 2014 sales and revenues were \$14.244 billion, down \$158 million from \$14.402 billion in the fourth quarter of 2013. Fourth-quarter 2014 profit was \$757 million compared with \$1.003 billion in the fourth quarter of 2013. Profit was \$1.23 per share in the fourth quarter of 2014 compared with profit per share of \$1.54 in the fourth quarter of 2013.

Highlights for 2014 include:

- Sales declines in **Resource Industries** were nearly offset by increases in **Energy & Transportation** and **Construction Industries**.
- **Restructuring costs** were \$441 million in 2014 with an after-tax impact of \$0.50 per share.
- Profit per share was \$5.88 in 2014 and \$6.38 per share excluding restructuring costs. Profit in 2013 was \$5.75 per share and \$5.97 per share excluding restructuring costs.
- Inventory declined about \$1.1 billion during the fourth quarter of 2014. This decline was positive to operating cash flow, but unfavorable to profit. For the full year, inventory decreased about \$420 million.
- **Machinery, Energy & Transportation (ME&T)** operating cash flow for 2014 was \$7.5 billion compared with \$9.0 billion in 2013.
- ME&T **debt-to-capital ratio** was 37.4 percent compared with 29.7 percent at the end of 2013. We ended the year with \$7.3 billion of cash.
- During the year, we repurchased \$4.2 billion of Caterpillar stock and increased the quarterly dividend by 17 percent.

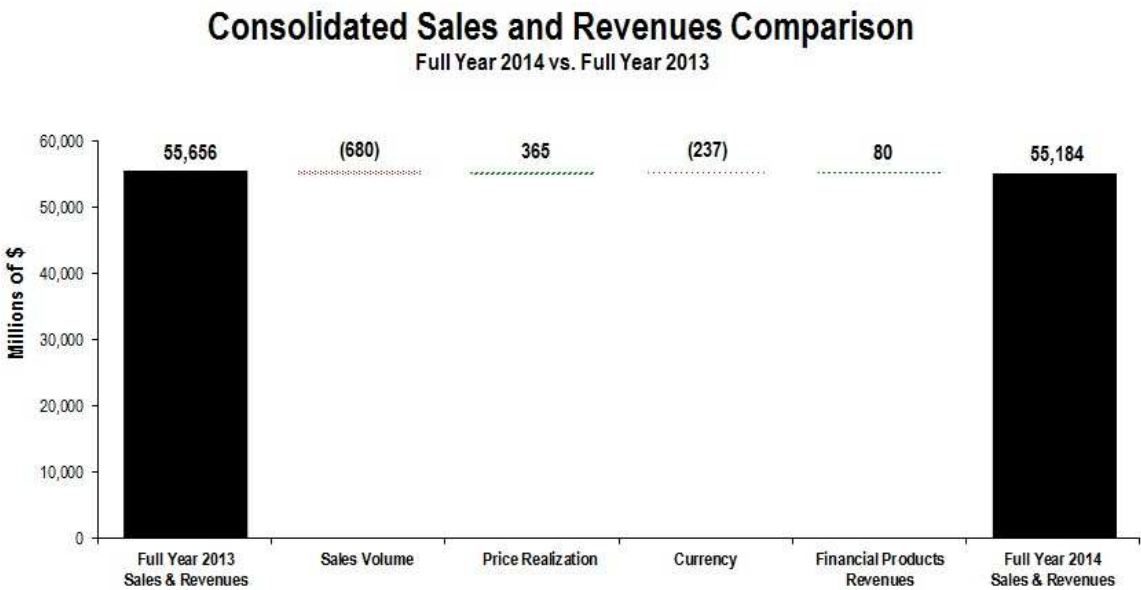
Restructuring Costs

Beginning in 2013, we turned our focus to structural cost reduction and worked on a large number of restructuring activities to help improve our long-term results. We incurred about \$200 million in restructuring charges in 2013 and \$441 million in 2014. In 2014, \$273 million of restructuring costs were related to actions at our Gosselies, Belgium, facility to reduce costs and improve competitiveness. We expect to take restructuring actions in 2015 and anticipate that these actions will result in charges of about \$150 million.

* Glossary of terms included on pages A-124 to A-126; first occurrence of terms shown in bold italics.

2014 COMPARED WITH 2013

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between 2013 (at left) and 2014 (at right). Items favorably impacting sales and revenues appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting sales and revenues appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were \$55.184 billion in 2014, down \$472 million, or 1 percent, from 2013. **Sales volume** decreased \$680 million primarily due to lower volume in Resource Industries, partially offset by higher volume in Energy & Transportation and Construction Industries. In addition, the impact of **currency** was unfavorable \$237 million primarily due to the Japanese yen and Brazilian real. These unfavorable items were partially offset by improved **price realization** of \$365 million and an increase in Financial Products' revenues of \$80 million.

The volume decrease was primarily the result of lower end-user demand for mining equipment in Resource Industries, as customers reduced their capital expenditures. This unfavorable impact was partially offset by the favorable impact of changes in dealer machine and engine inventories, as dealers decreased inventories about \$1 billion in 2014, compared to a decrease of over \$3 billion in 2013. In addition, end-user demand increased for Energy & Transportation applications.

Dealers are independent, and there could be many reasons for changes in their inventory levels. In general, dealers adjust inventory based on their expectations of future demand and product delivery times. Dealers' demand expectations take into account seasonal changes, macroeconomic conditions and other factors. Delivery times can vary based on availability of product from Caterpillar factories and product distribution centers. We expect that dealers will continue to reduce inventories in 2015 as they align inventory levels with expected demand.

Aftermarket parts sales were about flat as increases in Energy & Transportation were about offset by declines in Resource Industries.

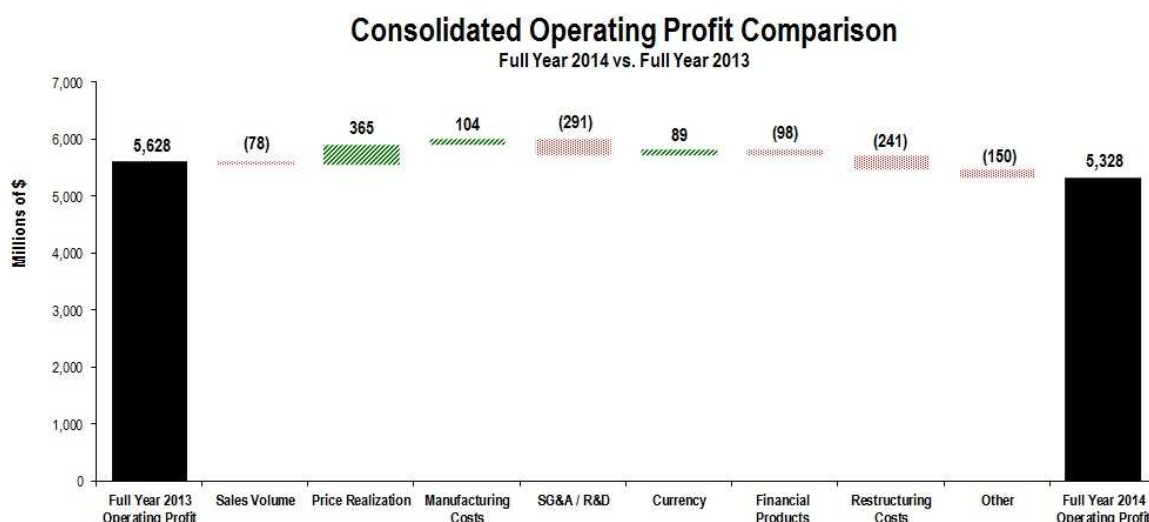
Sales declines in Asia/Pacific and **Latin America** were nearly offset by increases in North America. In Asia/Pacific, sales decreased 13 percent as a result of lower end-user demand resulting from weak economic conditions. Sales were down in each segment across the region. Sales declined 17 percent in Latin America primarily due to lower end-user demand for mining equipment. Sales increased 12 percent in North America primarily due to higher end-user demand for construction equipment and oil and gas and transportation applications and the favorable impact of dealer inventory changes primarily for construction equipment.

Sales were about flat in **EAME**, as lower end-user demand for mining equipment was about offset by the favorable impact of changes in dealer inventories. While sales in EAME were about flat, sales declines in the CIS were about offset by higher construction equipment sales in Europe due to weak but improving economic conditions. We believe the sales declines in the CIS

were due to the effects of ongoing political unrest on economic activity in the region. An escalation in geo-political events in the region could negatively impact trade overall and the demand for our products.

By segment, sales decreases in Resource Industries were partially offset by increases in Energy & Transportation and Construction Industries. Resource Industries' sales declined 24 percent, resulting primarily from weaker demand for mining products, partially offset by the favorable impact of changes in dealer inventories. Energy & Transportation's sales were 8 percent higher with increases in all applications. Construction Industries' sales increased 4 percent primarily due to the favorable impact of changes in dealer inventories. While we expect modest improvement in world economic growth in 2015, we expect that our sales will be negatively impacted by continued weakness in commodity prices, particularly oil, copper, coal and iron ore. In addition, the continued strength of the U.S. dollar is expected to negatively impact sales in 2015.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between 2013 (at left) and 2014 (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, Energy & Transportation other operating (income) expenses*.

Operating profit for 2014 was \$5.328 billion, compared with \$5.628 billion for 2013. The decrease was primarily the result of increased SG&A and R&D expenses, higher restructuring costs and the absence of a gain related to a settlement in 2013 with the previous owners of *Caterpillar (Zhengzhou) Ltd.* These unfavorable items were partially offset by improved price realization, primarily for Construction Industries and Energy & Transportation, and lower *manufacturing costs*.

SG&A and R&D expenses increased \$291 million primarily due to higher incentive compensation expense, partially offset by lower retirement benefits costs and decreased program spending. R&D expenses are expected to be higher in 2015 due to additional program spending on new technologies with applications across the company. For example, we are focusing on developmental activities in the area of data analytics in an effort to enhance customer productivity. We believe that should we be successful in developing an automated analytics and diagnostics solution that can be utilized across our product line, this will result in a competitive advantage for our company.

Our restructuring activities continued in 2014 as part of our ongoing efforts to optimize our cost structure and improve the efficiency of our operations. Restructuring costs for 2014 were \$441 million and related to a reduction in workforce at our Gosselies, Belgium, facility and other actions across the company. In 2013, restructuring costs were \$200 million. For the full year 2015, we are expecting restructuring costs of \$150 million as we will continue to incur costs related to programs started in 2014 and expect to take additional actions to further improve our long-term cost structure.

Manufacturing costs improved \$104 million primarily due to lower material costs and favorable changes in cost absorption as inventory declined significantly in 2013 as compared to a slight decline in 2014. These favorable impacts were partially offset by higher incentive compensation, increased warranty expenses and the absence of **LIFO inventory decrement benefits** of \$115 million from 2013.

In 2015, we anticipate lower manufacturing costs as a result of our continued focus to improve costs and efficiency. We also expect the continued strength of the U.S. dollar, while unfavorable to sales, to be favorable to costs and profit. We expect these favorable items to be partially offset by unfavorable changes in cost absorption, as the decline in inventory in 2015 is expected to be larger than in 2014. In addition, with a greater proportion of the expected decline in 2015 sales occurring in higher margin products for the oil and gas and mining industries, we anticipate an unfavorable impact on operating margin.

Short-term incentive compensation expense related to 2014 was about \$1.3 billion. Short-term incentive compensation expense related to 2013 was about \$545 million. We expect that short-term incentive compensation expense will be lower in 2015 than in 2014.

Other Profit/Loss Items

- **Other income/expense** was income of \$239 million in 2014, compared with expense of \$35 million in 2013. The change was primarily due to the favorable impact of currency translation and hedging gains and losses. Translation and hedging losses in 2013 totaled \$254 million. In 2014, translation and hedging gains were \$54 million.
- **The provision for income taxes** for 2014 reflects an effective tax rate of 28 percent compared with 28.5 percent for 2013, excluding the items discussed below.

The 2014 tax provision also included a benefit of \$23 million for the release of a valuation allowance against the deferred tax assets of a non-U.S. subsidiary and a net benefit of \$21 million to adjust prior years' U.S. taxes and interest. This compares to benefits in 2013 of \$87 million primarily related to the U.S. research and development tax credit that was retroactively extended in 2013 for 2012 and \$55 million to adjust U.S. taxes from the prior year.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
2014										
Construction Industries ¹	\$ 19,362	4 %	\$ 8,403	19 %	\$ 2,445	(10)%	\$ 4,267	6 %	\$ 4,247	(10)%
Resource Industries ²	8,921	(24)%	3,193	(11)%	1,514	(34)%	2,116	(29)%	2,098	(29)%
Energy & Transportation ³	21,727	8 %	9,612	17 %	1,963	(9)%	6,297	10 %	3,855	(4)%
All Other Segments ⁴	2,251	(1)%	1,436	3 %	251	9 %	345	(9)%	219	(14)%
Corporate Items and Eliminations	(119)		(85)		(1)		(34)		1	
Machinery, Energy & Transportation Sales	52,142	(1)%	22,559	12 %	6,172	(17)%	12,991	(1)%	10,420	(13)%
Financial Products Segment	3,313	3 %	1,782	6 %	468	9 %	494	(2)%	569	(6)%
Corporate Items and Eliminations	(271)		(145)		(51)		(26)		(49)	
Financial Products Revenues	3,042	3 %	1,637	6 %	417	5 %	468	(1)%	520	(5)%
Consolidated Sales and Revenues	\$ 55,184	(1)%	\$ 24,196	11 %	\$ 6,589	(16)%	\$ 13,459	(1)%	\$ 10,940	(12)%

2013

Construction Industries ¹	\$ 18,532		\$ 7,071		\$ 2,731		\$ 4,026		\$ 4,704	
Resource Industries ²	11,805		3,583		2,283		2,998		2,941	
Energy & Transportation ³	20,155		8,231		2,168		5,735		4,021	
All Other Segments ⁴	2,263		1,399		231		378		255	
Corporate Items and Eliminations	(61)		(65)		2		1		1	
Machinery, Energy & Transportation Sales	52,694		20,219		7,415		13,138		11,922	
Financial Products Segment	3,224		1,688		430		503		603	
Corporate Items and Eliminations	(262)		(145)		(34)		(28)		(55)	
Financial Products Revenues	2,962		1,543		396		475		548	
Consolidated Sales and Revenues	\$ 55,656		\$ 21,762		\$ 7,811		\$ 13,613		\$ 12,470	

¹ Does not include inter-segment sales of \$250 million and \$330 million in 2014 and 2013 , respectively.

² Does not include inter-segment sales of \$585 million and \$465 million in 2014 and 2013 , respectively.

³ Does not include inter-segment sales of \$2,248 million and \$1,895 million in 2014 and 2013 , respectively.

⁴ Does not include inter-segment sales of \$3,440 million and \$3,234 million in 2014 and 2013 , respectively.

Sales and Revenues by Segment

(Millions of dollars)	2013	Sales Volume	Price Realization	Currency	Other	2014	\$ Change	% Change
Construction Industries	\$ 18,532	\$ 828	\$ 227	\$ (225)	\$ —	\$ 19,362	\$ 830	4 %
Resource Industries	11,805	(2,763)	(76)	(45)	—	8,921	(2,884)	(24)%
Energy & Transportation	20,155	1,353	182	37	—	21,727	1,572	8 %
All Other Segments	2,263	(38)	30	(4)	—	2,251	(12)	(1)%
Corporate Items and Eliminations	(61)	(60)	2	—	—	(119)	(58)	
Machinery, Energy & Transportation Sales	52,694	(680)	365	(237)	—	52,142	(552)	(1)%
Financial Products Segment	3,224	—	—	—	89	3,313	89	3 %
Corporate Items and Eliminations	(262)	—	—	—	(9)	(271)	(9)	
Financial Products Revenues	2,962	—	—	—	80	3,042	80	3 %
Consolidated Sales and Revenues	\$ 55,656	\$ (680)	\$ 365	\$ (237)	\$ 80	\$ 55,184	\$ (472)	(1)%

Operating Profit by Segment

(Millions of dollars)	2014	2013	\$ Change	% Change
Construction Industries	\$ 2,207	\$ 1,374	\$ 833	61 %
Resource Industries	501	1,586	(1,085)	(68)%
Energy & Transportation	4,038	3,401	637	19 %
All Other Segments	850	736	114	15 %
Corporate Items and Eliminations	(2,875)	(2,182)	(693)	
Machinery, Energy & Transportation	4,721	4,915	(194)	(4)%
Financial Products Segment	901	990	(89)	(9)%
Corporate Items and Eliminations	(16)	(7)	(9)	
Financial Products	885	983	(98)	(10)%
Consolidating Adjustments	(278)	(270)	(8)	
Consolidated Operating Profit	\$ 5,328	\$ 5,628	\$ (300)	(5)%

Construction Industries

Construction Industries' sales were \$19.362 billion in 2014, an increase of \$830 million, or 4 percent, from 2013. The sales increase was primarily due to higher sales volume and the favorable impact of price realization, partially offset by the unfavorable impact of currency. Sales of new equipment increased slightly, and sales of aftermarket parts were about flat.

- The increase in sales volume was primarily related to the impact of changes in dealer inventories. Dealer inventories increased slightly in 2014, compared to a decrease in 2013.
- About one-third of the price realization improvement was due to the absence of sales from a large government order in Brazil that started in 2013 and ended in the first half of 2014.
- The unfavorable currency impact was primarily from a weaker Japanese yen, as sales in Japanese yen translated into fewer U.S. dollars.

Sales increased in North America and EAME, while sales in Asia/Pacific and Latin America were down.

- In North America, higher sales were primarily due to higher end-user demand resulting from an increase in construction-related spending in the United States. Although still below prior peaks, construction-related spending continues to improve. The remaining sales increase was primarily due to the favorable impact of changes in dealer inventories, as dealers increased inventory in 2014, compared to a decrease in 2013.

- In EAME, higher sales were primarily due to the favorable impact of changes in dealer inventory, partially offset by lower end-user demand. Dealer inventory was about flat in 2014, compared to a decrease in 2013. The decrease in end-user demand was primarily due to lower dealer deliveries to end users in CIS and Africa/Middle East resulting from political unrest, partially offset by increased dealer deliveries to end users in Europe primarily due to weak but improving economic conditions.
- Sales decreased in Asia/Pacific primarily in Japan, China and Thailand. In Japan, sales during 2013 were favorably impacted by customer demand in advance of a 2014 emissions change. Sales in Japan also declined due to a weaker Japanese yen as sales in yen translated into fewer U.S. dollars. In China, construction-related spending declined as the overall construction machinery industry decreased approximately 15 percent from last year. However, our dealer deliveries to end users in China have outpaced the industry overall. We expect the Chinese construction machinery industry and our construction equipment sales in China to decline further in 2015. In Thailand, sales declined as a result of social and political unrest.
- Sales declined in Latin America primarily due to lower sales for the large government order in Brazil and lower end-user demand resulting from weaker economic conditions.

In 2015, we expect low oil prices will be negative for Construction Industries' sales in oil producing countries around the world, including some regions of the United States that rely heavily on oil revenues to fund infrastructure projects.

Construction Industries' profit was \$2.207 billion in 2014, compared with \$1.374 billion in 2013. The increase in profit was primarily due to the favorable impact of currency, higher sales volume, improved price realization and lower manufacturing costs. These favorable items were partially offset by increased SG&A and R&D expenses.

Segment profit for 2014 is based on fixed exchange rates set at the beginning of 2014, while segment profit for 2013 is based on fixed exchange rates set at the beginning of 2013. The difference in these fixed exchange rates resulted in a favorable currency impact for the segment.

Manufacturing costs improved primarily due to favorable changes in cost absorption resulting from a significantly larger decrease in inventory in 2013 than in 2014. In addition, material costs were lower. These favorable items were partially offset by higher incentive compensation expense.

SG&A and R&D expenses were higher primarily due to increased incentive compensation expense.

Resource Industries

Resource Industries' sales were \$8.921 billion for 2014, a decrease of \$2.884 billion, or 24 percent, from 2013. The sales volume decline was primarily due to lower end-user demand across all geographic regions. Aftermarket part sales also declined, as we believe some companies are continuing to extend proactive maintenance schedules and delay major overhauls when possible. These declines were partially offset by the favorable impact of changes in dealer inventory. While dealers continued to reduce machine inventories worldwide for 2014, the reductions were less significant than in 2013. Customer demand for mining equipment has not improved, and as a result, dealers need less inventory and are making reductions to align inventory with demand.

Customers in most geographic regions continued to reduce spending across the mining industry. We believe that mining companies are increasing productivity at existing mines and improving their transportation infrastructure rather than investing in expansions or new mine openings, which results in lower demand for our mining products. In addition, projects started in prior years have led to an increased supply of coal and iron ore which has outpaced demand and contributed to prices moving below investment thresholds for those commodities. As a result, new orders for mining equipment continued to be weak in the 2014, and we do not expect a recovery in 2015.

Resource Industries' profit was \$501 million for 2014, compared with \$1.586 billion for 2013. The decrease was primarily due to lower sales volume, the absence of a \$135 million gain related to the settlement with previous owners of Caterpillar (Zhengzhou) Ltd. and unfavorable price realization resulting from a competitive pricing environment. These items were partially offset by an improvement in manufacturing costs and benefits from restructuring actions.

The improvement in manufacturing costs was primarily driven by lower material costs and favorable changes in cost absorption. Cost absorption was favorable due to about flat inventory for 2014, compared with a decrease in inventory for 2013. These favorable items were partially offset by higher warranty expense.

Inter-segment sales of components to Energy & Transportation increased, and about \$100 million of Resource Industries' profit in 2014 was related to these inter-segment sales, an increase from about \$15 million in 2013.

Energy & Transportation

Energy & Transportation's sales were \$21.727 billion for 2014, an increase of \$1.572 billion, or 8 percent, from 2013. The sales increase was primarily due to higher sales volume. In addition, the impact of price realization was favorable, and sales increased in all applications. Sales of aftermarket parts also increased.

- **Oil and Gas** - Sales increases in North America and EAME were partially offset by declines in Latin America and Asia/Pacific. In North America, sales increased primarily due to higher demand for equipment used in well servicing, gas compression and drilling applications. In EAME, the sales increase was primarily due to the timing of large projects. Due to the large project nature of many of the Energy & Transportation end markets, the timing of these projects can vary causing volatility in our sales. In Asia/Pacific, sales declines were primarily due to lower sales in Australia resulting from the absence of a large project in 2013. In Latin America, sales declined primarily due to lower end-user demand.

Caterpillar sells products that are used in a variety of different oil and gas applications, including offshore and land drilling, well servicing, oil and gas production and gas compression. The products we sell to the oil and gas industry include gas turbines and centrifugal natural gas compressors, reciprocating engines, transmissions and well stimulation pumps. About one-third of Energy & Transportation's sales in 2014 were related to oil and gas. Based on the recent sharp decline in oil prices, we expect sales into oil and gas applications in 2015 will be significantly lower than in 2014. We expect that well servicing and drilling will be impacted the earliest and to the greatest magnitude. Gas compression, due to the continued need for global infrastructure build, is expected to remain relatively strong in 2015 and sales related to large projects that take years to execute will likely be impacted to a lesser extent in the short-term.

- **Transportation** - Sales increased in North America and EAME and were about flat in Asia/Pacific and Latin America. Higher sales in North America and EAME were primarily due to increased sales for rail applications. In North America, sales strengthened due to customer demand in advance of the 2015 emissions change for locomotives. Our locomotives sales in 2015 will be impacted by the absence of a Tier IV locomotive offering in North America. In EAME, sales increased as we continued to expand our rail business.
- **Power Generation** - Sales increased in EAME and North America and were about flat in Asia/Pacific and Latin America. Sales improved in EAME primarily due to sales recognition for a large project. In North America, sales increased primarily due to higher end-user demand.
- **Industrial** - Sales into industrial applications increased in North America and were about flat in all other regions. Higher sales in North America were primarily due to higher demand for engines used by original equipment manufacturers for industrial applications.

