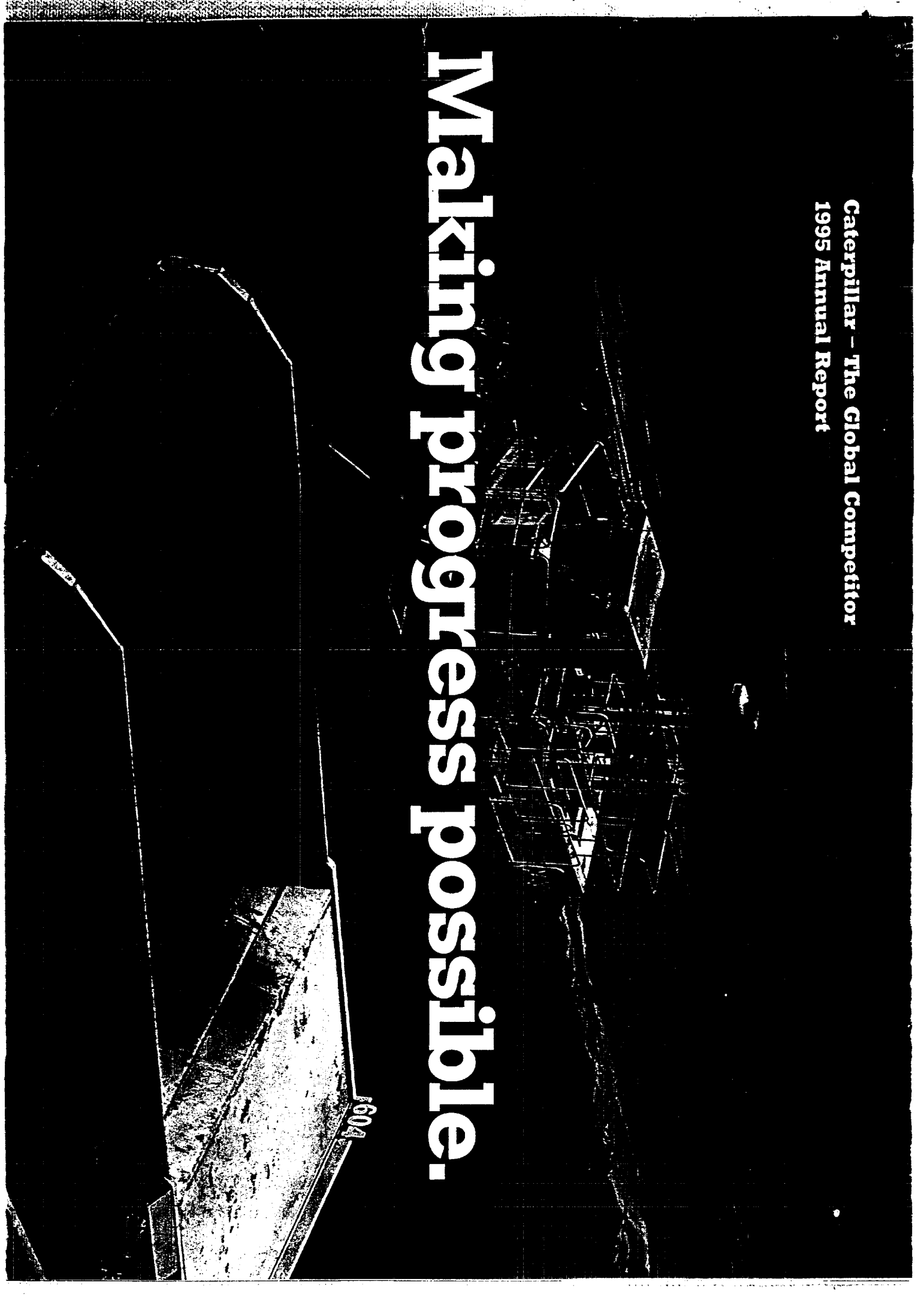


**Caterpillar – The Global Competitor
1995 Annual Report**

Making progress possible.

1604

CATERPILLAR



Caterpillar people – employees and dealers – design, manufacture, market, finance and provide support for Cat machines and engines. And those Cat products help make progress possible around the world.

Construction, Mining and Agricultural Machinery: Cat construction machines are used to build, maintain and rebuild the world's infrastructure – highways, dams, airports, water and sewer systems, office complexes and housing developments. Our mining machines help extract and deliver needed raw materials. Our agricultural tractors till the world's soil.

Engines: Cat engines provide power to the world – for on-highway trucks, ships and boats,

Company Profile

locomotives, and construction, mining and agricultural equipment. Through electrical

power generating systems, they supply power to those who would otherwise go without – developing areas that don't yet have utility power grids, off-shore drilling rigs, huge mines nestled in remote deserts or mountain ranges, communities in isolated areas. Other systems provide emergency power to hospitals, schools, factories, office buildings and airports. Solar™ turbines are used to produce, process and transport crude oil and natural gas, and to provide electrical power in many different industries.

Financial Products: Caterpillar Financial Services Corporation and its subsidiaries offer a wide variety of financing options to help Cat customers worldwide acquire and use Cat and related equipment. Caterpillar Insurance Services Corporation provides various forms of insurance to Cat customers and dealers to help support their purchase and financing of Cat equipment.

FINANCIAL HIGHLIGHTS

Years Ended December 31
(Dollars in millions except per share data)

	1995	1994	Change
Sales and revenues	\$ 16,072	\$ 14,328	\$ 1,744
Profit	\$ 1,136	\$ 955	\$ 181
Profit per share of common stock	\$ 5.72	\$ 4.70	\$ 1.02
Dividends declared per share of common stock	\$ 1.30	\$.63	\$.67
Capital expenditures - excluding equipment leased to others	\$ 464	\$ 501	\$ (37)
Research and engineering expenses	\$ 532	\$ 435	\$ 97
Year-end employment	54,352	53,986	366
Average shares of common stock outstanding	198,429,128	202,975,196	(4,546,068)

ON THE COVER: Nearly 90 Cat machines at the Itabira mine complex in Brazil helped CVRD, the world's leading iron ore producer, establish record production of almost 106 million tons of iron ore in 1995. More than 70 percent of CVRD ore, mined by machines like the 994 and 789B, is exported for use around the world.

It was a year of record. In sales and profits, exports, market performance, shareholder value and improvements to the best product line in our history. For good reason. We've made our factories the most modern in our industry. Streamlined product development. Adopted continuous improvement as a way of life. Emphasized return on assets. Built all those changes on the foundation of a reorganized company, driven by performance – not function. Finally, our dealers continue to serve customers in ways our competitors don't come close to, which gives us our true competitive advantage in the marketplace. What about the future? With our dealers, we plan to move as far and as fast as external conditions allow us. We'll continue to recruit, train and retain qualified, capable people. Make quality a priority in everything we do. Stress customer satisfaction, both external and internal. Remain flexible and move quickly to take advantage of market opportunities. Stay focused on the global market. Continue to operate in business arenas where we can lead. And we'll do it all with two continuing priorities – the customer and the bottom line. If we satisfy both, shareholder satisfaction will almost certainly follow. So far, the 1990s have been a remarkable decade for Caterpillar. We've renewed our confidence, our financial strength and our worldwide momentum. We're the recognized leader in a tough global market. And we're determined to stay competitive and profitable no matter what the future holds.



WYSE-SEE
 -BOSTON-

Donald V. Fites

Donald V. Fites, Chairman





of an outstanding year.