Energy & Transportation's profit was \$4.038 billion for 2014, compared with \$3.401 billion for 2013. The increase in profit was primarily due to higher sales volume, which included negative product mix due to sales recognition for a large power generation project in EAME. In addition, price realization improved and material costs were lower. These favorable items were partially offset by higher incentive compensation expense.

Financial Products Segment

Financial Products' revenues were \$3.313 billion, an increase of \$89 million, or 3 percent, from 2013. The increase was primarily due to higher average *earning assets* primarily in North America, partially offset by a decrease in Asia/Pacific. This increase was partially offset by the unfavorable impact from lower average financing rates primarily in North America, offset by an increase in Latin America.

Financial Products' profit was \$901 million in 2014, compared with \$990 million for 2013. The decrease was primarily due to the absence of \$72 million in favorable reserve adjustments at Caterpillar Financial Insurance Services, a \$59 million increase in the provision for credit losses at Cat Financial and a \$27 million unfavorable impact on interest rate swap contracts. These decreases were partially offset by a \$49 million favorable impact from higher average earning assets and a \$40 million improvement on net yield on average earning assets.

Corporate Items and Eliminations

Expense for corporate items and eliminations was \$2.891 billion in 2014, an increase of \$702 million from 2013. Corporate items and eliminations include: corporate-level expenses; restructuring costs; timing differences, as some expenses are reported in segment profit on a cash basis; retirement benefit costs other than service cost; currency differences for ME&T, as segment profit is reported using annual fixed exchange rates and inter-segment eliminations.

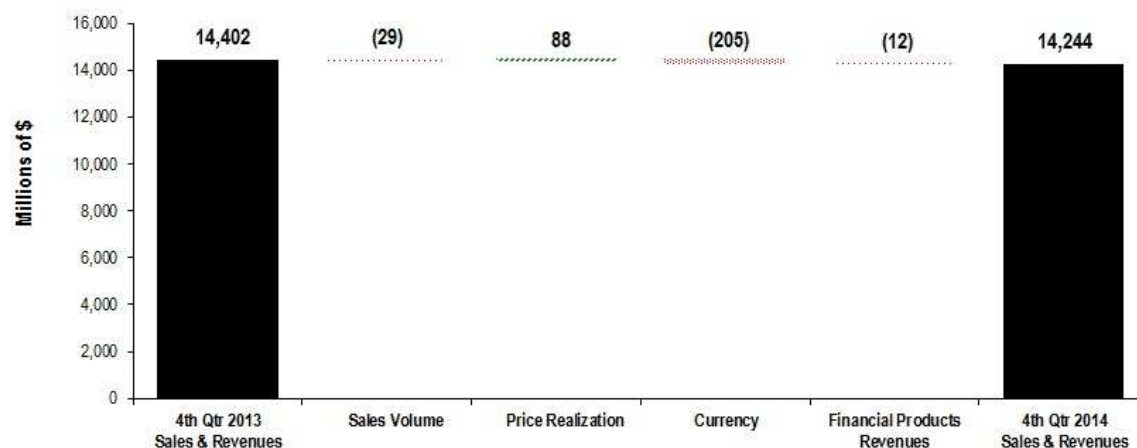
The increase in expense from 2013 was primarily due to timing differences, higher restructuring costs, the unfavorable impact of currency, increased corporate costs, the absence of a LIFO inventory decrement benefit of \$115 million and the absence of a gain on a legal settlement of \$68 million from 2013. Segment profit for 2014 is based on fixed exchange rates set at the beginning of 2014, while segment profit for 2013 is based on fixed exchange rates set at the beginning of 2013. 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. These unfavorable items were partially offset by decreased retirement benefit costs and other methodology differences.

FOURTH QUARTER 2014 COMPARED WITH FOURTH QUARTER 2013

CONSOLIDATED SALES AND REVENUES

Consolidated Sales and Revenues Comparison

Fourth Quarter 2014 vs. Fourth Quarter 2013



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between the fourth quarter of 2013 (at left) and the fourth quarter of 2014 (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

Total sales and revenues were \$14.244 billion in the fourth quarter of 2014, compared with \$14.402 billion in the fourth quarter of 2013, a decline of \$158 million or 1 percent. The decrease was primarily due to currency impacts from weakening of the euro and Japanese yen. The impacts from sales volume, price realization and Financial Products' revenues were not significant. While sales for new equipment were slightly lower, aftermarket parts sales were slightly higher than the fourth quarter of 2013.

Dealer machine and engine inventories declined about \$600 million in both the fourth quarter of 2014 and the fourth quarter of 2013.

While the overall sales change was not significant, sales in North America improved and were about offset by declines in Asia/Pacific and Latin America. In North America, sales increased 10 percent due to higher demand primarily for transportation and oil and gas applications, and the favorable impact of changes in dealer inventories. Asia/Pacific sales declined 16 percent primarily due to lower demand for construction equipment and the unfavorable impact of changes in dealer inventories. Sales decreased 14 percent in Latin America primarily due to lower end-user demand for construction and mining equipment, partially offset by the favorable impact of changes in dealer inventories. Sales in EAME were about flat as the impact of sales recognition for a large power generation project was about offset by the unfavorable impact of changes in dealer inventories and the impact of currency as our sales in euros translated into fewer U.S. dollars.

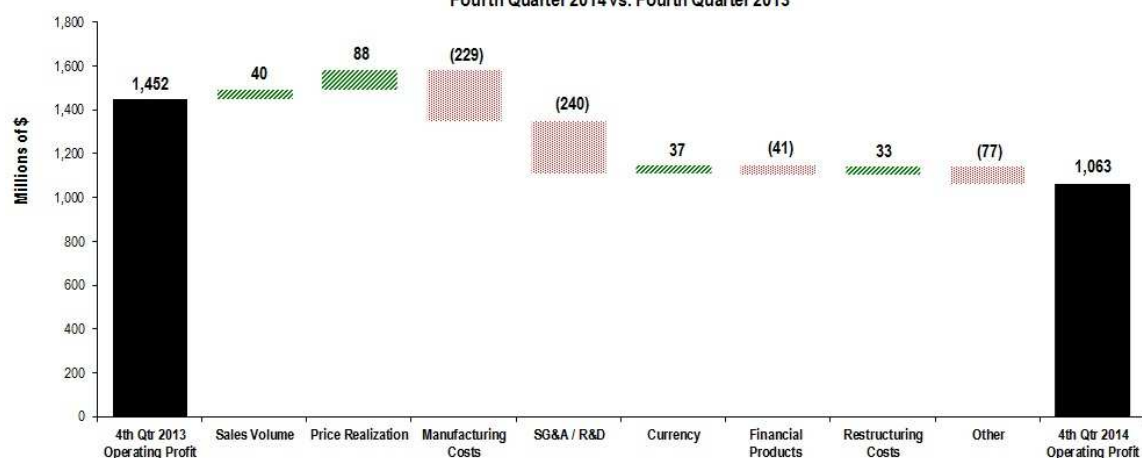
Dealers are independent, and there could be many reasons for changes in their inventory levels. In general, dealers adjust inventory based on their expectations of future demand and product delivery times. Dealers' demand expectations take into account seasonal changes, macroeconomic conditions and other factors. Delivery times can vary based on availability of product from Caterpillar factories and product distribution centers.

By segment, sales decreases in Construction Industries and Resource Industries were about offset by increased sales in Energy & Transportation. Construction Industries' sales decreased 9 percent primarily due to lower dealer deliveries to end users. Resource Industries' sales declined 10 percent primarily due to lower end-user demand for mining equipment, partially offset by the favorable impact of changes in dealer inventories. Energy & Transportation's sales increased 11 percent primarily due to higher demand for oil and gas, transportation and power generation applications, partially offset by the unfavorable impact of changes in dealer inventories. Financial Products' segment revenues were about flat.

CONSOLIDATED OPERATING PROFIT

Consolidated Operating Profit Comparison

Fourth Quarter 2014 vs. Fourth Quarter 2013



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between the fourth quarter of 2013 (at left) and the fourth quarter of 2014 (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, Energy & Transportation other operating (income) expenses.

Operating profit for the fourth quarter of 2014 was \$1.063 billion, down \$389 million from the fourth quarter of 2013. The decline was primarily due to increased selling, general and administrative and research and development (SG&A and R&D) expenses and higher manufacturing costs, partially offset by favorable price realization.

A majority of the increase in SG&A and R&D expenses was for new product introduction programs and higher incentive compensation expense. In addition, SG&A expenses were higher as a result of the timing of spending on company-wide initiatives.

About two-thirds of the unfavorable change in manufacturing costs was related to inventory – the absence of LIFO inventory decrement benefits of \$115 million from the fourth quarter of 2013 and the unfavorable impact of cost absorption, as inventory declined more significantly in the fourth quarter of 2014 than in the fourth quarter of 2013. In addition, incentive compensation expense and warranty, as well as spending on growth-related programs in Energy & Transportation, increased. These items were partially offset by favorable material costs.

Incentive compensation expense for the fourth quarter of 2014 was about \$310 million, compared with \$200 million in the fourth quarter of 2013.

Restructuring costs of \$97 million in the fourth quarter of 2014 were related to a reduction in workforce at our Gosselies, Belgium, facility and several other restructuring programs across the company. In the fourth quarter of 2013, restructuring costs were \$130 million, primarily related to our mining business.

Fourth-quarter 2013 operating profit included a gain on a legal settlement of \$68 million.

Other Profit/Loss Items

- **Other income/expense** was income of \$3 million compared with income of \$44 million in the fourth quarter of 2013. The unfavorable change was primarily due to lower gains on the sale of securities in the fourth quarter of 2014. In addition, the fourth quarter of 2014 included losses on commodity forward contracts.
- **The provision for income taxes** for the fourth quarter of 2014 reflects an effective tax rate of 28 percent, compared with 28.5 percent for fourth quarter of 2013, excluding the items discussed below.

The provision for income taxes for the fourth quarter of 2014 also includes benefits of \$62 million. This is related to a decrease from the third-quarter estimated annual effective tax rate of 29.5 percent primarily due to the renewal in the fourth quarter of

the U.S. research and development tax credit for 2014 and \$23 million for the release of a valuation allowance against the deferred tax assets of a non-U.S. subsidiary. This compares to a \$19 million benefit recorded for the fourth quarter of 2013 related to a decrease from the third-quarter 2013 estimated annual effective tax rate.

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 2014										
Construction Industries ¹	\$ 4,420	(9)%	\$ 1,996	13 %	\$ 549	(24)%	\$ 934	(10)%	\$ 941	(30)%
Resource Industries ²	2,385	(10)%	850	(11)%	401	(13)%	566	(16)%	568	1 %
Energy & Transportation ³	6,191	11 %	2,730	19 %	541	(5)%	1,980	17 %	940	(6)%
All Other Segments ⁴	531	(10)%	354	(6)%	61	9 %	77	(17)%	39	(41)%
Corporate Items and Eliminations	(27)		(26)		—		(3)		2	
Machinery, Energy & Transportation Sales	13,500	(1)%	5,904	10 %	1,552	(14)%	3,554	2 %	2,490	(16)%
Financial Products Segment	811	(1)%	451	3 %	112	6 %	115	(12)%	133	(7)%
Corporate Items and Eliminations	(67)		(37)		(13)		(6)		(11)	
Financial Products Revenues	744	(2)%	414	2 %	99	3 %	109	(12)%	122	(7)%
Consolidated Sales and Revenues	\$ 14,244	(1)%	\$ 6,318	9 %	\$ 1,651	(13)%	\$ 3,663	1 %	\$ 2,612	(16)%
Fourth Quarter 2013										
Construction Industries ¹	\$ 4,869		\$ 1,763		\$ 726		\$ 1,035		\$ 1,345	
Resource Industries ²	2,649		958		459		670		562	
Energy & Transportation ³	5,565		2,296		567		1,697		1,005	
All Other Segments ⁴	590		375		56		93		66	
Corporate Items and Eliminations	(27)		(27)		1		(1)		—	
Machinery, Energy & Transportation Sales	13,646		5,365		1,809		3,494		2,978	
Financial Products Segment	816		436		106		131		143	
Corporate Items and Eliminations	(60)		(31)		(10)		(7)		(12)	
Financial Products Revenues	756		405		96		124		131	
Consolidated Sales and Revenues	\$ 14,402		\$ 5,770		\$ 1,905		\$ 3,618		\$ 3,109	

¹ Does not include inter-segment sales of \$52 million and \$73 million in the fourth quarter 2014 and 2013 , respectively.

² Does not include inter-segment sales of \$183 million and \$109 million in the fourth quarter 2014 and 2013 , respectively.

³ Does not include inter-segment sales of \$542 million and \$567 million in the fourth quarter 2014 and 2013 , respectively.

⁴ Does not include inter-segment sales of \$843 million and \$796 million in the fourth quarter 2014 and 2013 , respectively.

Sales and Revenues by Segment

(Millions of dollars)	Fourth Quarter 2013	Sales Volume	Price Realization	Currency	Other	Fourth Quarter 2014	\$ Change	% Change
Construction Industries	\$ 4,869	\$ (419)	\$ 63	\$ (93)	\$ —	\$ 4,420	\$ (449)	(9)%
Resource Industries	2,649	(212)	(12)	(40)	—	2,385	(264)	(10)%
Energy & Transportation	5,565	657	37	(68)	—	6,191	626	11 %
All Other Segments	590	(54)	(1)	(4)	—	531	(59)	(10)%
Corporate Items and Eliminations	(27)	(1)	1	—	—	(27)	—	
Machinery, Energy & Transportation Sales	13,646	(29)	88	(205)	—	13,500	(146)	(1)%
Financial Products Segment	816	—	—	—	(5)	811	(5)	(1)%
Corporate Items and Eliminations	(60)	—	—	—	(7)	(67)	(7)	
Financial Products Revenues	756	—	—	—	(12)	744	(12)	(2)%
Consolidated Sales and Revenues	\$ 14,402	\$ (29)	\$ 88	\$ (205)	\$ (12)	\$ 14,244	\$ (158)	(1)%

Operating Profit by Segment

(Millions of dollars)	Fourth Quarter 2014	Fourth Quarter 2013	\$ Change	% Change
Construction Industries	\$ 362	\$ 489	\$ (127)	(26)%
Resource Industries	72	217	(145)	(67)%
Energy & Transportation	1,077	982	95	10 %
All Other Segments	164	143	21	15 %
Corporate Items and Eliminations	(754)	(561)	(193)	
Machinery, Energy & Transportation	921	1,270	(349)	(27)%
Financial Products Segment	197	266	(69)	(26)%
Corporate Items and Eliminations	12	(16)	28	
Financial Products	209	250	(41)	(16)%
Consolidating Adjustments	(67)	(68)	1	
Consolidated Operating Profit	\$ 1,063	\$ 1,452	\$ (389)	(27)%

Construction Industries

Construction Industries' sales were \$4.420 billion in the fourth quarter of 2014, a decrease of \$449 million, or 9 percent, from the fourth quarter of 2013. The decrease in sales was due to lower volume and the unfavorable impact of currency primarily the Japanese yen and the euro. These unfavorable items were partially offset by improved price realization. Sales of new equipment decreased, while sales of aftermarket parts were about flat.

- The sales volume decrease was primarily related to lower deliveries to end users. About one-third of the decline in sales volume was due to the absence of a large government order in Brazil that occurred during the fourth quarter of 2013.
- Price realization was favorable. About half of the overall improvement was due to the absence of the same large government order in Brazil that occurred during the fourth quarter of 2013.

Sales decreased in all regions except North America.

- In Asia/Pacific, the sales decline was primarily due to lower sales in China and Japan. In China, the lower sales resulted from weaker construction activity. In Japan, sales during the fourth quarter of 2013 were favorably impacted by customer demand in advance of a 2014 emissions change. Sales in Japan also declined due to a weaker Japanese yen as sales in yen translated into fewer U.S. dollars.
- Decreases in Latin America were primarily related to the absence of a large government order in Brazil that occurred during the fourth quarter of 2013 and weak construction activity.

- In EAME, the sales decline was primarily due to the unfavorable impact of changes in dealer inventories as dealers reduced inventory more significantly in the fourth quarter of 2014 than in the fourth quarter of 2013. In addition, the impact of currency was unfavorable as sales in euros translated into fewer U.S. dollars.
- Sales increased in North America primarily due to higher end-user demand as construction-related spending increased in the United States. Although still below prior peaks, construction-related spending continues to improve. In addition, the impact of changes in dealer inventories was favorable.

Construction Industries' profit was \$362 million in the fourth quarter of 2014, compared with \$489 million in the fourth quarter of 2013. Profit decreased primarily due to lower sales volume, increased incentive compensation expense and higher spending on new product introduction programs. These unfavorable items were partially offset by the favorable impacts of currency and price realization.

Resource Industries

Resource Industries' sales were \$2.385 billion in the fourth quarter of 2014, a decrease of \$264 million, or 10 percent from the fourth quarter of 2013, primarily due to lower sales volume. While sales of new equipment continued to decline, sales of aftermarket parts improved.

The sales volume decrease was primarily related to lower end-user demand. This decrease was partially offset by the favorable impact of changes in dealer inventories. While dealers continued to reduce inventories during the fourth quarter of 2014, the reductions were less significant than in the fourth quarter of 2013.

Sales decreased in all geographic regions except Asia/Pacific. Sales in Asia/Pacific were about flat, reflecting continued weak end-user demand. Customers in most geographic regions continued to reduce spending. We believe that mining companies are increasing productivity at existing mines and improving their transportation infrastructure rather than investing in expansions or new mine openings, which results in lower demand for our mining products. In addition, projects started in prior years have led to an increased supply of coal and iron ore which has outpaced demand and contributed to prices moving below investment thresholds for those commodities. As a result, new orders for mining equipment continued to be weak in the quarter.

Resource Industries' profit was \$72 million in the fourth quarter of 2014 compared with \$217 million in the fourth quarter of 2013. The decrease was primarily the result of increased SG&A and R&D expenses, mostly due to higher spending for new product introduction programs and increased incentive compensation expense. In addition, sales volume and currency impacts were unfavorable. These items were partially offset by favorable material costs.

Inter-segment sales of components to Energy & Transportation increased substantially and about \$45 million of Resource Industries' profit in the fourth quarter of 2014 was related to these inter-segment sales, an increase of about \$40 million from the fourth quarter of 2013.

Segment profit for 2014 is based on fixed exchange rates set at the beginning of 2014, while segment profit for 2013 is based on fixed exchange rates set at the beginning of 2013. The difference in these fixed exchange rates resulted in an unfavorable currency impact for Resource Industries.

Energy & Transportation

Energy & Transportation's sales were \$6.191 billion in the fourth quarter of 2014, an increase of \$626 million, or 11 percent, compared with the fourth quarter of 2013. Sales increased for oil and gas, power generation and transportation applications and decreased for industrial applications.

- **Oil and Gas** - Sales increases in North America and EAME were partially offset by declines in Latin America and Asia/Pacific. In North America, sales increased primarily due to higher end-user demand and the favorable impact from changes in dealer inventory. Increases in end-user demand were primarily for equipment used in well servicing, gas compression and drilling applications. The sales increase in EAME was primarily due to the timing of large projects. In Latin America, lower sales were primarily due to weaker end-user demand. Sales declined in Asia/Pacific primarily due to the unfavorable impact of changes in dealer inventory, partially offset by higher deliveries to end users.
- **Power Generation** - Sales increased in EAME and North America and were about flat in Latin America and Asia/Pacific. Sales improved in EAME primarily due to sales recognition for a large project. In North America, sales increased primarily due to higher end-user demand.
- **Transportation** - Sales increased in EAME and North America and were about flat in Latin America and Asia/Pacific. In EAME, sales increased as we continued to expand our rail business. In North America, sales strengthened due to customer demand in advance of the 2015 emissions change for locomotives.

- **Industrial** - Sales decreased in EAME and were about flat in all other geographic regions. In EAME, sales decreased primarily due to lower demand for engines used by original equipment manufacturers for agriculture applications.

Energy & Transportation's profit was \$1.077 billion in the fourth quarter of 2014, compared with \$982 million in the fourth quarter of 2013. The improvement was primarily due to higher sales volume, which included negative product mix due to sales recognition for a large power generation project in EAME. In addition, price realization was favorable. These favorable items were partially offset by increased spending on growth-related programs.

Financial Products Segment

Financial Products' revenues were \$811 million in the fourth quarter of 2014, a decrease of \$5 million from the fourth quarter of 2013. The decline was primarily due to lower average financing rates in North America and Europe and lower average earning assets in Asia/Pacific, partially offset by higher average earning assets in North America.

Financial Products' profit was \$197 million in the fourth quarter of 2014, compared with \$266 million in the fourth quarter of 2013. The unfavorable change was primarily due to a \$25 million increase in the provision for credit losses at Cat Financial (largely a result of the absence of a favorable adjustment that occurred during the fourth quarter of 2013), a \$17 million decrease in gains on sales of securities at Caterpillar Financial Insurance Services and the absence of a \$17 million currency gain that occurred during the fourth quarter of 2013 at Cat Financial.

At the end of 2014, past dues at Cat Financial were 2.17 percent compared with 2.81 percent at the end of the third quarter of 2014 and 2.37 percent at the end of 2013. Write-offs, net of recoveries, were \$104 million for the full-year 2014, compared with \$123 million for the full-year 2013.

As of December 31, 2014, Cat Financial's allowance for credit losses totaled \$401 million, or 1.36 percent of net finance receivables, compared with \$378 million or 1.30 percent of net finance receivables at year-end 2013.

Corporate Items and Eliminations

Expense for corporate items and eliminations was \$742 million in the fourth quarter of 2014, an increase of \$165 million from the fourth quarter of 2013. Corporate items and eliminations include: corporate-level expenses; restructuring costs; timing differences, as some expenses are reported in segment profit on a cash basis; retirement benefit costs other than service cost; currency differences for ME&T, as segment profit is reported using annual fixed exchange rates and inter-segment eliminations.

The increase in expense from the fourth quarter of 2013 was primarily due to higher corporate costs, the absence of a LIFO inventory decrement benefit of \$115 million and a gain on a legal settlement of \$68 million from the fourth quarter of 2013, partially offset by lower retirement benefits and other methodology differences.

2013 COMPARED WITH 2012

CONSOLIDATED SALES AND REVENUES

Consolidated Sales and Revenues Comparison 2013 vs. 2012



The chart above graphically illustrates reasons for the change in Consolidated Sales and Revenues between 2012 (at left) and 2013 (at right). Items favorably impacting sales and revenues appear as upward stair steps with the corresponding dollar amounts above each bar, while items negatively impacting sales and revenues appear as downward stair steps with dollar amounts reflected in parentheses above each bar. Caterpillar management utilizes these charts internally to visually communicate with the company's Board of Directors and employees.

Total sales and revenues were \$55.656 billion in 2013, a decrease of \$10.219 billion, or 16 percent, from 2012. When reviewing the change in sales and revenues, we focus on the following perspectives:

- Reasons for the change: Sales volume decreased \$9.456 billion with the most significant decline in Resource Industries. More than half of the total volume decrease was related to changes in dealer machine and engine inventories and the remainder was primarily due to lower dealer deliveries to end users, primarily in Resource Industries. During 2012, dealers increased machine and engine inventories by about \$1.6 billion. During 2013, dealers reduced their machine and engine inventories by more than \$3 billion. Most of the change in both periods was in Resource Industries related to mining. During 2012, dealers received products that they had previously ordered in anticipation of higher demand. During 2013, most of the decline was related to dealers adjusting inventory levels in response to lower end-user demand resulting primarily from mining companies reducing their capital expenditures.

Dealers are independent, and there could be many reasons for changes in their inventory levels. In general, dealers adjust inventory based on their expectations of future demand and product delivery times. Dealers' demand expectations take into account seasonal changes, macroeconomic conditions and other factors. Delivery times can vary based on availability of product from Caterpillar factories and product distribution centers. In addition, during 2013 dealers utilized inventory from our product distribution centers at a higher rate to meet end-user demand, primarily for Construction Industries' products.

In addition, the impact of currency was unfavorable \$573 million primarily due to the weakening of the Japanese yen, as sales in yen translated into fewer U.S. dollars. The net impact of acquisitions and divestitures was unfavorable \$427 million mainly due to the absence of our third party logistics business. These decreases were partially offset by increased Financial Products' revenues of \$155 million and favorable price realization of \$82 million.

While almost all of the decline in sales was related to new equipment, aftermarket parts sales declined slightly.

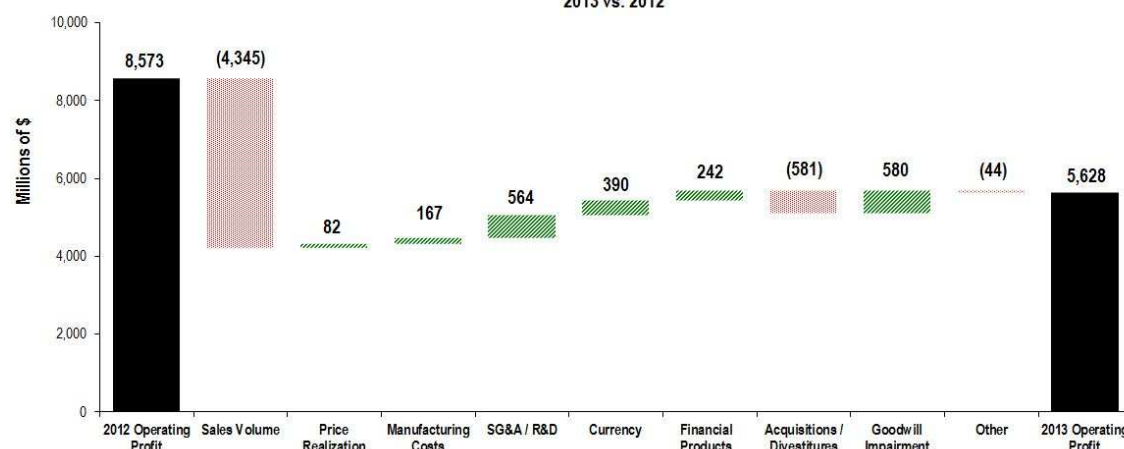
- Sales by geographic region: Sales declined in all geographic regions. The decline in Asia/Pacific was primarily related to lower sales in Australia where the most significant decrease was in mining sales, due to continued low demand. While sales in Asia/Pacific declined overall, sales in China increased as we focused on improving our competitive position through building out the Caterpillar business model, the key elements of which focus on increasing field population, improving customer loyalty

and providing superior customer support in conjunction with our independent dealers. Our total company sales and revenues in China for 2013 were about \$3.5 billion compared with about \$2.9 billion for 2012, with the increase primarily in Construction Industries. Sales were down in North America primarily due to lower end-user demand and changes in dealer inventories. In EAME, the sales decline was primarily due to changes in dealer inventories and lower end-user demand. In Latin America, the sales decline was primarily due to changes in dealer inventories, partially offset by increases in deliveries to end users.

- Sales by segment: Sales decreased in all segments. The most significant decrease was in Resource Industries, with sales down 40 percent primarily from dealer inventory changes and weaker demand in mining as mining companies have reduced their capital expenditures. Construction Industries' and Energy & Transportation's sales decreased 5 percent. Financial Products' segment revenues were up 4 percent.

CONSOLIDATED OPERATING PROFIT

Consolidated Operating Profit Comparison
2013 vs. 2012



The chart above graphically illustrates reasons for the change in Consolidated Operating Profit between 2012 (at left) and 2013 (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, Energy & Transportation other operating (income) expenses.

Operating profit in 2013 was \$5.628 billion compared with \$8.573 billion in 2012, a 34 percent decrease. The decrease was primarily the result of lower sales volume, which included about \$750 million from an unfavorable mix of products. The unfavorable mix was primarily due to a significant decline in sales of high margin mining products. Acquisitions and divestitures were also unfavorable to operating profit.

Acquisitions and divestitures negatively impacted operating profit by \$581 million. Over half of the impact was due to the absence of a gain from the sale of a majority interest in our external logistics business during the third quarter of 2012. Additionally, 2012 included pre-tax gains on the sale of portions of the Bucyrus distribution business, while the impact on 2013 was negative. The \$135 million favorable impact from a settlement with the previous owners of the Caterpillar (Zhengzhou) Ltd. acquisition was about offset by other operating losses at Caterpillar (Zhengzhou) Ltd.

These unfavorable impacts were partially offset by the absence of a goodwill impairment charge of \$580 million related to Caterpillar (Zhengzhou) Ltd., decreased SG&A and R&D expense, favorable currency impacts, increased Financial Products' profit of \$242 million and lower manufacturing costs.

The decline in SG&A and R&D expenses was positive to operating profit by \$564 million, primarily due to lower discretionary and program spending driven by cost reduction measures implemented in response to lower volumes and decreased incentive compensation expense, partially offset by higher wage and benefit inflation.

Short-term incentive compensation expense related to 2013 was about \$545 million, compared with about \$825 million in 2012.

Currency favorably impacted operating profit by \$390 million, mostly due to the Japanese yen. We have a sizable manufacturing presence in Japan, and while some of this production is sold in Japan, we are a net exporter, and therefore, a weaker yen provides a cost benefit.

Manufacturing costs decreased \$167 million. The decrease was primarily due to lower material costs and \$115 million (\$0.12 per share) of LIFO inventory decrement benefits, partially offset by unfavorable changes in cost absorption resulting from a decrease in inventory during 2013 and an increase in inventory during 2012.

We reduced inventory both in the fourth quarter of 2012 and throughout 2013 primarily in Resource Industries and Construction Industries. The groundwork for these reductions began in mid-2012 as order rates declined and actions were needed to bring inventory levels in line with expected demand. Based on dealers' expectation of future demand, macro-economic conditions and the amount of finished goods we had available in our product distribution centers, dealers also took action to lower their inventories. As a result, new orders from dealers declined sharply in the third quarter of 2012, and we began lowering production schedules and incoming material purchases from suppliers around the world. While production schedules began to decline in the third quarter of 2012, the most significant impacts on production and inventory, including rolling plant shutdowns at a number of facilities, occurred in the fourth quarter of 2012 and continued throughout 2013. Although inventory continued to decrease during the fourth quarter of 2013, production levels increased in Construction Industries.

Excluding the impact of inventory cost absorption, manufacturing costs and SG&A and R&D expenses were favorable by \$1.2 billion compared with 2012.

Other Profit/Loss Items

- **Other income/expense** was expense of \$35 million compared with income of \$130 million in 2012. The change was primarily due to the unfavorable impact of currency translation and hedging gains and losses. Translation and hedging losses in 2013 totaled \$254 million, primarily due to translation losses. Most of the impact in 2013 was a result of our net asset/liability positions and exchange rate movements and hedging, primarily for Japanese yen, Brazilian real and euro. In 2012, we had translation and hedging losses of \$116 million.
- **The provision for income taxes** for 2013 reflects an effective tax rate of 28.5 percent compared with 30.5 percent for 2012, excluding the items discussed below. The decrease is primarily due to a more favorable geographic mix of profits from a tax perspective along with the U.S. research and development tax credit that was expired in 2012.

The 2013 tax provision also included a benefit of \$87 million primarily related to the research and development tax credit that was retroactively extended in 2013 for 2012 and a benefit of \$55 million resulting from true-up of estimated amounts used in the tax provision to the 2012 U.S. tax return as filed in September 2013. This compares to an \$18 million net negative impact in 2012 related to a \$300 million benefit from a tax settlement offset by the negative impact of goodwill not deductible for tax purposes of \$318 million.

Segment Information

Sales and Revenues by Geographic Region

(Millions of dollars)

2013

	Total	% Change	North America	% Change	Latin America	% Change	EAME	% Change	Asia/ Pacific	% Change
Construction Industries ¹	\$ 18,532	(5)%	\$ 7,071	(1)%	\$ 2,731	3 %	\$ 4,026	(14)%	\$ 4,704	(5)%
Resource Industries ²	11,805	(40)%	3,583	(32)%	2,283	(34)%	2,998	(27)%	2,941	(57)%
Energy & Transportation ³	20,155	(5)%	8,231	(6)%	2,168	(1)%	5,735	(5)%	4,021	(4)%
All Other Segments ⁴	2,263	(20)%	1,399	(7)%	231	(14)%	378	(41)%	255	(38)%
Corporate Items and Eliminations	(61)		(65)		2		1		1	
Machinery, Energy & Transportation Sales	52,694	(16)%	20,219	(10)%	7,415	(13)%	13,138	(15)%	11,922	(28)%
Financial Products Segment	3,224	4 %	1,688	5 %	430	6 %	503	9 %	603	(1)%
Corporate Items and Eliminations	(262)		(145)		(34)		(28)		(55)	
Financial Products Revenues	2,962	6 %	1,543	8 %	396	5 %	475	10 %	548	(3)%
Consolidated Sales and Revenues	\$ 55,656	(16)%	\$ 21,762	(9)%	\$ 7,811	(13)%	\$ 13,613	(14)%	\$ 12,470	(27)%

2012

Construction Industries ¹	\$ 19,451		\$ 7,162		\$ 2,656		\$ 4,660		\$ 4,973	
Resource Industries ²	19,715		5,249		3,451		4,097		6,918	
Energy & Transportation ³	21,122		8,720		2,191		6,043		4,168	
All Other Segments ⁴	2,827		1,504		270		645		408	
Corporate Items and Eliminations	(47)		(50)		1		1		1	
Machinery, Energy & Transportation Sales	63,068		22,585		8,569		15,446		16,468	
Financial Products Segment	3,090		1,614		406		460		610	
Corporate Items and Eliminations	(283)		(181)		(30)		(27)		(45)	
Financial Products Revenues	2,807		1,433		376		433		565	
Consolidated Sales and Revenues	\$ 65,875		\$ 24,018		\$ 8,945		\$ 15,879		\$ 17,033	

¹ Does not include inter-segment sales of \$330 million and \$470 million in 2013 and 2012 , respectively.

² Does not include inter-segment sales of \$465 million and \$726 million in 2013 and 2012 , respectively.

³ Does not include inter-segment sales of \$1,895 million and \$2,407 million in 2013 and 2012 , respectively.

⁴ Does not include inter-segment sales of \$3,234 million and \$3,509 million in 2013 and 2012 , respectively.

Sales and Revenues by Segment

(Millions of dollars)	2012	Sales Volume	Price Realization	Currency	Acquisitions/Divestitures	Other	2013	\$ Change	% Change
Construction Industries	\$ 19,451	\$ (313)	\$ (137)	\$ (469)	\$ —	\$ —	\$ 18,532	\$ (919)	(5)%
Resource Industries	19,715	(7,806)	20	(79)	(45)	—	11,805	(7,910)	(40)%
Energy & Transportation	21,122	(1,139)	184	(12)	—	—	20,155	(967)	(5)%
All Other Segments	2,827	(187)	16	(11)	(382)	—	2,263	(564)	(20)%
Corporate Items and Eliminations	(47)	(11)	(1)	(2)	—	—	(61)	(14)	
Machinery, Energy & Transportation Sales	63,068	(9,456)	82	(573)	(427)	—	52,694	(10,374)	(16)%
Financial Products Segment	3,090	—	—	—	—	134	3,224	134	4 %
Corporate Items and Eliminations	(283)	—	—	—	—	21	(262)	21	
Financial Products Revenues	2,807	—	—	—	—	155	2,962	155	6 %
Consolidated Sales and Revenues	\$ 65,875	\$ (9,456)	\$ 82	\$ (573)	\$ (427)	\$ 155	\$ 55,656	\$ (10,219)	(16)%

Operating Profit by Segment

(Millions of dollars)	2013	2012	\$ Change	% Change
Construction Industries	\$ 1,374	\$ 1,846	\$ (472)	(26)%
Resource Industries	1,586	4,285	(2,699)	(63)%
Energy & Transportation	3,401	3,422	(21)	(1)%
All Other Segments	736	994	(258)	(26)%
Corporate Items and Eliminations	(2,182)	(2,433)	251	
Machinery, Energy & Transportation	4,915	8,114	(3,199)	(39)%
Financial Products Segment	990	763	227	30 %
Corporate Items and Eliminations	(7)	(22)	15	
Financial Products	983	741	242	33 %
Consolidating Adjustments	(270)	(282)	12	
Consolidated Operating Profit	\$ 5,628	\$ 8,573	\$ (2,945)	(34)%

Construction Industries

Construction Industries' sales were \$18.532 billion in 2013, a decrease of \$919 million, or 5 percent, from 2012. Over half of the sales decrease was due to the unfavorable impact of currency primarily from a weaker Japanese yen, as sales in yen translated into fewer U.S. dollars. In addition, volume was lower primarily from changes in dealer machine inventory. Dealer-reported machine inventory decreases were more significant in 2013 than they were in 2012. Throughout 2013 dealers utilized inventory from our product distribution centers at a higher rate to meet end-user demand.

Most of the \$137 million unfavorable impact from price realization was due to sales from a large government order in Brazil. We expect continuing machine sales in 2014 pursuant to an additional government order in Brazil, although not to the same extent as the current order. In addition, there was an unfavorable impact on price realization from a continued competitive pricing environment. The competitive pricing environment is attributable to a number of factors including excess industry capacity caused by weaker than expected economic conditions. Sales of new equipment declined, and sales of aftermarket parts were about flat.

Sales declined in EAME and Asia/Pacific and were about flat in North America and Latin America. Sales in EAME were lower primarily due to changes in dealer inventory. In addition, dealer deliveries to end users declined as construction activity in Europe remains low due to continued economic weakness.

In Asia/Pacific, higher sales in China were more than offset by negative currency impacts primarily from the weaker Japanese yen and lower sales in other countries due to slower economic growth. We believe higher sales in China, particularly with respect to hydraulic excavators, were due primarily to an increase in our competitive position through building out the Caterpillar business

model. In North America, unfavorable changes in dealer inventories were about offset by increased dealer deliveries to end users. The increase in end-user demand resulted primarily from an increase in construction-related spending in the United States.

Construction Industries' profit was \$1.374 billion in 2013 compared with \$1.846 billion in 2012. The decrease in profit was primarily due to lower sales volume, including an unfavorable mix of products, unfavorable price realization and increased manufacturing costs. The unfavorable mix of products is primarily attributable to relatively higher sales of small and mid-size machines which generally have lower margins than larger size machines which are also sold into mining applications. Higher manufacturing costs were driven primarily by unfavorable changes in cost absorption resulting from a decrease in inventory in 2013 and an increase in inventory during 2012, partially offset by lower material costs.

Resource Industries

Resource Industries' sales were \$11.805 billion in 2013, a decrease of \$7.910 billion, or 40 percent, from 2012, primarily due to changes in dealer machine inventory and lower deliveries to end users. Although production of most mined commodities is near or above a year ago, after several years of increasing capital expenditures, mining customers in all geographic regions have reduced capital spending across the mining industry. We believe that mining companies are increasing productivity at existing mines rather than investing in expansions or new mine openings which results in lower demand for our mining products. As a result, end-user demand was lower, and new orders for mining equipment continued to be weak during 2013.

Dealers reduced machine inventory in 2013 to better align their inventory levels with expected demand. This compares with an increase in dealer machine inventory during 2012.

Sales were lower in every region of the world due to both changes in dealer inventory and lower end-user demand. The most significant decline was in Asia/Pacific, primarily due to lower mining sales in Australia.

Almost all of the sales decline was related to new equipment. Aftermarket part sales also declined as some companies are delaying maintenance and rebuild activities.

Resource Industries' profit was \$1.586 billion in 2013 compared with \$4.285 billion in 2012. Profit in 2012 included a \$580 million goodwill impairment related to Caterpillar (Zhengzhou) Ltd. Excluding the impairment charge, operating profit declined \$3.279 billion. The decrease was primarily the result of lower sales volume, including an unfavorable mix of products, and the unfavorable impact of acquisitions and divestitures, partially offset by lower SG&A and R&D expenses.

Acquisitions and divestitures negatively impacted profit by \$230 million. Profit in 2012 included pre-tax gains on the sale of portions of the Bucyrus distribution business, while the impact in 2013 was negative. The \$135 million favorable impact from the settlement with the previous owners of Caterpillar (Zhengzhou) Ltd. was about offset by other operating losses at Caterpillar (Zhengzhou) Ltd.

Decreases in SG&A and R&D expenses were driven by cost-reduction measures implemented in response to lower volumes.

Energy & Transportation

Energy & Transportation's sales were \$20.155 billion in 2013, a decrease of \$967 million, or 5 percent, compared with 2012. The decrease was primarily the result of lower volume, primarily for power generation, oil and gas and rail applications. This was partially offset by higher price realization.

Sales declines in power generation applications were driven by dealers reducing their inventory levels in 2013, compared with dealers increasing inventory levels in 2012. In addition, end-user demand for power generation applications was lower. The decline in oil and gas application sales was due to decreases in dealer deliveries to end users primarily for drilling and well servicing due to an oversupply of equipment. Sales into rail applications decreased primarily due to declines in services and lower sales of recyclable materials partially offset by higher locomotive sales as we continue to focus on increasing field population, improving customer loyalty and providing superior customer support. Turbine-related sales, which are sold directly to end users and are not affected by dealer inventory, increased slightly primarily for petroleum production and gas compression applications due to continued strong demand for oil and natural gas.

Sales decreased in North America and EAME and were about flat in Latin America and Asia/Pacific.

In North America, the sales decrease was primarily due to declines in deliveries to end users with the largest decline in drilling and well servicing applications, partially offset by higher sales into gas compression applications. Sales into rail applications decreased primarily due to declines in services and lower sales of recyclable materials partially offset by higher locomotive sales. In addition, end-user demand for power generation applications declined.

In EAME, the sales decrease was largely due to the impact of dealer inventory changes for power generation applications. During 2012, dealers increased inventories in anticipation of higher demand and reduced their inventories in 2013.

Energy & Transportation's profit was \$3.401 billion in 2013, about the same as 2012, despite the decline in sales volume. The impact from lower sales volume was about offset by decreased costs and favorable price realization. Costs were lower primarily due to favorable material and program-related costs and lower incentive compensation expense.

Financial Products Segment

Financial Products' revenues were \$3.224 billion, an increase of \$134 million, or 4 percent, from 2012. The increase was primarily due to the favorable impact from higher average earning assets across all geographic regions and an increase in Insurance Services' revenues, primarily in North America. These increases were partially offset by the unfavorable impact from lower average financing rates on new and existing finance receivables and operating leases across all geographic regions.

Financial Products' profit of \$990 million was up \$227 million from 2012. The increase was primarily due to a \$97 million favorable impact from higher average earning assets, an \$85 million favorable impact from lower claims experience at Insurance Services and a \$67 million decrease in the provision for credit losses at Cat Financial.

All Other Segments

The decrease in sales for All Other Segments of \$564 million was primarily due to the absence of our third party logistics business, which was sold in the third quarter of 2012. Lower profit of \$258 million was primarily due to the absence of the gain on the sale of our third party logistics business.

Corporate Items and Eliminations

Expense for corporate items and eliminations was \$2.189 billion in 2013, a decrease of \$266 million from 2012. 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 for ME&T, as segment profit is reported using annual fixed exchange rates; and inter-segment eliminations.

The decrease in expense from 2012 was primarily due to timing differences, lower corporate level expenses and 2013 LIFO inventory decrement benefits of \$115 million, partially offset by 2013 restructuring costs, which were not allocated to segments, and other methodology differences.

RESTRUCTURING COSTS

Restructuring costs for 2014, 2013, and 2012 were \$441 million, \$200 million and \$94 million, respectively. The 2014 restructuring costs included \$382 million of employee separation costs, \$33 million of long-lived asset impairments and \$26 million of other restructuring costs. The 2013 restructuring costs included \$151 million of employee separation costs, \$41 million of long-lived asset impairments and \$8 million of other restructuring costs. The 2012 costs were for employee separations.

The restructuring costs in 2014 were primarily related to a reduction in workforce at our Gosselies, Belgium facility and other actions across the company. The most significant charges in 2013 were for the restructuring of management and support functions and the closure or downsizing of several facilities related to our mining business. The separation charges in 2012 were primarily in the Energy & Transportation segment and were related to the closure of the Electro-Motive Diesel facility located in London, Ontario and separation programs in Europe.

Restructuring costs in 2013 were included in operating segments, and now these costs (including restructuring costs in 2014) are a reconciling item between Segment profit and Consolidated profit before taxes. The restructuring costs in 2012 are included in operating segments.

The following table summarizes the 2012 , 2013 and 2014 employee separation activity:

(Millions of dollars)	Total
Liability balance at December 31, 2011	\$ 90
Increase in liability (separation charges)	94
Reduction in liability (payments and other adjustments)	(155)
Liability balance at December 31, 2012	\$ 29
Increase in liability (separation charges)	151
Reduction in liability (payments and other adjustments)	(91)
Liability balance at December 31, 2013	\$ 89
Increase in liability (separation charges)	382
Reduction in liability (payments and other adjustments)	(289)
Liability balance at December 31, 2014	<u><u>\$ 182</u></u>

The remaining liability balance as of December 31, 2014 represents 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 2015.

In December 2013, we announced a restructuring plan for our Gosselies, Belgium facility. This restructuring plan was designed to improve the competitiveness of our European manufacturing footprint and achieve competitiveness in our European operations by refocusing our current Gosselies operations on final machine assembly, test and paint with limited component and fabrication operations. This action includes reshaping our supply base for more efficient sourcing, improving factory efficiencies and workforce reductions and was approved by the Belgian Minister of Employment in February 2014. We estimate the total employee cash separation costs to be about \$300 million before tax, which represents substantially all of the restructuring costs to be incurred under the restructuring plan. In 2014, we recognized \$273 million of these separation-related charges. The majority of the remaining costs are expected to be recognized in 2015.

In 2015, we will continue to incur costs related to programs started in 2014 and we expect to take additional actions to further improve our long-term cost structure. In total, we expect the cost of these restructuring actions to be about \$150 million, or \$0.15 per share during 2015. We expect the charges will be primarily related to employee cash separation costs. We expect that restructuring actions will result in a benefit to costs of about \$100 million in 2015 compared with 2014.

ACQUISITIONS AND DIVESTITURES

ERA Mining Machinery Limited (Siwei)

During the second quarter of 2012, Caterpillar, through its wholly-owned subsidiary Caterpillar (Luxembourg) Investment Co. S.A. (CAT Lux), completed a tender offer to acquire the issued shares of ERA Mining Machinery Limited (Siwei), including its wholly-owned subsidiary Zhengzhou Siwei Mechanical Manufacturing Co., Ltd. In the fourth quarter of 2013, Siwei was renamed Caterpillar (Zhengzhou) Ltd. Substantially all of the issued shares of Siwei, a public company listed on the Hong Kong Exchange, were acquired at the end of May 2012. In October 2012, the remaining shares of Siwei common stock were acquired for approximately \$7 million in cash. Siwei primarily designs, manufactures, sells and supports underground coal mining equipment in mainland China and is known for its expertise in manufacturing mining roof support equipment. The acquisition supports Caterpillar's long-term commitment to invest in China in order to support our growing base of Chinese customers and will further expand our underground mining business both inside and outside of China.

The tender offer allowed Siwei shareholders to choose between two types of consideration in exchange for their shares. The alternatives were either cash consideration of HK \$0.88 or a HK \$1.00 loan note issued by CAT Lux to the former shareholders of Siwei that provided, subject to its terms, for the holder to receive on redemption a minimum of HK \$0.75 up to a maximum of HK \$1.15 depending on Siwei's consolidated gross profit for 2012 and 2013. Approximately 4 billion Siwei shares were tendered for the cash alternative and approximately 1.6 billion Siwei shares were tendered for the loan note alternative. The purchase price of approximately \$677 million was comprised of net cash paid of approximately \$444 million (\$475 million in cash paid for shares and to cancel share options less cash acquired of \$31 million), the fair value of the loan notes of \$152 million , approximately \$168 million of assumed third-party short term borrowings and notes payable, a loan and interest payable to Caterpillar from Siwei of \$51 million , less restricted cash acquired of approximately \$138 million . The noncontrolling interest for the outstanding shares not tendered was approximately \$7 million .

The transaction was financed with available cash and included the issuance of loan notes to certain former shareholders of Siwei, which had a debt component and a portion that was contingent consideration. The \$152 million fair value represented the minimum redemption amount of the debt component payable in April 2013.

Tangible assets as of the acquisition date and after giving effect to the adjustments described below were \$598 million, recorded at their fair values, and primarily included cash of \$31 million, restricted cash of \$138 million, receivables of \$184 million, inventories of \$77 million and property, plant and equipment of \$94 million. Finite-lived intangible assets acquired of \$112 million were primarily related to customer relationships and also included trade names. The finite-lived intangible assets are being amortized on a straight-line basis over a weighted average amortization period of approximately 14 years. Liabilities assumed as of the acquisition date and after giving effect to the adjustments described below were \$626 million, recorded at their fair values, and primarily included accounts payable of \$352 million, third-party short term borrowings and notes payable of \$168 million and accrued expenses of \$37 million. Additionally, deferred tax liabilities were \$25 million. Goodwill of \$625 million, substantially all of which is non-deductible for income tax purposes, represented the excess of the consideration transferred over the net assets recognized and represented the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill will not be amortized, but will be tested for impairment at least annually. Factors that contributed to a purchase price resulting in the recognition of goodwill include expected cost savings primarily from increased purchasing power for raw materials, improved working capital management, expanded underground mining equipment sales opportunities in China and internationally, along with the acquired assembled workforce. The results of the acquired business for the period from the acquisition date are included in the accompanying consolidated financial statements and are reported in the Resource Industries segment. Assuming this transaction had been made at the beginning of any period presented, the consolidated pro forma results would not be materially different from reported results.

In November 2012, Caterpillar became aware of inventory accounting discrepancies at Siwei which led to an internal investigation. Caterpillar's investigation determined that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. Due to the identified accounting misconduct that occurred before the acquisition, measurement period adjustments were made to the fair value of the acquired assets and assumed liabilities during the fourth quarter of 2012. The fair values presented above are a final allocation of the purchase price and reflect these changes, which are primarily comprised of a decrease in finite-lived intangible assets of \$82 million, a decrease in receivables of \$29 million, a decrease in inventory of \$17 million and a net increase in liabilities of \$23 million, resulting in an increase in goodwill of \$149 million.

Because of the accounting misconduct identified in the fourth quarter of 2012, Siwei's goodwill was tested for impairment as of November 30, 2012. We determined the carrying value of Siwei, which was a separate reporting unit, exceeded its fair value at the measurement date, requiring step two in the impairment test process. The fair value of the Siwei reporting unit was determined primarily using an income approach based on the present value of discounted cash flows. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a \$580 million goodwill impairment charge, which resulted in goodwill of approximately \$45 million remaining for Siwei. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge was reported in the fourth quarter of 2012 in the Resource Industries segment.

In May 2013, Caterpillar and its wholly-owned subsidiaries CAT Lux and Siwei entered into a settlement agreement with two former directors of Siwei and two other parties with an interest in the settlement, including Mining Machinery Limited (MML). The agreement settles the dispute between the parties which arose from Caterpillar's determination that Siwei senior managers had engaged in accounting misconduct for several years prior to Caterpillar's announcement of the completion of its tender offer for Siwei in the second quarter of 2012.

Under the terms of the settlement agreement, the parties agreed that (i) the loan notes issued by CAT Lux (and guaranteed by Caterpillar) as a portion of the Siwei purchase price and held by MML and (ii) loans made by the two former Siwei directors to Siwei prior to its acquisition by Caterpillar would all be canceled and discharged in exchange for payments by CAT Lux to MML and the two former directors in an aggregate amount of approximately \$30 million. As of the settlement in May 2013, the loan notes had a book value of approximately \$152 million and the obligation related to the loans by the two former directors was approximately \$13 million. The settlement agreement contains a mutual release and discharge of the parties' respective claims with respect to the dispute and contains an agreement by Caterpillar and CAT Lux not to pursue any such claims against either the auditors or former directors of Siwei. The settlement and discharge of the loan obligations resulted in the recognition of a gain of approximately \$135 million reported in Other operating (income) expenses in and is included in the Resource Industries segment.

Bucyrus Distribution Business Divestitures

In conjunction with our acquisition of Bucyrus in July 2011, we announced our intention to sell the Bucyrus distribution business to Caterpillar dealers that support mining customers around the world in a series of individual transactions. Bucyrus predominantly employed a direct to end customer model to sell and support products. The intention is for all Bucyrus products to be sold and serviced by Caterpillar dealers, consistent with our long-held distribution strategy. These transitions occurred in phases based on the mining business opportunity within each dealer territory and were substantially complete by the end of 2014.

The portions of the Bucyrus distribution business that were sold did 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, has been reported in the Resource Industries segment. Goodwill was 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 was included in the disposal groups. The disposal groups were recorded at the lower of their carrying value or fair value less cost to sell. In 2014, 2013 and 2012, we recorded asset impairment charges of \$4 million, \$11 million and \$27 million respectively, related to disposal groups being sold to Caterpillar dealers. Fair value was determined based upon the negotiated sales price. The impairments were recorded in Other operating (income) expenses and included in the Resource Industries segment. The portions of the distribution business that were sold were not material to our results of operations, financial position or cash flow.

In 2014, we completed 32 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$199 million. For the full year 2014, after-tax profit was unfavorably impacted by \$22 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$21 million of income related to sales transactions, a net unfavorable adjustment of \$14 million related to prior sale transactions (both included in Other operating (income) expenses), costs incurred related to the Bucyrus distribution divestiture activities of \$25 million (included in Selling, general and administrative expenses) and income tax of \$4 million.

Assets sold in 2014 included customer relationship intangibles of \$82 million, other assets of \$24 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of \$63 million related to the divested portions of the Bucyrus distribution business.

As part of the 2014 divestitures, Cat Financial provided \$20 million of financing to two of the Caterpillar dealers.

In 2013, we completed 19 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$467 million. For the full year 2013, after-tax profit was unfavorably impacted by \$39 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$95 million of income related to sales transactions, a \$34 million unfavorable adjustment due to a change in estimate to increase the reserve for parts returns related to prior sale transactions (both included in Other operating (income) expenses), costs incurred related to the Bucyrus distribution divestiture activities of \$104 million (included in Selling, general and administrative expenses) and an income tax benefit of \$4 million.

Assets sold in 2013 included customer relationship intangibles of \$127 million, other assets of \$65 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of \$56 million related to the divested portions of the Bucyrus distribution business.

As part of the 2013 divestitures, Cat Financial provided \$132 million of financing to five of the Caterpillar dealers.

In 2012, we completed 12 sale transactions whereby we sold portions of the Bucyrus distribution business to Caterpillar dealers for an aggregate price of \$1,436 million. For the full year 2012, after-tax profit was unfavorably impacted by \$28 million as a result of the Bucyrus distribution divestiture activities. This is comprised of \$310 million of income (included in Other operating (income) expenses) related to sales transactions, offset by costs incurred related to the Bucyrus distribution divestiture activities of \$177 million (included in Selling, general and administrative expenses) and income tax of \$161 million.

Assets sold in 2012 included customer relationship intangibles of \$256 million, other assets of \$254 million, which consisted primarily of inventory and fixed assets, and allocated goodwill of \$405 million related to the divested portions of the Bucyrus distribution business.

As part of the 2012 divestitures, Cat Financial provided \$739 million of financing to five of the Caterpillar dealers.

Third Party Logistics Business Divestiture

On July 31, 2012, Platinum Equity acquired a 65 percent equity interest in Caterpillar Logistics Services LLC, the third party logistics division of our wholly owned subsidiary, Caterpillar Logistics Inc., for \$567 million subject to certain working capital adjustments. The purchase price of \$567 million was comprised of a \$107 million equity contribution from Platinum Equity to, and third party debt raised by, Caterpillar Logistics Services LLC. The sale of the third party logistics business supports Caterpillar's increased focus on the continuing growth opportunities in its core businesses. Under the terms of the agreement, Caterpillar retained a 35 percent equity interest.

As a result of the divestiture, we recorded a pretax gain of \$278 million (included in Other operating (income) expenses). In addition, we recognized \$8 million of incremental incentive compensation expense. The fair value of our retained noncontrolling interest was \$58 million, as determined by the \$107 million equity contribution from Platinum Equity, and was included in Investments in unconsolidated affiliated companies in Statement 3. The disposal did not qualify as discontinued operations because Caterpillar has significant continuing involvement through its noncontrolling interest. The financial impact of the disposal was reported in the All Other operating segments. Results for our remaining interest will be recorded in Equity in profit (loss) of unconsolidated affiliated companies and are reported in the All Other operating segments.

The controlling financial interest in Caterpillar Logistics Services LLC was not material to our results of operations, financial position or cash flow.

GLOSSARY OF TERMS

1. **All Other Segments** - 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 Cat products, paving products, forestry products and industrial and waste products; the product management, development, marketing, sales and product support of on-highway vocational trucks for North America; parts distribution; distribution services responsible for dealer development and administration including a wholly-owned dealer in Japan, dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts. On July 31, 2012, we sold a majority interest in Caterpillar's third party logistics business.
2. **Caterpillar (Zhengzhou) Ltd.** - A wholly-owned subsidiary (formerly known as Siwei) which primarily designs, manufactures, sells and supports underground coal mining equipment in China and is included in our Resource Industries segment.
3. **Consolidating Adjustments** - Eliminations of transactions between Machinery, Energy & Transportation and Financial Products.
4. **Construction Industries** - A segment primarily responsible for supporting customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes backhoe loaders, small wheel loaders, small track-type tractors, skid steer loaders, multi-terrain loaders, mini excavators, compact wheel loaders, telehandlers, select work tools, small, medium and large track excavators, wheel excavators, medium wheel loaders, compact track loaders, medium track-type tractors, track-type loaders, motor graders, pipelayers and mid-tier soil compactors. In addition, Construction Industries has responsibility for an integrated manufacturing cost center.
5. **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, Energy & Transportation 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 (hedging) and the net effect of changes in foreign currency exchange rates on our foreign currency assets and liabilities for consolidated results (translation).
6. **Debt-to-Capital Ratio** - A key measure of Machinery, Energy & Transportation's financial strength used by both management and our credit rating agencies. The metric is defined as Machinery, Energy & Transportation's short-term borrowings, long-term debt due within one year and long-term debt due after one year (debt) divided by the sum of Machinery, Energy &

Transportation's debt and stockholders' equity. Debt also includes Machinery, Energy & Transportation's borrowings from Financial Products.

7. **EAME** - A geographic region including Europe, Africa, the Middle East and the Commonwealth of Independent States (CIS).
8. **Earning Assets** - Assets consisting primarily of total finance receivables net of unearned income, plus equipment on operating leases, less accumulated depreciation at Cat Financial.
9. **Energy & Transportation** (formerly Power Systems) - A segment primarily responsible for supporting customers using reciprocating engines, turbines, diesel-electric locomotives and related parts across industries serving power generation, industrial, oil and gas and transportation applications, including marine and rail-related businesses. Responsibilities include business strategy, product design, product management, development, manufacturing, marketing, sales and product support of turbines and turbine-related services, 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 oil and gas industries; reciprocating engines supplied to the industrial industry as well as Caterpillar machinery; the business strategy, product design, product management, development, manufacturing, remanufacturing, leasing, and service of diesel-electric locomotives and components and other rail-related products and services.
10. **Financial Products Segment** - Provides financing to customers and dealers for the purchase and lease of Cat and other equipment, as well as some financing for Caterpillar sales to dealers. Financing plans include operating and finance leases, installment sale contracts, working capital loans and wholesale financing plans. The segment also provides various forms of insurance to customers and dealers to help support the purchase and lease of our equipment. Financial Products Segment profit is determined on a pretax basis and includes other income/expense items.
11. **Latin America** - A geographic region including Central and South American countries and Mexico.
12. **LIFO Inventory Decrement Benefits** - A significant portion of Caterpillar's inventory is valued using the last-in, first-out (LIFO) method. With this method, the cost of inventory is comprised of "layers" at cost levels for years when inventory increases occurred. A LIFO decrement occurs when inventory decreases, depleting layers added in earlier, generally lower cost, years. A LIFO decrement benefit represents the impact on operating profit of charging cost of goods sold with prior-year cost levels rather than current period costs.
13. **Machinery, Energy & Transportation (ME&T)** - Represents the aggregate total of Construction Industries, Resource Industries, Energy & Transportation and All Other Segments and related corporate items and eliminations.
14. **Machinery, Energy & Transportation Other Operating (Income) Expenses** - Comprised primarily of gains/losses on disposal of long-lived assets, gains/losses on divestitures, long-lived asset impairment charges and legal settlements. Restructuring costs, which are classified as other operating expenses on the Results of Operations, are presented separately on the Operating Profit Comparison.
15. **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.
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 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, hard rock vehicles, longwall miners, electric rope shovels, draglines, hydraulic shovels, drills, highwall miners, large wheel loaders, off-highway trucks, articulated trucks, wheel tractor scrapers, wheel dozers, select work tools, machinery components and electronics and control systems. Resource Industries also manages areas that provide services to other parts of the company, including integrated manufacturing and research and development. In addition, segment profit includes the impact from divestiture of portions of the Bucyrus distribution business.

18. **Restructuring Costs** - Primarily costs for employee separation costs and long-lived asset impairments.

19. **Sales Volume** - With respect to sales and revenues, sales volume represents the impact of changes in the quantities sold for Machinery, Energy & Transportation 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, Energy & Transportation 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, Energy & Transportation 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, Energy & Transportation operations. Funding for these businesses is also available from commercial paper and long-term debt issuances. Financial Products' operations are funded primarily from commercial paper, term debt issuances and collections from its existing portfolio. Throughout 2014, we experienced favorable liquidity conditions globally in both our Machinery, Energy & Transportation and Financial Products' operations. On a consolidated basis, we ended 2014 with \$7.34 billion of cash, an increase of \$1.26 billion from year-end 2013. We intend to maintain a strong cash and liquidity position. Our cash balances are held in numerous locations throughout the world with approximately \$5.6 billion held by our non-U.S. subsidiaries. Amounts held outside the United States are available for general corporate use and could be used in the United States without incurring significant additional U.S. taxes.

Consolidated operating cash flow for 2014 was \$8.06 billion down from \$10.19 billion in 2013. Profit was about the same in both years, however, 2013 operating cash flow benefited from a significant reduction in inventory made to align inventory levels with demand. Operating cash flow in 2013 also benefited from a significant decline in receivables. Profit in 2014 included a higher accrual for short-term incentive compensation than 2013 profit, while cash payments for short-term incentive compensation were higher in 2013 than 2014. In addition, we made lower contributions to pension plans during 2014. See further discussion of operating cash flow under Machinery, Energy & Transportation and Financial Products.

Total debt as of December 31, 2014, was \$39.29 billion, an increase of \$1.54 billion from year-end 2013. Debt related to Machinery, Energy & Transportation increased \$1.24 billion in 2014, primarily due to the issuance of \$2.0 billion of long-term debt. On May 8, 2014, we issued \$1.0 billion of 3.40% Senior Notes due 2024, \$500 million of 4.30% Senior Notes due 2044, and \$500 million of 4.75% Senior Notes due 2064. The Notes are unsecured obligations of Caterpillar and rank equally with all other unsecured senior indebtedness. This debt was issued for general corporate purposes and to repay certain indebtedness. Debt related to Financial Products increased \$298 million, reflecting increasing portfolio balances.

We have three global credit facilities with a syndicate of banks totaling \$10.50 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to Machinery, Energy & Transportation as of December 31, 2014 was \$2.75 billion. Our three Global Credit Facilities are:

- The 364-day facility of \$3.15 billion (of which \$0.82 billion is available to Machinery, Energy & Transportation) expires in September 2015.
- The 2010 four-year facility, as amended in September 2014, of \$2.73 billion (of which \$0.72 billion is available to Machinery, Energy & Transportation) expires in September 2017.
- The 2011 five-year facility, as amended in September 2014, of \$4.62 billion (of which \$1.21 billion is available to Machinery, Energy & Transportation) expires in September 2019.

At December 31, 2014, Caterpillar's consolidated net worth was \$22.23 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, 2014, Cat Financial's covenant interest coverage ratio was 2.19 to 1. This is above the 1.15 to 1 minimum ratio calculated as (1) profit excluding income taxes, interest expense and net gain/(loss) from interest rate derivatives to (2) interest expense calculated at the end of each calendar quarter for the rolling four quarter period then most recently ended, required by the Credit Facility.

In addition, at December 31, 2014, Cat Financial's six-month covenant leverage ratio was 7.79 to 1 and year-end covenant leverage ratio was 7.83 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 syndicate of banks 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, 2014, there were no borrowings under the Credit Facility.

Our total credit commitments and available credit as of December 31, 2014 were:

(Millions of dollars)	December 31, 2014		
	Consolidated	Machinery, Energy & Transportation	Financial Products
Credit lines available:			
Global credit facilities	\$ 10,500	\$ 2,750	\$ 7,750
Other external	4,254	195	4,059
Total credit lines available	14,754	2,945	11,809
Less: Commercial paper outstanding	(3,688)	—	(3,688)
Less: Utilized credit	(1,904)	(9)	(1,895)
Available credit	\$ 9,162	\$ 2,936	\$ 6,226

The other consolidated credit lines with banks as of December 31, 2014 totaled \$4.25 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, Energy & Transportation 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, 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, Energy & Transportation

Net cash provided by operating activities was \$7.47 billion in 2014, compared with \$8.96 billion in 2013. Profit was about the same in both years, however, 2013 operating cash flow benefited from a significant reduction in inventory made to align inventory levels with demand. Profit in 2014 included a higher accrual for short-term incentive compensation than 2013 profit, while cash payments for short-term incentive compensation were higher in 2013 than 2014. In addition, we made lower contributions to pension plans during 2014.

Net cash used for investing activities in 2014 was \$1.41 billion compared with \$3.14 billion in 2013. The decrease was due to lower capital expenditures during 2014 compared to 2013 as capacity related spending as well as expenditures for replacement of existing assets declined. In addition there was the absence of outflows for loans to Cat Financial during 2014, which occurred during 2013. Partially offsetting these items were lower cash proceeds from the sale of portions of the Bucyrus distribution business to Cat dealers.

Net cash used for financing activities in 2014 was \$4.24 billion, primarily due to the repurchase of Caterpillar common stock and dividend payments, partially offset by the issuance of long-term debt in May 2014. Net cash used during the same period of 2013 was \$4.51 billion, primarily due to the repurchase of Caterpillar common stock, net payments on long-term debt and dividend payments.

Our priorities for the use of cash are to maintain a strong financial position in support of our credit rating, provide capital to support growth, appropriately fund employee benefit plans, pay dividends and repurchase common stock.

Strong financial position — A key measure of Machinery, Energy & Transportation's financial strength used by both management and our credit rating agencies is Machinery, Energy & Transportation's debt-to-capital ratio. Debt-to-capital is defined as short-term borrowings, long-term debt due within one year and long-term debt due after one year (debt) divided by the sum of debt and stockholders' equity. Debt also includes Machinery, Energy & Transportation borrowings from Financial Products. The debt-to-capital ratio for Machinery, Energy & Transportation was 37.4 percent at December 31, 2014, within our target range of 30 to 45 percent. The Machinery, Energy & Transportation's debt-to-capital ratio was 29.7 percent at December 31, 2013. The increase was primarily due to a return of capital to stockholders of \$5.8 billion (\$4.2 billion stock repurchase and \$1.6 billion dividends), an unfavorable year-end adjustment to equity of \$1.6 billion for retirement benefits as well as the issuance of debt in May of 2014. These items were partially offset by profit.

Capital to support growth — Capital expenditures during 2014 were \$1.64 billion. We do not expect Machinery, Energy & Transportation capital expenditures in 2015 to be significantly different than 2014.

Appropriately funded employee benefit plans — During 2014, we made contributions of \$255 million to our U.S. defined benefit pension plans and \$265 million to our non-U.S. pension plans. We made contributions of \$541 million to our U.S. defined benefit pension plans and \$303 million to our non-U.S. pension plans in 2013. We expect to make approximately \$190 million of required contributions in 2015. We believe we have adequate liquidity resources to fund both U.S. and non-U.S. pension plans.

Paying dividends — Dividends paid totaled \$1.62 billion in 2014, representing 60 cents per share paid in the first and second quarters and 70 cents per share 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.

Common stock repurchases — In February 2007, the Board of Directors authorized the repurchase of \$7.5 billion of Caterpillar common stock (the 2007 Authorization), and in December 2011, the 2007 Authorization was extended through December 2015. During the first quarter of 2014, we repurchased approximately \$1.74 billion of Caterpillar common stock, completing the 2007 Authorization. In January 2014, the Board approved a new authorization to repurchase up to \$10 billion of Caterpillar common stock (the 2014 Authorization), which will expire on December 31, 2018. In the third quarter of 2014, we repurchased \$2.5 billion of Caterpillar common stock, leaving \$7.5 billion in the 2014 Authorization. Caterpillar's basic shares outstanding as of December 31, 2014 were 606 million.

Financial Products

Financial Products operating cash flow was \$1.43 billion in 2014, compared with \$1.28 billion in 2013. Net cash used for investing activities in 2014 was \$2.58 billion, compared with \$2.53 billion in 2013. Net cash provided by financing activities in 2014 was \$770 million, compared with \$572 million in 2013. The change was primarily due to higher funding requirements for investing activities resulting from reduced use of existing cash in 2014 as compared to 2013 partially offset by an increase in dividends paid to Caterpillar.

Dividends paid per common share

Quarter	2014	2013	2012
First	\$.600	\$ — ¹	\$.460
Second	.600	.520	.460
Third	.700	.600	.520
Fourth	.700	.600	1.040 ¹
	<u>\$ 2.600</u>	<u>\$ 1.720</u>	<u>\$ 2.480</u>

¹ There were two dividend payments of \$0.52 per share in the fourth quarter of 2012 due to the acceleration of the fourth quarter dividend payment from January 2013 to December 2012.

Contractual obligations

The company has committed cash outflow related to long-term debt, operating lease agreements, postretirement obligations, purchase obligations, interest on long-term debt and other long-term contractual obligations. Minimum payments for these obligations are:

(Millions of dollars)	2015	2016	2017	2018	2019	After 2019	Total
Long-term debt:							
Machinery, Energy & Transportation (excluding capital leases)	\$ 502	\$ 517	\$ 499	\$ 899	\$ —	\$ 7,493	\$ 9,910
Machinery, Energy & Transportation-capital leases	8	26	10	7	7	35	93
Financial Products	6,283	5,507	5,487	2,411	2,381	2,505	24,574
Total long-term debt	6,793	6,050	5,996	3,317	2,388	10,033	34,577
Operating leases	229	174	125	92	65	189	874
Postretirement obligations ¹	390	530	550	1,040	970	4,360	7,840
Purchase obligations:							
Accounts payable ²	6,515	—	—	—	—	—	6,515
Purchase orders ³	7,535	3	—	—	—	—	7,538
Other contractual obligations ⁴	648	483	299	234	230	248	2,142
Total purchase obligations	14,698	486	299	234	230	248	16,195
Interest on long-term debt ⁵	900	828	703	609	419	5,572	9,031
Other long-term obligations ⁶	221	120	88	68	64	203	764
Total contractual obligations	<u>\$ 23,231</u>	<u>\$ 8,188</u>	<u>\$ 7,761</u>	<u>\$ 5,360</u>	<u>\$ 4,136</u>	<u>\$ 20,605</u>	<u>\$ 69,281</u>

¹ Amounts represent expected contributions to our pension and other postretirement benefit plans through 2024, offset by expected Medicare Part D subsidy receipts.

² Amount represents invoices received and recorded as liabilities in 2014, but scheduled for payment in 2015. 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, 2014 but not yet delivered. These represent short-term obligations made in the ordinary course of business.

⁴ Amounts represent long-term commitments entered into with key suppliers for minimum purchases quantities.

⁵ Amounts represent estimated contractual interest payments on long-term debt, including capital lease interest payments.

⁶ Amounts represent contractual obligations primarily related to logistics services agreements with the third party logistics business in which Caterpillar sold a majority interest in during 2012, software license contracts, IT consulting contracts and outsourcing contracts for benefit plan administration and software system support.

The total amount of gross unrecognized tax benefits for uncertain tax positions, including positions impacting only the timing of tax benefits, was \$846 million at December 31, 2014. 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 an estimate of the market value of leased equipment at the end of the lease term, are based on an 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 estimated with consideration of the following critical factors: market size and demand, any known significant market/product trends, total expected hours of usage, machine configuration, application, location, model changes, quantities and past re-marketing experience, third-party residual guarantees and contractual customer purchase options. Many of these factors are gathered in an application survey that is completed prior to quotation. The lease agreement also clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Remarketing sales staff works closely with customers and dealers to manage the sale of lease returns and the recovery of residual exposure.

During the term of the leases, residual values are monitored. If estimated end-of-term market values of leased equipment reflect a non-temporary impairment due to economic factors, obsolescence or other adverse circumstances, the residual value of the leased equipment is adjusted so that the carrying value at end of lease term will approximate the estimated end-of-term market value. For equipment on operating leases, adjustments are made on a straight-line basis over the remaining term of the lease through depreciation expense. For finance leases, adjustments are recognized at the time of assessment through a reduction of finance revenue.

At December 31, 2014, the aggregate residual value of equipment on operating leases was \$1.98 billion. Without consideration of other factors such as third-party residual guarantees or contractual customer purchase options, a 10% non-temporary decrease in the market value of our equipment subject to operating leases would reduce residual value estimates and result in the recognition of approximately \$80 million of additional annual depreciation expense.

Fair values for goodwill impairment tests – We test goodwill for impairment annually, at the reporting unit level, and whenever events or circumstances make it likely that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell all or a portion of a reporting unit. We perform our annual goodwill impairment test as of October 1 and monitor for interim triggering events on an ongoing basis.

Goodwill is reviewed for impairment utilizing a qualitative assessment or a two-step process. We have an option to make a qualitative assessment of a reporting unit's goodwill for impairment. If we choose to perform a qualitative assessment and determine the fair value more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the two-step process, the first step requires us to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, there is an indication that an impairment may exist and the second step is required. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The impairment test process requires valuation of the respective reporting unit, which we primarily determine using an income approach based on a discounted five year forecasted cash flow with a year-five residual value. The residual value is computed using the constant growth method, which values the forecasted cash flows in perpetuity. The income approach is supported by a reconciliation of our calculated fair value for Caterpillar to the company's market capitalization. The assumptions about future cash flows and growth rates are based on each reporting unit's long-term forecast and are subject to review and approval by senior management. The discount rate is a risk-adjusted weighted average cost of capital, which we believe approximates the rate from

a market participant's perspective. The estimated fair value could be impacted by changes in market conditions, interest rates, growth rates, tax rates, costs, pricing and capital expenditures.

Annual impairment tests, completed in the fourth quarter of 2014 and 2013, indicated the fair value of each reporting unit was substantially above its respective carrying value, including Goodwill. Caterpillar's market capitalization has remained significantly above the net book value of the Company.

The 2012 impairment test, completed in the fourth quarter, indicated the fair value of each of our reporting units was above its respective carrying value, including goodwill, with the exception of our Siwei reporting unit. The Siwei impairment test was performed as of November 30 after it came to our attention in the month of November that Siwei had engaged in accounting misconduct prior to Caterpillar's acquisition of Siwei in mid-2012. The accounting misconduct included inappropriate accounting practices involving improper cost allocation that resulted in overstated profit and improper revenue recognition practices involving early and, at times unsupported, revenue recognition. We determined the carrying value of Siwei exceeded its fair value at the measurement date, requiring step two in the impairment test process. We assigned the fair value to the reporting unit's assets and liabilities and determined the implied fair value of goodwill was substantially below the carrying value of the reporting unit's goodwill. Accordingly, we recognized a \$580 million goodwill impairment charge, which resulted in goodwill of \$45 million remaining for Siwei as of December 31, 2012. The goodwill impairment was a result of changes in the assumptions used to determine the fair value resulting from the accounting misconduct that occurred before the acquisition. There was no tax benefit associated with this impairment charge. The Siwei goodwill impairment charge is reported in the Resource Industries segment.

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 Insurance Services, are reviewed at least quarterly to identify fair values below cost which may indicate that a security is impaired and should be written down to fair value.

For debt securities, once a security's fair value is below cost we utilize data gathered by investment managers, external sources and internal research to monitor the performance of the security to determine whether an other-than-temporary impairment has occurred. These reviews, which include an analysis of whether it is more likely than not that we will be required to sell the security before its anticipated recovery, consist of both quantitative and qualitative analysis and require a degree of management judgment. Securities in a loss position are monitored and assessed at least quarterly based on severity and timing of loss and may be deemed other-than-temporarily impaired at any time. Once a security's fair value has been 20 percent or more below its original cost for six consecutive months, the security will be other-than-temporarily impaired unless there are sufficient facts and circumstances supporting otherwise.

For equity securities in a loss position, determining whether a security is other-than-temporarily impaired requires an analysis of that security's historical sector return as well as the volatility of that return. This information is utilized to estimate a security's future fair value and to assess whether the security has the ability to recover to its original cost over a reasonable period of time. Both historical annualized sector returns and the volatility of those returns are applied over a two year period to arrive at these estimates.

For both debt and equity securities, qualitative factors are also considered in determining whether a security is other-than-temporarily impaired. These include reviews of the following: significant changes in the regulatory, economic or technological environment of the investee, significant changes in the general market condition of either the geographic area or the industry in which the investee operates, and length of time and the extent to which the fair value has been less than cost. These qualitative factors are subjective and require a degree of management judgment.

Warranty liability – At the time a sale is recognized, we record estimated future warranty costs. The warranty liability is determined by applying historical claim rate experience to the current field population and dealer inventory. Generally, historical claim rates are based on actual warranty experience for each product by machine model/engine size by customer or dealer location (inside or outside North America). Specific rates are developed for each product shipment 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 Caterpillar stock price movement 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 options and SARs 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 dividend yield at the time of grant. A decrease in the dividend yield would result in an increase in our expense.

Stock-based compensation expense recognized during the period is based on the value of the number of awards that are expected to vest. In determining the stock-based compensation expense to be recognized, a forfeiture rate is applied to the fair value of the award. This rate represents the number of awards that are expected to be forfeited prior to vesting and is based on Caterpillar employee historical behavior. Changes in the future behavior of employees could impact this rate. A decrease in this rate would result in an increase in our expense.

Product liability and insurance loss reserve – We determine these reserves based upon reported claims in process of settlement and actuarial estimates for losses incurred but not reported. Loss reserves, including incurred but not reported reserves, are based on estimates and ultimate settlements may vary significantly from such estimates due to increased claims frequency or severity over historical levels.

Postretirement benefits – Primary actuarial assumptions were determined as follows:

- The U.S. expected long-term rate of return on plan assets is based on our estimate of long-term passive returns for equities and fixed income securities weighted by the allocation of our plan assets. Based on historical performance, we increase the passive returns due to our active management of the plan assets. A similar process is used to determine the rate for our non-U.S. pension plans. This rate is impacted by changes in general market conditions, but because it represents a long-term rate, it is not significantly impacted by short-term market swings. Changes in our allocation of plan assets would also impact this rate. For example, a shift to more fixed income securities would lower the rate. A decrease in the rate would increase our expense.
- The assumed discount rate is used to discount future benefit obligations back to today's dollars. The U.S. discount rate is based on a benefit cash flow-matching approach and represents the rate at which our benefit obligations could effectively be settled as of our measurement date, December 31. The benefit cash flow-matching approach involves analyzing Caterpillar's projected cash flows against a high quality bond yield curve, calculated using a wide population of corporate Aa bonds available on the measurement date. The very highest and lowest yielding bonds (top and bottom 10 percent) are excluded from the analysis. A similar approach is used to determine the assumed discount rate for our most significant non-U.S. plans. This rate is sensitive to changes in interest rates. A decrease in the discount rate would increase our obligation and future expense.
- The expected rate of compensation increase is used to develop benefit obligations using projected pay at retirement. It represents average long-term salary increases. This rate is influenced by our long-term compensation policies. An increase in the rate would increase our obligation and expense.
- The assumed health care trend rate represents the rate at which health care costs are assumed to increase and is based on historical and expected experience. Changes in our projections of future health care costs due to general economic

conditions and those specific to health care (e.g., technology driven cost changes) will impact this trend rate. An increase in the trend rate would increase our obligation and expense.

The effects of actual results differing from our assumptions and the effects of changing assumptions are considered actuarial gains or losses. Actuarial gains or losses are recorded in Accumulated other comprehensive income (loss). When the unamortized actuarial gains or losses for an individual plan exceed 10 percent of the higher of the projected benefit obligation or 10 percent of market-related value of plans assets at the beginning of the year, the excess is amortized as a component of net periodic benefit cost using the straight-line method. The amortization period is generally the average remaining service period of active employees expected to receive benefits from the plan. For plans in which all or almost all of the plan's participants are inactive, actuarial gains or losses are amortized over the remaining life expectancy of the inactive participants.

Post-sale discount reserve – We provide discounts to dealers through merchandising programs. We have numerous programs that are designed to promote the sale of our products. The most common dealer programs provide a discount when the dealer sells a product to a targeted end user. The amount of accrued post-sale discounts was \$1,273 million, \$1,132 million, and \$1,066 million as of December 31, 2014, 2013 and 2012, 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 – The allowance for credit losses is an estimate of the losses inherent in our finance receivable portfolio and includes consideration of accounts that have been individually identified as impaired, as well as pools of finance receivables where it is probable that certain receivables in the pool are impaired but the individual accounts cannot yet be identified. In identifying and measuring impairment, management takes into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions. In estimating probable credit losses, we review accounts that are past due, non-performing, in bankruptcy or otherwise identified as at-risk for potential credit loss including accounts which have been modified. Accounts are identified as at-risk for potential credit loss using information available about the customer, such as financial statements, news reports and published credit ratings, as well as general information regarding industry trends and the economic environment in which our customers operate.

The allowance for credit losses attributable to specific accounts is based on the most probable source of repayment, which is normally the liquidation of collateral. In determining collateral value, we estimate the current fair market value of the collateral less selling costs. We also consider credit enhancements such as additional collateral and contractual third-party guarantees. The allowance for credit losses attributable to the remaining accounts not yet individually identified as impaired is estimated utilizing probabilities of default and the estimated loss given default. 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 customers deteriorates, the timing and level of payments received could be impacted and therefore, could result in a change to our estimated losses.

Income taxes – 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.

Income taxes are based on the statutory tax rate of the jurisdiction where earnings are subject to taxation which may differ from the jurisdiction where that entity is incorporated. Taxes are paid in the jurisdictions where earnings are subject to taxation. The effective tax rate differs from the U.S. statutory rate in part due to results of non-U.S. subsidiaries being subject to statutory tax rates which are generally lower than the U.S. rate of 35 percent. The indefinitely reinvested profits of Caterpillar SARL (CSARL), primarily taxable in Switzerland, contribute the most significant amount of this difference. On January 30, 2015, we received a Revenue Agent's Report (RAR) from the Internal Revenue Service (IRS) indicating the end of the field examination of our U.S. tax returns for 2007 to 2009 including the impact of a loss carryback to 2005. The IRS has proposed to tax in the United States profits earned from certain parts transactions by CSARL based on the IRS examination team's application of "substance-over-form" or "assignment-of-income" judicial doctrines. We believe that the relevant transactions complied with applicable tax laws and did not violate judicial doctrines. The purchase of parts by CSARL from unrelated parties and the subsequent sale of those parts to unrelated dealers outside the United States have substantial legal, commercial, and economic consequences for the parties involved. We have filed U.S. tax returns on this same basis for years after 2009. We currently believe the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

GLOBAL WORKFORCE

Caterpillar worldwide full-time employment was 114,233 at the end of 2014, compared with 118,501 at the end of 2013, a decrease of 4,268 full-time employees. The flexible workforce increased 1,657, resulting in a total decrease in the global workforce of 2,611. The decrease was primarily the result of restructuring programs.

Full-Time Employees at Year-End

	2014	2013	2012
Inside U.S.	50,814	51,877	54,558
Outside U.S.	63,419	66,624	70,783
Total	114,233	118,501	125,341
By Region:			
North America	51,222	52,519	55,372
EAME	23,246	24,927	25,611
Latin America	14,412	15,385	16,441
Asia/Pacific	25,353	25,670	27,917
Total	114,233	118,501	125,341

OTHER MATTERS

ENVIRONMENTAL AND LEGAL MATTERS

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

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site, and those costs can be reasonably estimated, the investigation, remediation, and operating and maintenance costs are accrued against our earnings. Costs are accrued based on consideration of currently available data and information with respect to each individual site, including available technologies, current applicable laws and regulations, and prior remediation experience. Where no amount within a range of estimates is more likely, we accrue the minimum. Where multiple potentially responsible parties are involved, we consider our proportionate share of the probable costs. In formulating the estimate of probable costs, we do not consider amounts expected to be recovered from insurance companies or others. We reassess these accrued amounts on a quarterly basis. The amount recorded for environmental remediation is not material and is included in Accrued expenses in Statement 3. There is no more than a remote chance that a material amount for remedial activities at any individual site, or at all the sites in the aggregate, will be required.

On January 8, 2015, the Company received a grand jury subpoena from the U.S. District Court for the Central District of Illinois. The subpoena requests documents and information from the Company relating to, among other things, financial information concerning U.S. and non-U.S. Caterpillar subsidiaries (including undistributed profits of non-U.S. subsidiaries and the movement of cash among U.S. and non-U.S. subsidiaries). The Company is cooperating with this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 12, 2014, the SEC notified the Company that it was conducting an informal investigation relating to Caterpillar SARL and related structures. The SEC asked the Company to preserve relevant documents and, on a voluntary basis, the Company made a presentation to the staff of the SEC on these topics. The Company is cooperating with the SEC regarding this investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On September 10, 2014, the SEC issued to Caterpillar a subpoena seeking information concerning the Company's accounting for the goodwill relating to its acquisition of Bucyrus International Inc. in 2011 and related matters. The Company is cooperating with the SEC regarding this subpoena and its ongoing investigation. The Company is unable to predict the outcome or reasonably estimate any potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On March 20, 2014, Brazil's Administrative Council for Economic Defense (CADE) published a Technical Opinion which named 18 companies and over 100 individuals as defendants, including two subsidiaries of Caterpillar Inc., MGE - Equipamentos e Serviços Ferroviários Ltda. (MGE) and Caterpillar Brasil Ltda. The publication of the Technical Opinion opened CADE's official administrative investigation into allegations that the defendants participated in anticompetitive bid activity for the construction and maintenance of metro and train networks in Brazil. While companies cannot be held criminally liable for anticompetitive conduct in Brazil, criminal charges have been brought against two current employees of MGE and one former employee of MGE involving the same conduct alleged by CADE. The Company has responded to all requests for information from the authorities. The Company is unable to predict the outcome or reasonably estimate the potential loss; however, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

On February 19, 2014, Progress Rail Services Corporation (Progress Rail), a wholly-owned subsidiary of Caterpillar Inc., received information from the California Air Resources Board (CARB) Enforcement Division indicating it was contemplating an enforcement proceeding with potential monetary sanctions in excess of \$100,000 in connection with a notice of violation received by Progress Rail on March 15, 2013 alleging violations of air emissions regulations applicable to compression ignition mobile cargo handling equipment operating at California ports or intermodal rail yards. Despite uncertainty regarding the applicability of these regulations, Progress Rail, in coordination with CARB, implemented certain corrective action measures. On November 26, 2014, Progress Rail settled this matter with CARB and paid a civil penalty of \$390,733 to resolve the alleged violations.

On October 24, 2013, Progress Rail received a grand jury subpoena from the U.S. District Court for the Central District of California. The subpoena requests documents and information from Progress Rail, United Industries Corporation, a wholly-owned subsidiary of Progress Rail, and Caterpillar Inc. relating to allegations that Progress Rail conducted improper or unnecessary railcar inspections and repairs and improperly disposed of parts, equipment, tools and other items. In connection with this subpoena, Progress Rail was informed by the U.S. Attorney for the Central District of California that it is a target of a criminal investigation into potential violations of environmental laws and alleged improper business practices. The Company is cooperating with the authorities and is currently in discussions regarding a potential resolution of the matter. Although the Company believes a loss is probable, we currently believe that this matter will not have a material adverse effect on the Company's consolidated results of operations, financial position or liquidity.

In addition, 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.

RETIREMENT BENEFITS

We recognized pension expense of \$465 million in 2014 as compared to \$732 million in 2013. The decrease in expense was primarily due to lower amortization of net actuarial losses primarily due to higher discount rates at the end of 2013 compared to 2012 and a \$31 million charge in 2013 to recognize a previously unrecorded liability related to a subsidiary's pension plan. 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 2014, total actuarial losses recognized in Accumulated other comprehensive income (loss) for pension plans were \$7.53 billion, as compared to \$5.77 billion in 2013. The majority of the actuarial losses are due to changes in discount rates, losses from demographic assumptions over the past several years and plan asset losses. The increase from 2013 to 2014 was primarily the result of the decrease in discount rates and changes to our mortality assumption, partially offset by amortization of actuarial losses into earnings during 2014 and current year asset gains. In the fourth quarter of 2014, the mortality assumption for our U.S. pension and other postretirement plans was reviewed to consider the use of new tables that were recently released by the Society of Actuaries. As of December 31, 2014, the company adopted the new tables with modifications to reflect historical company specific mortality experience and its best estimate of future mortality improvements. The adoption of the new tables resulted in an increase in the life expectancy of plan participants and therefore an increase in our Liability for postemployment benefits of approximately \$400 million.

In 2014, we recognized other postretirement benefit expense of \$227 million compared to \$261 million in 2013. The decrease in expense was primarily due to lower amortization of net actuarial losses primarily due to higher discount rates at the end of 2013 compared to 2012. At the end of 2014 total actuarial losses recognized in Accumulated other comprehensive income (loss) for other postretirement benefit plans were \$0.80 billion as compared to \$0.66 billion in 2013. These losses mainly reflect the impact of 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 increase from 2013 to 2014 was primarily the result of the decrease in discount rates and changes to our mortality assumption, partially offset by gains from lower than expected health care costs and amortization of net actuarial losses into earnings during 2014.

Actuarial losses 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 from the plan. For plans in which all or almost all of the plan's participants are inactive, actuarial losses are amortized using the straight-line method over the remaining life expectancy of the inactive participants. At the end of 2014, the average remaining service period of active employees or life expectancy for inactive participants was 9 years for our U.S. pension plans, 12 years for non-U.S. pension plans and 9 years for other postretirement benefit plans. We expect our amortization of net actuarial losses to increase approximately \$140 million in 2015 as compared to 2014, primarily due to the decrease in discount rates and changes to our mortality assumption, partially offset by gains from lower than expected health care costs and plan assets gains in 2014. We expect our total pension and other postretirement benefits expense to increase approximately \$80 million in 2015 which is primarily due to an increase in amortization of net actuarial losses.

In February 2012, we announced the closure of the Electro-Motive Diesel facility located in London, Ontario. As a result of the closure, we recognized a \$37 million other postretirement benefits curtailment gain. This excludes a \$21 million loss of a third-party receivable for other postretirement benefits that was eliminated due to the closure. In addition, a \$10 million contractual termination benefit expense was recognized related to statutory pension benefits required to be paid to certain affected employees. As a result, a net gain of \$6 million related to the facility closure was recognized in Other operating (income) expenses.

In August 2012, we announced changes to our U.S. hourly pension plan, which impacted certain hourly employees. For the impacted employees, pension benefit accruals were frozen on January 1, 2013 or will freeze January 1, 2016, at which time employees will become eligible for various provisions of company sponsored 401(k) plans including a matching contribution and an annual employer contribution. The plan changes resulted in a curtailment and required a remeasurement as of August 31, 2012. The curtailment and the remeasurement resulted in a net increase in our Liability for postemployment benefits of \$243 million and a net loss of \$153 million, net of tax, recognized in Accumulated other comprehensive income (loss). The increase in the liability was primarily due to a decline in the discount rate. Also, the curtailment resulted in expense of \$7 million which was recognized in Other operating (income) expenses.

In general, our strategy for both the U.S. and the Non-U.S. pensions includes further aligning our investments to our liabilities, while reducing risk in our portfolio. For our U.S. pension plans, our year-end 2014 asset allocation was 49 percent equity securities, 47 percent fixed income securities and 4 percent other. Our current U.S. pension target asset allocations are 50 percent equity and 50 percent fixed income. The target allocations will be revisited periodically to ensure that they reflect our overall objectives. The U.S. plans are rebalanced to plus or minus 5 percentage points of the target asset allocation ranges on a monthly basis.

The year-end 2014 asset allocation for our non-U.S. pension plans was 46 percent equity securities, 44 percent fixed income securities, 6 percent real estate and 4 percent other. The 2014 target allocation for our non-U.S. pension plans was 46 percent equity securities, 46 percent fixed income securities, 6 percent real estate and 2 percent other. The target allocations for each plan vary based upon local statutory requirements, demographics of the plan participants and funded status. 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 2014, we made contributions of \$255 million to our U.S. defined benefit pension plans and \$265 million to our non-U.S. pension plans. We made contributions of \$541 million to our U.S. defined benefit pension plans and \$303 million to our non-U.S. pension plans in 2013. We expect to make approximately \$190 million of required contributions in 2015. 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 2014 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 2014 pension and other postretirement benefits costs and obligations:

(Millions of dollars)	2014 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	\$ (180)	\$ 193	\$ (2,513)	\$ 3,130
Expected rate of compensation increase	43	(38)	193	(180)
Expected long-term rate of return on plan assets	(150)	150	—	—
Other postretirement benefits:				
Assumed discount rate	(30)	41	(546)	622
Expected rate of compensation increase	—	—	1	(1)
Expected long-term rate of return on plan assets	(7)	7	—	—
Assumed health care cost trend rate	45	(32)	298	(245)

Primary Actuarial Assumptions

	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Weighted-average assumptions used to determine benefit obligations, end of year:									
Discount rate	3.8%	4.6%	3.7%	3.3%	4.1%	3.7%	3.9%	4.6%	3.7%
Rate of compensation increase	4.0%	4.0%	4.5%	4.0%	4.2%	3.9%	4.0%	4.0%	4.4%
Weighted-average assumptions used to determine net cost:									
Discount rate	4.6%	3.7%	4.3%	4.1%	3.7%	4.3%	4.6%	3.7%	4.3%
Expected rate of return on plan assets	7.8%	7.8%	8.0%	6.9%	6.8%	7.1%	7.8%	7.8%	8.0%
Rate of compensation increase	4.0%	4.5%	4.5%	4.2%	3.9%	3.9%	4.0%	4.4%	4.4%
Health care cost trend rates at year-end:									
Health care trend rate assumed for next year							6.6%	6.6%	7.1%
Rate that the cost trend rate gradually declines to							5.0%	5.0%	5.0%
Year that the cost trend rate reaches ultimate rate							2021	2019	2019

SENSITIVITY**Foreign Exchange Rate Sensitivity**

Machinery, Energy & Transportation 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, Energy & Transportation 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 2015 cash flow for our Machinery, Energy & Transportation operations by approximately \$362 million. Last year similar assumptions and calculations yielded a potential \$361 million adverse impact on 2014 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 euro, Australian dollar, Japanese yen and British pound.

Interest Rate Sensitivity

For our Machinery, Energy & Transportation 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 have a minimal impact to the 2015 pre-tax earnings of Machinery, Energy & Transportation. Last year, similar assumptions and calculations yielded a minimal impact to 2014 pre-tax earnings.

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 pre-tax 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. An analysis of the December 31, 2014 balance sheet, using these assumptions, estimates the impact of a 100 basis point immediate and sustained adverse change in interest rates to have a potential \$5 million adverse impact on pre-tax earnings. Last year, similar assumptions and calculations yielded a minimal impact to 2014 pre-tax 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 the non-GAAP financial measures used in this report. 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.

We have incurred significant restructuring costs in 2014. We believe it is important to separately quantify the profit-per-share impact of restructuring costs in order for our results to be meaningful to our readers. We have also provided 2013 profit per share excluding restructuring costs comparable to the 2014 presentation. Reconciliation of profit per share excluding restructuring costs to the most directly comparable GAAP measure, profit per share - diluted is as follows:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
Profit per share - diluted	\$ 1.23	\$ 1.54	\$ 5.88	\$ 5.75
Per share restructuring costs	\$ 0.12	\$ 0.14	\$ 0.50	\$ 0.22
Profit per share excluding restructuring costs	\$ 1.35	\$ 1.68	\$ 6.38	\$ 5.97

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, Energy & Transportation – Caterpillar defines Machinery, Energy & Transportation as it is presented in the supplemental data as Caterpillar Inc. and its subsidiaries with Financial Products accounted for on the equity basis. Machinery, Energy & Transportation 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 – Our finance and insurance subsidiaries, primarily Cat Financial and Insurance Services.

Consolidating Adjustments – Eliminations of transactions between Machinery, Energy & Transportation and Financial Products.

Pages A-141 to A-143 reconcile Machinery, Energy & Transportation 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)	Supplemental consolidating data											
	Consolidated			Machinery, Energy & Transportation ¹			Financial Products			Consolidating Adjustments		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Sales and revenues:												
Sales of Machinery, Energy & Transportation	\$ 52,142	\$ 52,694	\$ 63,068	\$ 52,142	\$ 52,694	\$ 63,068	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Revenues of Financial Products	3,042	2,962	2,807	—	—	—	3,386	3,302	3,160	(344)	(340)	(353)
Total sales and revenues	55,184	55,656	65,875	52,142	52,694	63,068	3,386	3,302	3,160	(344)	(340)	(353)
Operating costs:												
Cost of goods sold	39,767	40,727	47,055	39,769	40,727	47,055	—	—	—	(2)	—	—
Selling, general and administrative expenses	5,697	5,547	5,919	5,098	5,029	5,348	635	566	618	(36)	(48)	(47)
Research and development expenses	2,135	2,046	2,466	2,135	2,046	2,466	—	—	—	—	—	—
Interest expense of Financial Products	624	727	797	—	—	—	631	734	801	(7)	(7)	(4)
Goodwill impairment charge	—	—	580	—	—	580	—	—	—	—	—	—
Other operating (income) expenses	1,633	981	485	419	(23)	(495)	1,235	1,019	1,000	(21)	(15)	(20)
Total operating costs	49,856	50,028	57,302	47,421	47,779	54,954	2,501	2,319	2,419	(66)	(70)	(71)
Operating profit	5,328	5,628	8,573	4,721	4,915	8,114	885	983	741	(278)	(270)	(282)
Interest expense excluding Financial Products	484	465	467	526	508	512	—	—	—	(42)	(43)	(45)
Other income (expense)	239	(35)	130	(21)	(299)	(146)	24	37	39	236	227	237
Consolidated profit before taxes	5,083	5,128	8,236	4,174	4,108	7,456	909	1,020	780	—	—	—
Provision (benefit) for income taxes	1,380	1,319	2,528	1,120	1,039	2,314	260	280	214	—	—	—
Profit of consolidated companies	3,703	3,809	5,708	3,054	3,069	5,142	649	740	566	—	—	—
Equity in profit (loss) of unconsolidated affiliated companies	8	(6)	14	8	(6)	14	—	—	—	—	—	—
Equity in profit of Financial Products' subsidiaries	—	—	—	640	726	555	—	—	—	(640)	(726)	(555)
Profit of consolidated and affiliated companies	3,711	3,803	5,722	3,702	3,789	5,711	649	740	566	(640)	(726)	(555)
Less: Profit (loss) attributable to noncontrolling interests	16	14	41	7	—	30	9	14	11	—	—	—
Profit ⁷	\$ 3,695	\$ 3,789	\$ 5,681	\$ 3,695	\$ 3,789	\$ 5,681	\$ 640	\$ 726	\$ 555	\$ (640)	\$ (726)	\$ (555)

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, Energy & Transportation.

³ Elimination of net expenses recorded by Machinery, Energy & Transportation paid to Financial Products.

⁴ Elimination of interest expense recorded between Financial Products and Machinery, Energy & Transportation.

⁵ Elimination of discount recorded by Machinery, Energy & Transportation on receivables sold to Financial Products and of interest earned between Machinery, Energy & Transportation 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)	Supplemental consolidating data							
	Consolidated		Machinery, Energy & Transportation ¹		Financial Products		Consolidating Adjustments	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets								
Current assets:								
Cash and short-term investments	\$ 7,341	\$ 6,081	\$ 6,317	\$ 4,597	\$ 1,024	\$ 1,484	\$ —	\$ —
Receivables - trade and other	7,737	8,413	4,215	5,188	300	386	3,222 ^{2,3}	2,839 ^{2,3}
Receivables - finance	9,027	8,763	—	—	13,458	12,886	(4,431) ³	(4,123) ³
Deferred and refundable income taxes	1,739	1,553	1,644	1,511	95	42	—	—
Prepaid expenses and other current assets	818	900	399	417	432	496	(13) ⁴	(13) ⁴
Inventories	12,205	12,625	12,205	12,625	—	—	—	—
Total current assets	38,867	38,335	24,780	24,338	15,309	15,294	(1,222)	(1,297)
Property, plant and equipment - net	16,577	17,075	12,392	13,078	4,185	3,997	—	—
Long-term receivables - trade and other	1,364	1,397	154	224	268	292	942 ^{2,3}	881 ^{2,3}
Long-term receivables - finance	14,644	14,926	—	—	15,618	15,840	(974) ³	(914) ³
Investments in unconsolidated affiliated companies	257	272	257	272	—	—	—	—
Investments in Financial Products subsidiaries	—	—	4,488	4,798	—	—	(4,488) ⁵	(4,798) ⁵
Noncurrent deferred and refundable income taxes	1,404	594	1,980	1,027	98	92	(674) ⁶	(525) ⁶
Intangible assets	3,076	3,596	3,069	3,589	7	7	—	—
Goodwill	6,694	6,956	6,677	6,939	17	17	—	—
Other assets	1,798	1,745	391	439	1,407	1,306	—	—
Total assets	\$ 84,681	\$ 84,896	\$ 54,188	\$ 54,704	\$ 36,909	\$ 36,845	\$ (6,416)	\$ (6,653)
Liabilities								
Current liabilities:								
Short-term borrowings	\$ 4,708	\$ 3,679	\$ 9	\$ 16	\$ 5,807	\$ 4,781	\$ (1,108) ⁷	\$ (1,118) ⁷
Accounts payable	6,515	6,560	6,436	6,516	180	209	(101) ⁸	(165) ⁸
Accrued expenses	3,548	3,493	3,273	3,165	288	341	(13) ⁹	(13) ⁹
Accrued wages, salaries and employee benefits	2,438	1,622	2,396	1,589	42	33	—	—
Customer advances	1,697	2,360	1,697	2,360	—	—	—	—
Dividends payable	424	382	424	382	—	—	—	—
Other current liabilities	1,754	1,849	1,361	1,425	402	432	(9) ⁶	(8) ⁶
Long-term debt due within one year	6,793	7,352	510	760	6,283	6,592	—	—
Total current liabilities	27,877	27,297	16,106	16,213	13,002	12,388	(1,231)	(1,304)
Long-term debt due after one year	27,784	26,719	9,525	8,033	18,291	18,720	(32) ⁷	(34) ⁷
Liability for postemployment benefits	8,963	6,973	8,963	6,973	—	—	—	—
Other liabilities	3,231	3,029	2,768	2,607	1,128	939	(665) ⁶	(517) ⁶
Total liabilities	67,855	64,018	37,362	33,826	32,421	32,047	(1,928)	(1,855)
Commitments and contingencies								
Stockholders' equity								
Common stock	5,016	4,709	5,016	4,709	911	906	(911) ⁵	(906) ⁵
Treasury stock	(15,726)	(11,854)	(1					

Supplemental Data for Statement of Cash Flow
For the Years Ended December 31

(Millions of dollars)	Supplemental consolidating data							
	Consolidated		Machinery, Energy & Transportation ¹		Financial Products		Consolidating Adjustments	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash flow from operating activities:								
Profit of consolidated and affiliated companies	\$ 3,711	\$ 3,803	\$ 3,702	\$ 3,789	\$ 649	\$ 740	\$ (640) ²	\$ (726) ²
Adjustments for non-cash items:								
Depreciation and amortization	3,163	3,087	2,253	2,273	910	814	—	—
Undistributed profit of Financial Products	—	—	(170)	(401)	—	—	170 ³	401 ³
Net (gain)/loss from sale of businesses and investments	4	(68)	4	(68)	—	—	—	—
Other	549	550	391	444	(114)	(101)	272 ⁴	207 ⁴
Changes in assets and liabilities, net of acquisitions and divestitures:								
Receivables - trade and other	163	835	786	718	43	16	(666) ^{4,5}	101 ^{4,5}
Inventories	101	2,658	128	2,665	—	—	(27) ⁴	(7) ⁴
Accounts payable	222	134	212	226	(43)	(70)	53 ⁴	(22) ⁴
Accrued expenses	(10)	(108)	54	(24)	(64)	(84)	—	—
Accrued wages, salaries and employee benefits	901	(279)	892	(277)	9	(2)	—	—
Customer advances	(593)	(301)	(593)	(301)	—	—	—	—
Other assets—net	(300)	(49)	(393)	(60)	(56)	2	149 ⁴	9 ⁴
Other liabilities—net	146	(71)	204	(22)	91	(40)	(149) ⁴	(9) ⁴
Net cash provided by (used for) operating activities	8,057	10,191	7,470	8,962	1,425	1,275	(838)	(46)
Cash flow from investing activities:								
Capital expenditures—excluding equipment leased to others	(1,539)	(2,522)	(1,519)	(2,508)	(20)	(14)	—	—
Expenditures for equipment leased to others	(1,840)	(1,924)	(122)	(97)	(1,797)	(1,897)	79 ⁴	70 ⁴
Proceeds from disposals of leased assets and property, plant and equipment	904	844	81	122	837	738	(14) ⁴	(16) ⁴
Additions to finance receivables	(11,278)	(11,422)	—	—	(14,380)	(14,095)	3,102 ^{5,8}	2,673 ^{5,8}
Collections of finance receivables	9,841	9,567	—	—	12,607	12,253	(2,766) ⁵	(2,686) ⁵
Net intercompany purchased receivables	—	—	—	—	10	181	(10) ⁵	(181) ⁵
Proceeds from sale of finance receivables	177	220	—	—	180	227	(3) ⁵	(7) ⁵
Net intercompany borrowings	—	—	—	(935)	13	36	(13) ⁶	899 ⁶
Investments and acquisitions (net of cash acquired)	(30)	(195)	(30)	(195)	—	—	—	—
Proceeds from sale of businesses and investments (net of cash sold)	199	365	219	497	—	—	(20) ⁸	(132) ⁸
Proceeds from sale of securities	810	449	403	31	407	418	—	—
Investments in securities	(825)	(402)	(425)	(25)	(400)	(377)	—	—
Other—net	(46)	(26)	(17)	(31)	(34)	5	5 ⁹	—
Net cash provided by (used for) investing activities	(3,627)	(5,046)	(1,410)	(3,141)	(2,577)	(2,525)	360	620
Cash flow from financing activities:								
Dividends paid	(1,620)	(1,111)	(1,620)	(1,111)	(470)	(325)	470 ⁷	325 ⁷
Distribution to noncontrolling interests	(7)	(13)	(7)	(13)	—	—	—	—
Contribution from noncontrolling interests	4	—	4	—	—	—	—	—
Common stock issued, including treasury shares reissued	239	128	239	128	5	—	(5) ⁹	—
Treasury shares purchased	(4,238)	(2,000)	(4,238)	(2,000)	—	—	—	—
Excess tax benefit from stock-based compensation	182	96	182	96	—	—	—	—
Net intercompany borrowings	—	—	(13)	(36)				

- ⁷ Elimination of dividend from Financial Products to Machinery, Energy & Transportation.
- ⁸ Elimination of proceeds received from Financial Products related to Machinery, Energy & Transportation's sale of portions of the Bucyrus distribution business to Cat dealers.
- ⁹ Elimination of change in investment and common stock related to Financial Products.

SUPPLEMENTAL STOCKHOLDER INFORMATION

Stockholder Services

Registered stockholders should contact:

Stock Transfer Agent

Computershare

P.O. Box 30170

College Station, TX 77842

Phone: (866) 203-6622 (U.S. and Canada)
+1 (201) 680-6578 (Outside U.S. and Canada)

Hearing Impaired: (800) 231-5469 (U.S. or Canada)
(201) 680-6610 (Outside U.S. or Canada)

Internet: <https://www-us.computershare.com/Investor/>

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 a Direct Stock Purchase and Dividend Reinvestment Plan for Caterpillar Inc. which is sponsored and administered by our Transfer Agent, Computershare. The program materials and enrollment form are available on-line from Computershare's website <https://www-us.computershare.com/Investor/> or by following a link from www.caterpillar.com/dspp.

Investor Relations

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

Director of Investor Relations

Rich Moore

Caterpillar Inc.

100 N.E. Adams Street

Peoria, IL 61629-5310

Phone: (309) 675-4549

Fax: (309) 675-4457

E-mail: CATir@CAT.com

Internet: www.caterpillar.com/investors

Company Information

Current information -

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

Historical information -

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

Annual Meeting

On Wednesday, June 10, 2015, at 8:00 a.m., Central Time, the annual meeting of stockholders will be held in Wamego, Kansas. We expect to send proxy materials to stockholders on or about May 1, 2015.

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 France and Switzerland.

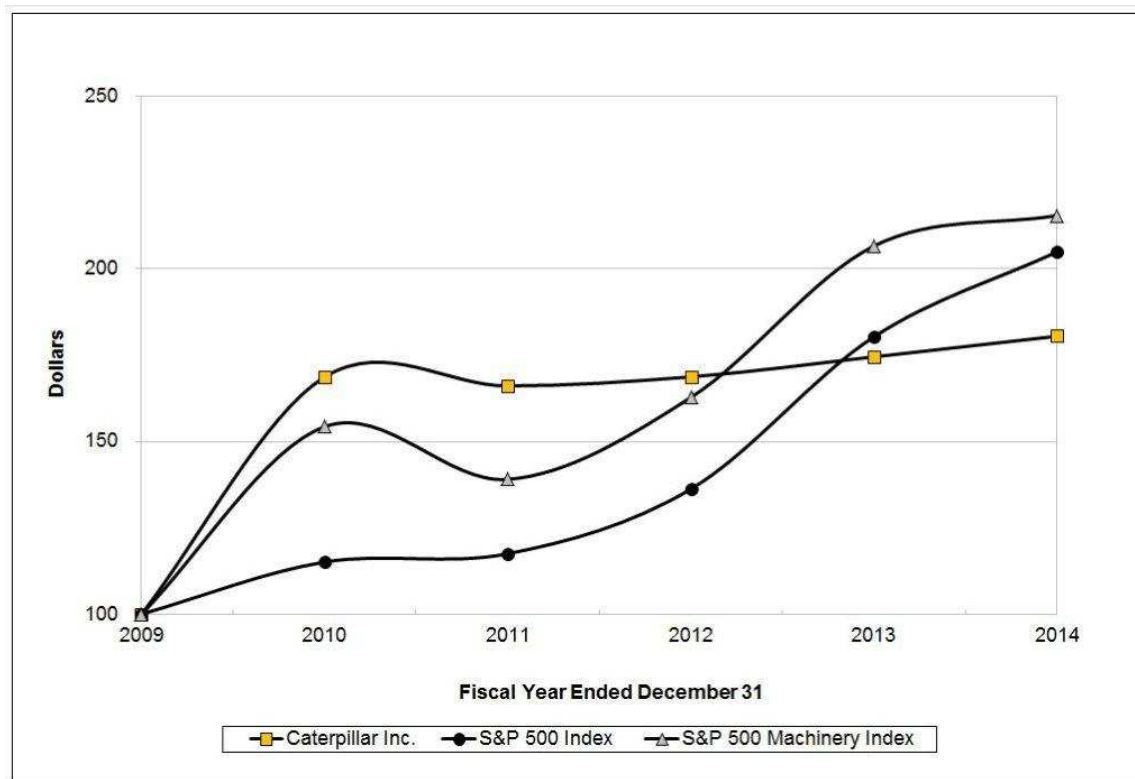
Price Ranges: Quarterly price ranges of Caterpillar common stock on the New York Stock Exchange, the principal market in which the stock is traded, were:

Quarter	2014		2013	
	High	Low	High	Low
First	\$ 100.63	\$ 85.88	\$ 99.70	\$ 85.80
Second	\$ 109.85	\$ 98.94	\$ 90.69	\$ 79.49
Third	\$ 111.46	\$ 98.26	\$ 89.00	\$ 81.35
Fourth	\$ 107.12	\$ 88.03	\$ 91.67	\$ 81.87

Number of Stockholders: Stockholders of record at year-end totaled 30,702, compared with 32,161 at the end of 2013. Approximately 65 percent of our issued shares are held by institutions and banks, 30 percent by individuals, and 5 percent by employees through company stock plans.

Performance Graph: Total Cumulative Stockholder Return for Five-Year Period Ending December 31, 2014

The graph below shows the cumulative stockholder return assuming an investment of \$100 on December 31, 2009, and reinvestment of dividends issued thereafter.



	2009	2010	2011	2012	2013	2014
Caterpillar Inc.	\$ 100.00	\$ 168.68	\$ 166.10	\$ 168.74	\$ 174.54	\$ 180.53
S&P 500	\$ 100.00	\$ 115.08	\$ 117.47	\$ 136.24	\$ 180.33	\$ 204.96
S&P 500 Machinery	\$ 100.00	\$ 154.29	\$ 139.01	\$ 162.77	\$ 206.66	\$ 215.53

Directors/Committee Membership (as of February 1, 2015)
--

	Audit	Compensation & Human Resources	Public Policy & Governance
David L. Calhoun		✓	
Daniel M. Dickinson	✓		
Juan Gallardo			✓
Jesse J. Greene, Jr.		✓	
Jon M. Huntsman, Jr.			✓
Dennis A. Muilenburg	✓		
Douglas R. Oberhelman			
William A. Osborn	✓ *		
Edward B. Rust, Jr.			✓ *
Susan C. Schwab			✓
Miles D. White		✓ *	
* Chairman of Committee			

Officers (as of February 1, 2015)

Douglas R. Oberhelman	Chairman of the Board and Chief Executive Officer
Bradley M. Halverson	Group President and Chief Financial Officer
Robert B. Charter	Group President
Thomas A. Pellette	Group President
Edward J. Rapp	Group President
D. James Umpleby III	Group President
James B. Buda	Executive Vice President, Law and Public Policy
David P. Bozeman	Senior Vice President
Kent M. Adams	Vice President
William P. Ainsworth	Vice President
Mary H. Bell	Vice President
Thomas J. Bluth	Vice President
Wai Man Chan	Vice President
Qihua Chen	Vice President
Frank J. Crespo	Vice President
Christopher C. Curfman	Vice President
Bob De Lange	Vice President
Michael L. DeWalt	Vice President
Paolo Fellin	Vice President
William E. Finerty	Vice President
Gregory S. Folley	Vice President
Thomas G. Frake	Vice President
Kimberly S. Hauer	Vice President
Gwenne A. Henricks	Vice President
Douglas O. Hoerr	Vice President
Denise C. Johnson	Vice President
Kathryn Dickey Karol	Vice President
Phillip G. Kelliher	Vice President
Pablo M. Koziner	Vice President
Julie A. Lagacy	Vice President
Nigel A. Lewis	Vice President
Steven W. Niehaus	Vice President
E. Jean Savage	Vice President
Mark E. Sweeney	Vice President
George H. Taylor, Jr.	Vice President
Tana L. Utley	Vice President
Karl E. Weiss	Vice President
Ramin Younessi	Vice President
Edward J. Scott	Treasurer
Amy A. Campbell	Chief Audit Officer
J. Wesley Blumenshine	Chief Ethics and Compliance Officer
Jananne A. Copeland	Chief Accounting Officer
Jill E. Daugherty	Corporate Controller
Christopher M. Reitz	Corporate Secretary
Sally A. Stiles	Assistant Treasurer
Joni J. Funk	Assistant Secretary
Patrick G. Holcombe	Assistant Secretary

INTEGRITY

EXCELLENCE

TEAMWORK

COMMITMENT

SUSTAINABILITY

OUR VALUES IN ACTION

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- Free Trade
- Financial Reports and Accounting
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- Confidential Information
- Electronic Communications
- Personal Privacy
- Public Matters
- Government Contracts

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WAIVER

Revised 2015

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- Work Environment
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- Employee Development
- Risk Management
- Enterprise Point of View

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- Dealers and Distributors
- Suppliers

A MESSAGE FROM OUR CHAIRMAN

CATERPILLAR'S REPUTATION IS ONE OF OUR GREATEST ASSETS. WE ALL SHARE THE RESPONSIBILITY TO PROTECT IT – EVERY DAY. WE HAVE EARNED OUR SOLID REPUTATION BY DEVELOPING, BUILDING AND DELIVERING GREAT PRODUCTS AND SERVICES, AND BY ACTING ACCORDING TO THE HIGHEST ETHICAL STANDARDS.

That's why our Code of Conduct is so important. The actions we take and the decisions we make tell the world who we are.

Since it was first published in 1974, the Code has defined and documented what we believe in and how we put those values into action. It doesn't restrict our individuality or give specific instructions for every situation, but it serves as a daily reminder of the standards that are expected of me, of you, of every one at Caterpillar. The Code celebrates our diverse cultures, talents and experiences and unites us into a stronger, more innovative and cohesive team.

Thank you for taking the time to read and understand Our Values in Action – Caterpillar's Code of Conduct that is the foundation of both our proud legacy and our promise for the future.

DOUGLAS R. OBERHELMAN

Chairman and Chief Executive Officer

LIVING BY THE CODE

INTEGRITY. EXCELLENCE. TEAMWORK. COMMITMENT. SUSTAINABILITY.

The words in this Code of Conduct define us. Despite our differences – in geography, culture, language and business – we are one Caterpillar, one company united by these common principles with a shared commitment to the highest standards of conduct.

While we conduct our business within the framework of applicable laws and regulations, for us, compliance with the law is not enough. We strive for more than that. Through our Code of Conduct, we envision a work environment all can take pride in, a company others respect and admire and a world made better by our actions. Together, we are laying the foundation for the values-based culture that will carry us forward to even higher levels of success. Together, we are upholding the reputation of one of the world's great companies – and strengthening it for tomorrow.

This Code of Conduct applies to the daily activities of employees of Caterpillar Inc., its subsidiaries and affiliates worldwide and members of its Board of Directors. Each of us has a personal responsibility to read the Code of Conduct, understand what it means and apply it consistently. Those in our company who lead others hold a special position of responsibility to set the example of what it means to "live by the Code."

CODE OF CONDUCT

REPORTING RIGHTS AND RESPONSIBILITIES

If you become aware of a circumstance or action that violates, or appears to violate, the Code of Conduct, enterprise policy or applicable law, contact your supervisor or local management as soon as possible. You have a further personal right and responsibility to report any circumstance or action that violates, or appears to violate, the Code of

Conduct, enterprise policy or applicable law. You must use these reporting rights responsibly and must report issues only where you reasonably believe there has been a violation, and not where the report is intended to be harassing, is based on personal opinion only or is otherwise trivial. You can raise a question or concern or make such a report to your supervisor, local management, local or corporate human resources teams or Legal Services. You always have the option to contact the Office of Business Practices using the contact information below.

Direct Telephone: +1-309-675-8662 (English only)

Toll-free Helpline: Caterpillar maintains toll-free Helpline numbers in various countries. Inside Canada, the United States and the U.S. Virgin Islands the number is 1-800-300-7898. Toll-free numbers currently in effect for other countries are posted at <https://codeofconduct.cat.com>. Language translation is available for those numbers. You may remain anonymous when you call from a country in which anonymous reporting is allowed.

Call Collect Helpline: +770-582-5275 (language translation available)

Regional Contacts: Available at <https://codeofconduct.cat.com>

Confidential Fax: +1-309-494-4818

Email: BusinessPractices@cat.com

Mailing Address: 100 NE Adams, Peoria, IL 61629, USA

Violations of Caterpillar policies, procedures or this Code of Conduct will be addressed promptly and effectively. In conjunction with the company's HR guidance and local laws, violations may result in disciplinary action up to and including employment separation.

You can request a copy of the Office of Business Practices' Data Privacy Statement using any of the methods listed above.

NO RETALIATION POLICY

Caterpillar will not take any action against you as a result of raising an ethical issue in good faith. Also, Caterpillar does not tolerate any reprisal by any individual against an employee for raising a concern or making a report in good faith.

INTEGRITY

The Power of Honesty

INTEGRITY IS THE FOUNDATION OF ALL WE DO.

It is a constant. Those with whom we work, live and serve can rely on us. We align our actions with our words and deliver what we promise. We build and strengthen our reputation through trust. We do not improperly influence others or let them improperly influence us. We are respectful and behave in an open and honest manner. In short, the reputation of the enterprise reflects the ethical performance of the people who work here.

We put Integrity in action when...

WE ARE HONEST AND ACT WITH INTEGRITY

We hold ourselves to the highest standard of integrity and ethical behavior. We tell the truth. We promise only what we can reasonably expect to deliver. We strive to keep our commitments. Our company's stockholders, customers, dealers, distributors, suppliers, those with whom we do business and our fellow employees must be able to trust what we say and believe that we will always keep our word.

WE AVOID AND MANAGE CONFLICTS AND POTENTIAL CONFLICTS OF INTEREST

We must not engage in activities that create, or even appear to create, conflict between our personal interests and the interests of the company. These situations arise where a personal interest or family or other relationship makes it difficult for an individual to represent the company fully and fairly. Conflicts of interest can arise in any part of Caterpillar's operations. The most serious conflicts of interest usually arise where an employee or former employee has authority to spend the company's money, has authority to hire or engage with a person outside the company or has information that could be valuable to a person outside the company. A conflict of interest or the appearance of a conflict of interest very often arises when an employee is offered a gift, favor or entertainment. While some of this activity is part of a normal business relationship, we do not accept gifts, favors or entertainment that have a value greater than we could reasonably reciprocate or that obligate or appear to obligate us to act in any way contrary to the law, Caterpillar business interests or Caterpillar's ethical business practices.

WE COMPETE FAIRLY

Caterpillar believes that fair competition is fundamental to free enterprise. We observe antitrust and competition laws where we do business. In relationships with competitors, dealers, distributors, suppliers and customers, we avoid arrangements that restrict our ability to compete with others. We are not involved in any arrangements, understandings or agreements with competitors affecting prices, terms upon which products are sold, or the number or type of products manufactured or sold.

WE ADVOCATE FOR FREE TRADE AND FOLLOW INTERNATIONAL TRADE LAWS

Caterpillar competes best in a free trade environment. Free trade requires us to continually improve our global competitiveness and creates an environment that allows us to better respond to our customers' needs. We promote policies that enhance competition in the global marketplace and reduce – or better yet, eliminate – trade and investment barriers. We believe trade liberalization leads to economic gains that raise standards of living and improve quality of life. We are committed to following applicable international trade laws including import and export

controls regulations, and compliance with sanctions and anti-boycott laws. Each of us has a responsibility to ensure that we comply with trade laws and regulations in any country where we do business.

WE ENSURE ACCURACY AND COMPLETENESS OF OUR FINANCIAL REPORTS AND ACCOUNTING RECORDS

Investors, creditors, regulatory authorities and others have a legitimate interest in our company’s financial and accounting information. The integrity of Caterpillar’s financial reports and accounting records is based on validity, accuracy, completeness, timeliness and understandability of basic information supporting entries to the company’s books of account. We will ensure every accounting or financial entry accurately reflects what is described by the supporting information. Each person at Caterpillar – not just those in finance and accounting – has a role in ensuring our financial records are complete and accurate and internal controls are honored. The same standards of integrity that apply to external financial reporting also apply to the financial statements that are used as internal management tools.

WE ARE FAIR, HONEST AND OPEN IN OUR COMMUNICATIONS

As employees, we communicate with each other in a respectful, fair, honest and open manner. As a public company, we have a responsibility to communicate information about our business to our stakeholders clearly, accurately and honestly. The disclosures we make in our reports and filings submitted to the U.S. Securities and Exchange Commission and to other governmental and regulatory agencies must be full, fair, accurate, timely and understandable. When we communicate publicly, we are consistent in our messages. Only designated spokespersons may communicate on behalf of Caterpillar or respond to requests for information from the media, governments, analysts and stockholders. When we release information about Caterpillar to the public, we do it fairly and impartially, without favoring any individual or group.

WE HANDLE INSIDE INFORMATION APPROPRIATELY AND LAWFULLY

Inside information may be defined as information about a company that is not known to the public. Such information – certain financial data, technical materials and future plans for example – may have significant value to others and therefore must be kept strictly confidential. Inside information may be “material” if an investor would consider it important in making an investment decision. Anyone who has “material” inside information about Caterpillar must not use it for personal gain, provide it to others or trade in Caterpillar securities. Additionally, any Caterpillar employee who, as a result of his or her employment, receives material inside information about a third party (including dealers, suppliers, customers or competitors) must not trade in that company’s securities or advise others to do so. We expect all employees, their families and others whose relationships with Caterpillar give them access to inside information to comply with these principles and with Caterpillar’s policies regarding insider trading.

WE REFUSE TO MAKE IMPROPER PAYMENTS

In dealing with public officials, other corporations and private citizens, we firmly adhere to ethical business practices. We will not seek to influence others, either directly or indirectly, by paying bribes or kickbacks or by any other measure that is unethical or would tarnish our reputation for honesty and integrity. Even the appearance of such conduct must be avoided.

EXCELLENCE

The Power of Quality

WE SET AND ACHIEVE AMBITIOUS GOALS.

The quality of our products and services reflects the power and heritage of Caterpillar – the pride we take in what we do and what we make possible. We are passionate about people, process, product and service excellence. We are determined to serve our customers through innovation, continuous improvement, an intense focus on customer needs and a dedication to meet those needs with a sense of urgency. For us, Excellence is not only a value; it is a discipline and a means for making the world a better place.

We put Excellence in action when...

WE ACCEPT NOTHING BUT THE BEST QUALITY IN OUR PRODUCTS AND SERVICES

We are dedicated to quality and take personal pride in all the products and services we provide. Our intense, acute focus on the needs of our customers continuously drives us to improve. Our continued success depends on exceeding the expectations of our customers and standing behind everything we do.

WE FOCUS ON DELIVERING THE HIGHEST VALUE TO OUR CUSTOMERS, ALWAYS WITH A SENSE OF URGENCY

We are driven to meet the needs of our customers. We have built a reputation for excellence by listening to our customers, understanding their needs and challenges and delivering products, services and solutions that help them succeed. Our customers expect the best from Caterpillar. Each of us must ensure that our individual decisions and actions contribute to a positive perception of the company, enhance our customers' satisfaction and promote their loyalty. To do so, we act with a sense of urgency to deliver the highest possible value in the products and services we provide. Our commitment to quality, the Guiding Principles of the Caterpillar Production System and continuous improvement makes that possible.

WE ESTABLISH A WORK ENVIRONMENT THAT SUPPORTS EXCELLENCE

Caterpillar employees expect our work environment to promote personal achievement, continual learning and a feeling of self-worth. We actively seek and share diverse viewpoints to achieve excellence. Employees have the right to express good-faith opinions about how we can improve our own performance and the performance of the company. We actively listen, respond, encourage teamwork and make decisions based on facts and data.

WE SELECT, PLACE AND EVALUATE EMPLOYEES BASED ON THEIR QUALIFICATIONS AND PERFORMANCE

Caterpillar selects, places, evaluates and rewards employees based on their personal qualifications, skills for the job, demonstrated performance and the contributions they make to Caterpillar.

WE PROVIDE EMPLOYEES WITH OPPORTUNITIES TO DEVELOP

We ask employees to give their best efforts, learn from their successes and setbacks and pursue opportunities to improve their performance on their own initiative, as well as through continual learning programs offered by the company and recommended by their leaders. We encourage self-development and will assist employees in mastering their current jobs and improving their job skills. We are committed to assuring opportunities for all employees to develop their abilities and contribute to Caterpillar's success.

WE SEE RISK AS SOMETHING TO BE MANAGED, AND AS POTENTIAL OPPORTUNITY

Because we realize that business and risk are inseparable, we proactively identify, assess and manage risks that have the most potential to impact our business. For us, managing risk also involves looking for opportunities for potential competitive advantage.

WE TAKE AN ENTERPRISE POINT OF VIEW

Taking an “enterprise point of view” means promoting the best interests of our company as a whole. We strive to ensure local decisions do not put the enterprise at a competitive disadvantage. We must always consider the enterprise when making decisions. Our success requires that we continually leverage entrepreneurial thinking in our individual business units and apply what we learn across the enterprise to make all our products and services better.

TEAMWORK

The Power of Working Together

WE HELP EACH OTHER SUCCEED.

We are a team, sharing our unique talents to help those with whom we work, live and serve. The diverse thinking and decision making of our people strengthens our team. We respect and value people with different opinions, experiences and backgrounds. We know that by working together, we can produce better results than any of us can achieve alone.

We put Teamwork in action when...

WE TREAT OTHERS WITH RESPECT AND DO NOT TOLERATE INTIMIDATION OR HARASSMENT

The full value of each individual’s contribution can be realized only when we treat one another with the respect, trust and dignity we ourselves expect. Caterpillar insists on a work environment free of intimidation and harassment. As individual employees, we have the right to expect a positive working environment, along with the responsibility to speak out and ask for change if we observe conduct that runs contrary to this principle.

WE TREAT PEOPLE FAIRLY AND PROHIBIT DISCRIMINATION

We build and maintain a productive, motivated workforce by treating all employees fairly and equitably. We respect and recognize the contributions of employees as well as other stakeholders. We will select and place employees on the basis of their qualifications for the work to be performed, considering accommodations as appropriate and needed – without regard to race, religion, national origin, color, gender, gender identity, sexual orientation, age and/or physical or mental disability. We support and obey laws that prohibit discrimination everywhere we do business.

WE FOSTER AN INCLUSIVE ENVIRONMENT

We embrace diversity and inclusion. We respect the uniqueness of individuals and appreciate our differences. We value the diversity of unique talents, skills, abilities, cultures and experiences that enable our people to achieve superior business and personal results. We know that when we seek out and are receptive to various points of view, we drive innovative solutions, deliver superior results and positively impact the people and communities we serve.

WE CONDUCT BUSINESS WORLDWIDE WITH CONSISTENT GLOBAL STANDARDS

As a global company, we understand there are many differing economic and political philosophies and forms of government throughout the world. We acknowledge the wide diversity that exists among the social customs and cultural traditions in the countries in which we operate. We respect such differences, and to the extent that we can do so in keeping with the principles of our Code of Conduct, we will maintain the flexibility to adapt our business practices to them. We will leverage our global experience to achieve the best results for the enterprise.

WE COLLABORATE WITH KEY ENTITIES AND ORGANIZATIONS OUTSIDE OUR COMPANY

The company's strength and longevity are the result of our ability to sustain long-lasting, mutually rewarding relationships with our customers, dealers, distributors, suppliers, investors and others with whom we do business. We engage in meaningful dialogue with these stakeholders as well as appropriate governmental and nongovernmental organizations. We listen, learn and innovate and we continuously work to strengthen these relationships through conscientious, trustworthy behavior.

WE BUILD OUTSTANDING RELATIONSHIPS WITH OUR DEALERS AND DISTRIBUTION CHANNEL MEMBERS

Our dealers and distributors around the world serve as a critical link between our company and our customers. We rely on them to participate with us in building and maintaining the long-standing customer relationships that have made Caterpillar successful. We value their positive contributions to our reputation and their deep commitment to the customers and communities they serve. We sustain our outstanding relationships with them through trust, communication and shared rewards. We work continuously with them to provide products, services and support solutions necessary to satisfy customer needs worldwide.

WE VIEW OUR SUPPLIERS AS OUR BUSINESS ALLIES

We seek strong, mutually rewarding business relationships with suppliers who enhance the value of our products and services through close collaboration throughout the entire life cycle. We view suppliers as extensions of our company and an essential part of our extended value chain and commitment to quality. We look for suppliers and business allies who demonstrate strong values and commit to the ethical principles outlined in the Caterpillar Supplier Code of Conduct. We expect suppliers to comply with the sound business practices we embrace, follow the law and conduct activities in a manner that respects human rights. No supplier is required to buy Caterpillar products in order to compete for business or to continue as a supplier. We do reserve the right, consistent with applicable law, to require suppliers to use Caterpillar equipment when performing work on Caterpillar premises and where Caterpillar offers a product appropriate for the work being performed. We encourage fair competition among our potential suppliers, contractors and other vendors and work equitably and reasonably with all.

COMMITMENT

The Power of Responsibility

WE EMBRACE OUR RESPONSIBILITIES.

Individually and collectively, we make meaningful commitments – first to each other, and then to those with whom we work, live and serve. We understand and focus on the needs of our customers. We are responsible members of our communities who are dedicated to safety, care for our environment and manage our business ethically. We know it is both our duty and our honor to carry the Caterpillar heritage forward.

We put Commitment in action when...

WE TAKE PERSONAL RESPONSIBILITY

We are committed to the success of Caterpillar and we each have a responsibility to protect and uphold Caterpillar's reputation. All employees are personally accountable for meeting both individual and shared goals. We expect employees to use good judgment and avoid any communication, disclosure or interaction that might disparage, defame or damage our reputation. Employees are personally responsible for adhering to applicable business practices, following company policies, procedures and complying with the law.

WE PROTECT OUR ASSETS, BRANDS AND INTELLECTUAL PROPERTY

We go to extraordinary lengths to preserve, protect and responsibly use all of our assets. This includes tangible as well as intangible assets, such as our brands, technology, business information and intellectual capital. We will not make unauthorized disclosure of trade secrets or other sensitive information belonging to the company, our customers, dealers or suppliers – either during employment by our company or thereafter. When sharing company information with others, we strive to ensure appropriate controls are in place to protect our interests. We respect the valid intellectual property rights of others. While we may hire individuals who have knowledge and experience in various technical areas, we do not employ people as a means of gaining access to trade secrets and sensitive information of others. We have a personal responsibility to use every appropriate means to safeguard our company's assets from loss, theft, damage or misuse.

WE SAFEGUARD OUR CONFIDENTIAL INFORMATION

We consider information we own to be an asset and protect it accordingly. Some information we communicate publicly, including advertising, product documentation, news releases and public financial reporting. Everything else – including trade secrets, confidential financial information, new product or service development plans and other corporate and personal information – we protect through appropriate and reasonable safeguards and where applicable, legally enforceable agreements.

WE USE ELECTRONIC COMMUNICATIONS TECHNOLOGY RESPONSIBLY AND PROFESSIONALLY

Electronic communication technology plays a vital role in how we conduct our business every day. The company's technology is maintained for legitimate business activities by authorized individuals and to support a positive, professional business climate. Access to and use of company technology including the Internet and Caterpillar systems is expected to be managed in a responsible and professional manner consistent with the Code and other company policies.

WE RECOGNIZE AND RESPECT PERSONAL PRIVACY

We recognize and respect the personal information privacy interest of individuals. We collect and process only personal information needed or appropriate for business purposes, and do so only by lawful and fair means. We take reasonable and appropriate measures designed to safeguard the security and confidentiality of company records containing personal information whether those records are held by Caterpillar or by a Caterpillar business partner.

WE PARTICIPATE IN PUBLIC MATTERS IN AN APPROPRIATE MANNER

We believe engagement in public policy issues around the world is vital to Caterpillar's success. With oversight by the Board of Directors, the company engages in public policy issues and may make political contributions as laws

allow and with the approval of government affairs. Our employees should feel free to participate in public matters and political processes according to their individual beliefs. Where employees participate as individuals in public matters or the political process, such activity must be done in an individual capacity as a private citizen without the use of company assets.

WE RESPECT THE UNIQUE RULES THAT GOVERN DOING BUSINESS WITH THE PUBLIC SECTOR

We are mindful that special rules apply to contracts with governments and state-owned enterprises. We honor our contractual commitments to these customers and follow all applicable laws for transacting in the public marketplace. We hold ourselves accountable for meeting the obligations imposed by this type of business and ensure we act with honesty and integrity.

SUSTAINABILITY

The Power of Endurance

WE ARE COMMITTED TO BUILDING A BETTER WORLD.

Sustainability is part of who we are and what we do every single day. We recognize progress involves a balance of environmental stewardship, social responsibility and economic growth. We consider this as we work toward a vision of a world in which people's basic needs – such as shelter, clean water, education and reliable energy – are fulfilled. We provide work environments, products, services and solutions that make productive and efficient use of resources as we strive to achieve our vision. We believe this commitment supports the enduring success of our customers, stockholders, dealers and our people.

We put Sustainability in action when...

WE PROTECT THE HEALTH AND SAFETY OF OURSELVES AND OTHERS

We value our people and contribute toward a global environment in which people can live safe, healthy and productive lives. We put safety first with an aspirational goal to prevent all injuries, occupational illnesses and safety incidents. We actively promote the health and safety of everyone on our property with policies and practical programs that help individuals safeguard themselves and their co-workers. Our commitment to safe practices extends throughout our value chain – from suppliers to end users. We are committed to providing our customers with products and services that are safe and reliable.

WE INNOVATE TO MAKE OUR CUSTOMERS MORE EFFICIENT AND PRODUCTIVE

We innovate to provide customers with products, services and solutions that improve the sustainability of their operations. We leverage technology and customer insight to improve product performance, promote remanufacturing to extend product life and make job sites more productive, safer and more efficient. We encourage our dealers to do the same. We support sustainable solutions that protect and preserve the environment while leading to profitable growth for Caterpillar and our customers. Our products and services will meet or exceed applicable regulations wherever they are initially sold.

WE FOCUS ON ENVIRONMENTAL RESPONSIBILITY AND PREVENTING WASTE

We focus on improving the quality and efficiency of our operations while reducing our environmental impact. We support environmental stewardship by utilizing business processes that enable waste prevention, improve quality and

promote the efficient use of resources in our locations. Our waste prevention efforts are integrated end-to-end across the value chain from suppliers to our dealers. We work with them to improve the processes and systems used throughout the manufacturing and delivery of our products. We are committed to complying with environmental laws and regulations and expect our suppliers and dealers to do the same.

WE SUPPORT INFRASTRUCTURE DEVELOPMENT AND ACCESS TO ENERGY

Meeting the demands of the increasing global population and improving the standard of living throughout the world will require infrastructure development including access to safe and reliable energy sources. We support balanced and comprehensive policies that promote continued infrastructure development and utilization of all energy resources, including traditional sources of energy as well as alternative and renewable energy technologies. We develop products and services that contribute to sustainable power generation and infrastructure development solutions.

WE ARE PRO-ACTIVE MEMBERS OF OUR COMMUNITIES

As individuals and as a company, we contribute our time and resources to promote the health, welfare and economic stability of communities around the world. We conduct our business in a manner that respects human rights. We encourage all employees to participate in activities that strengthen our communities. Our success should also contribute to the quality of life, prosperity and sustainability of communities where we work, live and serve.

WE ATTRACT AND DEVELOP THE BEST TEAM

We understand the importance of our people to Caterpillar's enduring success. We attract and develop the best team of innovative, high performing employees and strategically plan our global workforce needs. We build trust and engagement through open and honest dialogue and encourage employees to pursue their career aspirations and personal development. A sustainable workforce is one that is always ready to deliver on our commitments now and in the future.

ENTERPRISE POLICIES AND ADDITIONAL INFORMATION

Enterprise Policies and other more detailed company policies, as well as additional information and guidance on this Code of Conduct, are available to employees at <https://codeofconduct.cat.com>, or by contacting the Office of Business Practices using any of the methods listed previously. The Code of Conduct is also available to the public at <http://www.caterpillar.com/Code-of-Conduct>. The Enterprise Policies in force at the time this Code of Conduct was published are:

- Antitrust
 - Company Attitudes on Partisan Politics and Public Issues
 - Conflicts of Interest
 - Data Privacy
 - Enterprise Facilities
 - Free Trade
 - Improper Payments
 - Intellectual Property Rights
-

- Protection of Assets
- Providing and Receiving Travel, Gifts and Entertainment
- Public Communications

WAIVER

Those in our company who lead others hold a special position of responsibility to set the example of what it means to “live by the Code.” As a result, any waiver of the Code of Conduct for an Executive Officer or Director may be made only by the Board of Directors and will be promptly disclosed as required by law or regulation. Waivers of the Code of Conduct for any other employee may be made only by the Chief Ethics and Compliance Officer and Office of Business Practices.

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CATERPILLAR INC.
Subsidiaries and Affiliated Companies
(as of December 31, 2014)

Subsidiaries (51% or more ownership)	
<u>Name of Company</u>	<u>Where Organized</u>
Adex Zonex Pte. Ltd.	Singapore
Advanced Tri-Gen Power Systems, LLC	Delaware
Amoixa Limited	Cayman Islands
Anchor Coupling Inc.	Delaware
Ankexin Ex Consulting (Beijing) Co., Ltd.	China
Asia Power Systems (Tianjin) Ltd.	China
AsiaTrak (Tianjin) Ltd.	China
Banco Caterpillar S.A.	Brazil
Berg Propulsion Germany GmbH	Germany
Broadland Radiators and Heat Exchangers Limited	England and Wales
Bucyrus (Huainan) Machinery Co., Ltd.	China
Bucyrus Australia Surface Pty. Ltd.	Australia
Bucyrus Australia Underground Holdings Pty Ltd	Australia
Bucyrus Australia Underground LAD Proprietary Limited	Australia
Bucyrus Botswana (Proprietary) Limited	Botswana
Bucyrus Equipment LLC	Delaware
Bucyrus Europe Holdings, Ltd.	England and Wales
Bucyrus International (Chile) Limitada	Chile
Bucyrus International (Peru) S.A.	Peru
Bucyrus International Hong Kong Limited	Hong Kong
Bucyrus Mining Australia Pty. Ltd.	Australia
Bucyrus Mining China LLC	Delaware
Bucyrus Wisconsin Property, LLC	Delaware
Cat Rental Kyushu Ltd.	Japan
Caterpillar (Africa) (Proprietary) Limited	South Africa
Caterpillar (Bermuda) Holding Company	Bermuda
Caterpillar (China) Financial Leasing Co., Ltd.	China
Caterpillar (China) Investment Co., Ltd.	China
Caterpillar (China) Machinery Components Co., Ltd.	China
Caterpillar (HK) Limited	Hong Kong
Caterpillar (Langfang) Mining Equipment Co., Ltd.	China
Caterpillar (Luxembourg) Investment Co. S.a.r.l.	Luxembourg
Caterpillar (Newberry) LLC	Delaware
Caterpillar (NI) Limited	Northern Ireland
Caterpillar (Qingzhou) Ltd.	China
Caterpillar (Shanghai) Trading Co., Ltd.	China
Caterpillar (Suzhou) Co., Ltd.	China
Caterpillar (Suzhou) Logistics Co., Ltd.	China
Caterpillar (Thailand) Limited	Thailand
Caterpillar (Tongzhou) Co., Ltd.	China

Caterpillar (U.K.) Limited	England
Caterpillar (Wujiang) Ltd.	China
Caterpillar (Zhengzhou) 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 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 Castings Kiel GmbH	Germany
Caterpillar Centro de Formacion, S.L.	Spain
Caterpillar China Limited	Hong Kong
Caterpillar Emissions Solutions Inc.	New Mexico
Caterpillar Commercial Australia Pty. Ltd.	Australia
Caterpillar Commercial Holding SARL	Switzerland
Caterpillar Commercial LLC	Delaware
Caterpillar Commercial Northern Europe Limited	England and Wales
Caterpillar Commercial S.A.	Belgium
Caterpillar Commercial S.A.R.L.	France
Caterpillar Commercial Services S.A.R.L.	France
Caterpillar Commerciale S.r.L.	Italy
Caterpillar Communications LLC	Delaware
Caterpillar Corporativo Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Credito, S.A. de C.V., SOFOM, E.N.R.	Mexico
Caterpillar DC Pension Trust Limited	England and Wales
Caterpillar Distribution International LLC	Russia
Caterpillar Distribution Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Distribution Services Europe B.V.B.A.	Belgium
Caterpillar East Japan Ltd.	Japan
Caterpillar East Real Estate Holding Ltd.	Japan
Caterpillar Elkader LLC	Delaware
Caterpillar Energy Solutions Asia Pacific Pte. Ltd.	Singapore
Caterpillar Energy Solutions GmbH	Germany
Caterpillar Energy Solutions Inc.	Delaware
Caterpillar Energy Solutions, S.A.	Germany
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 Leasing Pty Limited	Australia
Caterpillar Financial Australia Limited	Australia
Caterpillar Financial Commercial Account Corporation	Nevada
Caterpillar Financial Corporacion Financiera, S.A., E.F.C.	Spain
Caterpillar Financial Dealer Funding LLC	Delaware
Caterpillar Financial Funding Corporation	Nevada
Caterpillar Financial New Zealand Limited	New Zealand
Caterpillar Financial Nordic Services AB	Sweden
Caterpillar Financial Nova Scotia Corporation	Nova Scotia
Caterpillar Financial OOO	Russia
Caterpillar Financial Receivables Corporation	Nevada
Caterpillar Financial Renting, S.A.	Spain
Caterpillar Financial SARL	Switzerland
Caterpillar Financial Services (Dubai) Limited	United Arab Emirates
Caterpillar Financial Services (Ireland) plc	Ireland
Caterpillar Financial Services (UK) Limited	England
Caterpillar Financial Services Argentina S.A.	Argentina
Caterpillar Financial Services Asia Pte. Ltd.	Singapore
Caterpillar Financial Services Belgium S.P.R.L.	Belgium
Caterpillar Financial Services Corporation	Delaware
Caterpillar Financial Services CR, s.r.o.	Czech Republic
Caterpillar Financial Services GmbH	Germany
Caterpillar Financial Services Korea, Ltd.	Korea
Caterpillar Financial Services Leasing ULC	Alberta
Caterpillar Financial Services Limited Les Services Financiers Caterpillar Limitee	Canada
Caterpillar Financial Services Malaysia Sdn Bhd	Malaysia
Caterpillar Financial Services Netherlands B.V.	Netherlands
Caterpillar Financial Services Norway AS	Norway
Caterpillar Financial Services Philippines Inc.	Philippines
Caterpillar Financial Services Poland Sp. z o.o.	Poland
Caterpillar Financial UK Acquisition Funding Partners	England and Wales
Caterpillar Financial Ukraine LLC	Ukraine
Caterpillar Fluid Systems S.r.l.	Italy
Caterpillar Fomento Comercial Ltda.	Brazil
Caterpillar Forest Products Inc.	Delaware
Caterpillar France S.A.S.	France
Caterpillar GB, L.L.C.	Delaware
Caterpillar Global Mining America LLC	Delaware
Caterpillar Global Mining Colombia S.A.S.	Columbia
Caterpillar Global Mining Czech Republic, a.s.	Czech Republic
Caterpillar Global Mining Equipamentos De Mineracao do Brasil Ltda.	Brazil
Caterpillar Global Mining Equipment LLC	Delaware
Caterpillar Global Mining Europe GmbH	Germany
Caterpillar Global Mining Expanded Products Pty Ltd	Australia
Caterpillar Global Mining Field Services LLC	Delaware

Caterpillar Global Mining Germany Holdings GmbH	Germany
Caterpillar Global Mining Highwall Miners LLC	Delaware
Caterpillar Global Mining HMS GmbH	Germany
Caterpillar Global Mining Holdings GmbH	Germany
Caterpillar Global Mining Hong Kong AFC Manufacturing Holding Co., Limited	Hong Kong
Caterpillar Global Mining Hong Kong Limited	Hong Kong
Caterpillar Global Mining LLC	Delaware
Caterpillar Global Mining Mexico LLC	Delaware
Caterpillar Global Mining Mexico S. de R.L. de C.V.	Mexico
Caterpillar Global Mining Polska Sp. z o.o.	Poland
Caterpillar Global Mining Pty. Ltd.	Australia
Caterpillar Global Mining SARL	Switzerland
Caterpillar Global Mining Services Mexico S. de R.L. de C.V.	Mexico
Caterpillar Global Mining U.S. Parts LLC	Delaware
Caterpillar Global Mining Virginia LLC	Virginia
Caterpillar Global Services LLC	Delaware
Caterpillar Group Services S.A.	Belgium
Caterpillar Holding (France) S.A.S.	France
Caterpillar Holding Germany GmbH	Germany
Caterpillar Holding Ltd.	Bermuda
Caterpillar Hungary Components Manufacturing Ltd.	Hungary
Caterpillar Hydraulics Italia S.r.l.	Italy
Caterpillar Impact Products Limited	England and Wales
Caterpillar India Private Limited	India
Caterpillar Industrias Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Insurance Co. Ltd.	Bermuda
Caterpillar Insurance Company	Missouri
Caterpillar Insurance Holdings Inc.	Delaware
Caterpillar Insurance Services Corporation	Tennessee
Caterpillar International Finance Limited	Ireland
Caterpillar International Finance Luxembourg Holding S.a.r.l.	Luxembourg
Caterpillar International Finance Luxembourg, S.a.r.l.	Luxembourg
Caterpillar International Investments Coöperatie U.A.	Netherlands
Caterpillar International Ltd.	Bermuda
Caterpillar International Luxembourg I S.a.r.l.	Luxembourg
Caterpillar International Luxembourg II S.a.r.l.	Luxembourg
Caterpillar International Product SARL	Switzerland
Caterpillar International Services Corporation	Nevada
Caterpillar International Services del Peru S.A.	Peru
Caterpillar Investment Limited	Germany
Caterpillar Investment One SARL	Switzerland
Caterpillar Investment Two SARL	Switzerland
Caterpillar Investments	England and Wales
Caterpillar IPX LLC	Delaware
Caterpillar IRB LLC	Delaware
Caterpillar Japan Ltd.	Japan

Caterpillar Latin America Services de Mexico, S. de R.L. de C.V.	Mexico
Caterpillar Latin America Services de Panama, S. de R.L.	Panama
Caterpillar Latin America Services, S.R.L.	Costa Rica
Caterpillar Latin America Servicios de Chile Limitada	Chile
Caterpillar Latin America Support Services, S. DE R.L.	Panama
Caterpillar Leasing (Thailand) Limited	Thailand
Caterpillar Leasing Chile, S.A.	Chile
Caterpillar Leasing GmbH (Leipzig)	Germany
Caterpillar Leasing Operativo Limitada	Chile
Caterpillar Life Insurance Company	Missouri
Caterpillar Logistics (Shanghai) Co. Ltd.	China
Caterpillar Logistics (UK) Limited	England and Wales
Caterpillar Logistics Inc.	Delaware
Caterpillar Logistics ML Services France S.A.S.	France
Caterpillar Logistics Services (Tianjin) Ltd.	China
Caterpillar Logistics Services China Limited	Hong Kong
Caterpillar Luxembourg Group S.a.r.l.	Luxembourg
Caterpillar Luxembourg LLC	Luxembourg
Caterpillar Luxembourg 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 Matériels Routiers SAS	France
Caterpillar Mexico, S.A. de C.V.	Mexico
Caterpillar Mining Canada ULC	Canada
Caterpillar Mining Chile Servicios Limitada	Chile
Caterpillar Motoren (Guangdong) Co. Ltd.	China
Caterpillar Motoren GmbH & Co. KG	Germany
Caterpillar Motoren Henstedt-Ulzburg GmbH	Germany
Caterpillar Motoren Rostock GmbH	Germany
Caterpillar Motoren Verwaltungs-GmbH	Germany
Caterpillar North America C.V.	Netherlands
Caterpillar NZ Funding Parent Limited	Bermuda
Caterpillar of Australia Pty. Ltd.	Australia
Caterpillar of Canada Corporation	Canada
Caterpillar of Delaware, Inc.	Delaware
Caterpillar Operator Training Ltd.	Japan
Caterpillar Overseas Credit Corporation SARL	Switzerland
Caterpillar Overseas Investment Holding SARL	Switzerland
Caterpillar Overseas Limited	England and Wales
Caterpillar Overseas SARL	Switzerland
Caterpillar Panama Services S.A.	Panama
Caterpillar Paving Products Inc.	Oklahoma
Caterpillar Paving Products Xuzhou Ltd.	China
Caterpillar Pension Trust Limited	England and Wales

Caterpillar Poland Sp. z o.o.	Poland
Caterpillar Power Generation Systems (Bangladesh) Limited	Bangladesh
Caterpillar Power Generations Systems (Chile) SpA	Chile
Caterpillar Power Generations Systems L.L.C.	Delaware
Caterpillar Power Systems Inc.	Delaware
Caterpillar Power Ventures Corporation	Delaware
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 Propulsao Maritima do Brasil LTDA	Brazil
Caterpillar Propulsion AB	Sweden
Caterpillar Propulsion Singapore Pte. Ltd.	Singapore
Caterpillar Propulsion International Trading (Shanghai) Co. Ltd.	China
Caterpillar Propulsion Istanbul Makina Ticaret Limited Sirketi	Turkey
Caterpillar Propulsion Italy S.R.L.	Italy
Caterpillar Propulsion Namibia (Proprietary) Limited	Namibia
Caterpillar Propulsion Production Pte. Ltd.	Singapore
Caterpillar Propulsion Pte. Ltd.	Singapore
Caterpillar Propulsion Spain, S.L.	Spain
Caterpillar Propulsion Production AB	Sweden
Caterpillar Propulsion Sweden AB	Sweden
Caterpillar Propulsion Technology AB	Sweden
Caterpillar R&D Center (China) Co., Ltd.	China
Caterpillar Ramos Arizpe LLC	Delaware
Caterpillar Ramos Arizpe Servicios S.A. de C.V.	Mexico
Caterpillar Ramos Arizpe, S. de R.L. de C.V.	Mexico
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 Reynosa, S.A. de C.V.	Mexico
Caterpillar Sales Inc.	Delaware
Caterpillar SARL	Switzerland
Caterpillar Services Germany GmbH	Germany
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 Southern Africa (Pty) Ltd.	South Africa
Caterpillar Special Services Belgium S.P.R.L.	Belgium
Caterpillar Switchgear Holding Inc.	Georgia
Caterpillar Tianjin Ltd.	China
Caterpillar Tohuku Ltd.	Japan
Caterpillar Torreon S. de R.L. de C.V.	Mexico
Caterpillar Tosno, L.L.C.	Russia
Caterpillar Transmissions France S.A.R.L.	France
Caterpillar Tunnelling Canada Corporation	Canada
Caterpillar Tunnelling Canada Holdings Ltd.	Ontario
Caterpillar Tunnelling Europe Limited	England and Wales
Caterpillar UK Acquisition Partners LP	United Kingdom
Caterpillar UK Employee Trust Limited	England and Wales
Caterpillar UK Engines Company Limited	England and Wales
Caterpillar UK Group Limited	England and Wales
Caterpillar UK Holdings Limited	England and Wales
Caterpillar Undercarriage (Xuzhou) Co. Ltd.	China
Caterpillar Underground Mining Pty. Ltd.	Australia
Caterpillar Used Equipment Services Inc.	Delaware
Caterpillar Used Equipment Services International SARL	Switzerland
Caterpillar West Japan Ltd.	Japan
Caterpillar West Real Estate Holding Ltd.	Japan
Caterpillar Work Tools B.V.	Netherlands
Caterpillar Work Tools, Inc.	Kansas
Caterpillar World Trading Corporation	Delaware
Caterpillar Xuzhou Ltd.	China
Centre de Distribution de Wallonie SPRL	Belgium
Chemetron-Railway Canada Corporation	Ontario
Chemetron-Railway Products, Inc.	Delaware
EDC European Excavator Design Center Beteiligungs-GmbH	Germany
EDC European Excavator Design Center GmbH & Co. KG	Germany
Electro-Motive Canada Co.	Canada
Electro-Motive Diesel and Locomotive Company (Proprietary) Limited	South Africa
Electro-Motive Diesel International Corp.	Delaware
Electro-Motive Diesel Limited	England and Wales
Electro-Motive Diesel, Inc.	Delaware
Electro-Motive Locomotive Technologies LLC	Russia
Electro-Motive Maintenance Operations Pty Ltd	Australia
Electro-Motive Maintenance Services, S.A. de C.V.	Mexico
Electro-Motive Technical Consulting Co. (Beijing) Ltd.	China
EMC Holding Corp.	Delaware
EMD International Holdings, Inc.	Delaware
EMD Locomotive Company de Mexico, S.A. de C.V.	Mexico
EMD Locomotive Maintenance de Mexico, S.A. de C.V.	Mexico
EMD Locomotive Technologies Private Limited	India

Energy Services International Limited	Bermuda
Equipment Assurance Limited	Cayman Islands
Equipos de Acuna, S.A. de C.V.	Mexico
ERA Mining Machinery Limited	Hong Kong
Erduosi Siwei Dibite Mechanical and Electrical Equipment Co., Ltd.	China
F. Perkins Limited	England
FG Wilson (Engineering) Limited	Northern Ireland
GB Holdco (China), Inc.	Delaware
GFCM Servicios, S.A. de C.V.	Mexico
Hong Kong Siwei Holdings Limited	Hong Kong
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
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 Austria GmbH	Austria
MWM Benelux B.V.	Netherlands
MWM Canada Inc.	Canada
MWM Energy Australia Pty Ltd	Australia
MWM Energy Hungaria Kft.	Hungary
MWM France S.A.S.	France
MWM Latin America Solucoes Energeticas Ltda.	Brazil
MWM Real Estate GmbH	Germany
O & K Australia Pty. Ltd.	Australia
OOO Bucyrus Service	Russian Federation
Overseas Rail Holdings, B.V.	Netherlands
P. T. Caterpillar Finance Indonesia	Indonesia
P.T. Solar Services Indonesia	Indonesia
PEPR Inc.	Canada
Perkins Engines (Asia Pacific) Pte Ltd	Singapore
Perkins Engines Company Limited	England and Wales
Perkins Engines, Inc.	Maryland
Perkins Group Limited	England and Wales
Perkins Holdings Limited LLC	Delaware and England and Wales
Perkins India Private Limited	India
Perkins International Inc.	Delaware
Perkins Limited	England
Perkins Motoren GmbH	Germany
Perkins Motores do Brasil Ltda.	Brazil

Perkins Power Systems Technology (Wuxi) Co., Ltd.	China
Perkins Shibaura Engines (Wuxi) Co., Ltd.	China
Perkins Shibaura Engines Limited	England
Perkins Shibaura Engines LLC	Delaware
Perkins Technology Inc.	Delaware
Progress Metal Reclamation Company	Kentucky
Progress Rail Canada Corporation	Canada
Progress Rail Equipment Leasing Corporation	Michigan
Progress Rail Holdings, Inc.	Alabama
Progress Rail Inspection & Information Systems GmbH	Germany
Progress Rail Inspection & Information Systems S.r.l.	Italy
Progress Rail Leasing Canada Corporation	Canada
Progress Rail Leasing Corporation	Delaware
Progress Rail Leasing de Mexico, S. de R.L. de C.V.	Mexico
Progress Rail Locacao de Locomotivas Ltda.	Brazil
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
PT. Bucyrus Indonesia	Indonesia
PT. Caterpillar Indonesia	Indonesia
PT. Caterpillar Indonesia Batam	Indonesia
Pyroban (Suzhou) Safety Systems Co., Ltd.	China
Pyroban Benelux B.V.	Netherlands
Pyroban Corporation	New Jersey
Pyroban Envirosafe 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
Railcar, Ltd.	Georgia
S & L Railroad, LLC	Nebraska
SCM Singapore Holdings Pte. Ltd.	Singapore
Servicios Administrativos Progress S. de R.L. de C.V.	Mexico
Servicios de Turbinas Solar, S. de R.L. de C.V.	Mexico
Servicios Ejecutivos Progress S. de R.L. de C.V.	Mexico
Solar Turbines (Beijing) Trading & Services Co., Ltd.	China
Solar Turbines (Thailand) Ltd.	Thailand

Solar Turbines Canada Ltd./Ltee.	Canada
Solar Turbines Central Asia Limited Liability Partnership	Kazakhstan
Solar Turbines CIS Limited Liability Company	Russia
Solar Turbines EAME s.r.o.	Czech Republic
Solar Turbines Egypt L.L.C.	Egypt
Solar Turbines Europe S.A.	Belgium
Solar Turbines Incorporated	Delaware
Solar Turbines India Private Limited	India
Solar Turbines International Company	Delaware
Solar Turbines Malaysia Sdn Bhd	Malaysia
Solar Turbines Middle East Limited	Jebel Ali Free Zone
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
Solar Turbines West-Africa SARL	Gabon
SPL Software Alliance LLC	Delaware
Taiyuan Siwei Mechanical and Electrical Equipment Co., Ltd.	China
Tangshan DBT Machinery Co., Ltd.	China
Tecnologia Modificada, S.A. de C.V.	Mexico
Tokyo Rental Ltd.	Japan
Turbinas Solar de Venezuela, C.A.	Venezuela
Turbinas Solar S.A. de C.V.	Mexico
Turbo Tecnologia de Reparaciones S.A. de C.V.	Mexico
Turbomach Endustriyel Gaz Turbinleri Sanayi Ve Ticaret Limited	Turkey
Turbomach France SARL	France
Turbomach GmbH	Germany
Turbomach Netherlands B.V.	Netherlands
Turbomach Pakistan (Private) Limited	Pakistan
Turbomach S.A., Unipersonal	Spain
Turbomach S.r.L.	Italy
Turbomach SA	Switzerland
Turbomach Sp. Z o.o.	Poland
Turbomach-Solar de Colombia S.A.	Columbia
Turner Powertrain Systems Limited	England and Wales
UK Hose Assembly Limited	England and Wales
Underground Imaging Technologies LLC	Delaware
United Industries Corporation	Kentucky
Uptake Technologies, LLC	Delaware
VALA (UK) LP	England and Wales
VALA Inc.	Delaware
VALA LLC	Delaware
Vasky Energy Ltd.	Hong Kong
Veratech Holding B.V.	Netherlands
West Virginia Auto Shredding Inc.	West Virginia
Western Gear Machinery LLC	Delaware

Wisconsin Holdings Pty. Ltd.	Australia
Zeit Comercia e Montagem de Equipamentos Electronicos Ltda.	Brazil
Zhengzhou Siwei Marco Automatic Control System Co., Ltd.	China
Zhengzhou Siwei Mechanical and Electrical Equipment Sales Co., Ltd.	China
Zhengzhou Siwei Xingyang Machinery Manufacturing Co., Ltd.	China

Affiliated Companies (50% and less ownership)	
<u>Name of Company</u>	<u>Where Organized</u>
10G LLC	Delaware
Advanced Filtration Systems Inc.	Delaware
AFSI Europe s.r.o.	Czech Republic
AP Operation & Maintenance Limited	Jersey
Atlas Heavy Engineering Pty Ltd	Australia
Black Horse LLC	Delaware
Caterpillar Trimble Control Technologies LLC	Delaware
CSSC Motoren Anquig-Kiel Co., Ltd.	China
Datong Tongbi Machinery Company Limited	China
Electro-Motive Diesel Africa Proprietary Limited	South Africa
Heavy Haul Track Systems Joint Venture	Australia
Intelligent Switchgear Organization LLC	Delaware
Leading Edge Hydraulic Systems Co., Ltd.	China
M.O.P.E.S.A. Motores Power, S.A.	Mexico
Mitsubishi Caterpillar Forklift Asia Pte. Ltd.	Singapore
Neovia Logistics Administrative Services de Mexico, S. de R.L. de C.V.	China
Neovia Logistics Finance Corporation	United States
Neovia Logistics France S.A.S.	Mexico
Neovia Logistics Germany GmbH	Egypt
Neovia Logistics Holdings I S.a r l.	Luxembourg
Neovia Logistics Holdings II S.a r l.	Luxembourg
Neovia Logistics IP Holdings, LLC	United States
Neovia Logistics Limited Liability Company	Hungary
Neovia Logistics Real Estate Holdings, LLC	United States
Neovia Logistics Services (France) S.A.S.	France
Neovia Logistics Services (Shanghai) Co., Ltd.	China
Neovia Logistics Services (UK) Limited	England and Wales
Neovia Logistics Services Australia Pty Ltd	Australia
Neovia Logistics Services Canada Ltd.	Canada
Neovia Logistics Services de Mexico S. de R.L. de C.V.	Mexico
Neovia Logistics Services Egypt Ltd.	Egypt
Neovia Logistics Services India Private Limited	India
Neovia Logistics Services International LLC	Russia
Neovia Logistics Services International N.V.	Belgium
Neovia Logistics Services Polska Sp. z o.o.	Delaware
Neovia Logistics Services South Africa (Pty) Ltd.	Poland
Neovia Logistics Services Spain, S.A.	South Africa

Neovia Logistics Services, LLC	Belgium
Neovia Logistics Supply Chain Services GmbH	Germany
Neovia Logistics Supply Chain Services Italia S.r.l.	Italy
Neovia Logistics, LLC	United States
Neovia Solutions Brasil Servicos De Logistica Ltda.	Brazil
Shanxi Xishan Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd.	China
SPL Logistics France Sarl	France
SPL Logistics Germany GmbH	Germany
SPL Logistics Intermediate Holdings, LLC	United States
SPL Logistics UK Holdings Limited	England and Wales
Suzhou Liaoan Machinery Co., Ltd.	China
Tech Itoh Co., Ltd.	Japan
Terex NHL Mining Equipment Co. Ltd.	China
Turboservices SDN BHD	Malaysia
Vector Hydraulics Private Limited	India
VirtualSite Solutions LLC	Delaware
Xi'an FC Intelligence Transmission Co., Ltd.	China
Yeep Co.	Japan
Yuchai Remanufacturing Services (Suzhou) Co., Ltd.	China
Zoko Rail Services (Z.P.) Ltd.	Israel

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-184729, 333-43133, 33-46194, 333-22041, 333-43983, 333-57512, 333-136265, 333-71468, 333-135465, 33-40393, 33-39120, 333-159262, 333-162837, 333-135123), Form S-4 (Nos. 333-183774, 333-121003) and Form S-8 (Nos. 2-97450, 333-37353, 33-8003, 333-03609, 333-41464, 333-98197, 333-115837, 333-32853, 333-32851, 333-111355, 333-128342, 333-135467, 333-133275, 333-133266, 333-133265, 333-141548, 333-170405, 333-170403, 333-170399, 333-168894, 333-168868, 333-168867, 333-186742, 333-186744, 333-192766, 333-149123) of Caterpillar Inc. of our report dated February 17, 2015 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 17, 2015

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 17, 2015

/s/Douglas R. Oberhelman
(Douglas R. Oberhelman)

Chairman of the Board and
Chief Executive Officer

SECTION 302 CERTIFICATION

I, Bradley M. Halverson, certify that:

1. I have reviewed this annual report on Form 10-K of Caterpillar Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 17, 2015

/s/Bradley M. Halverson

(Bradley M. Halverson)

Group President and
Chief Financial Officer

**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, 2014 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 17, 2015

/s/Douglas R. Oberhelman
(Douglas R. Oberhelman)

Chairman of the Board and
Chief Executive Officer

February 17, 2015

/s/Bradley M. Halverson
(Bradley M. Halverson)

Group President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Caterpillar Inc. and will be retained by Caterpillar Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

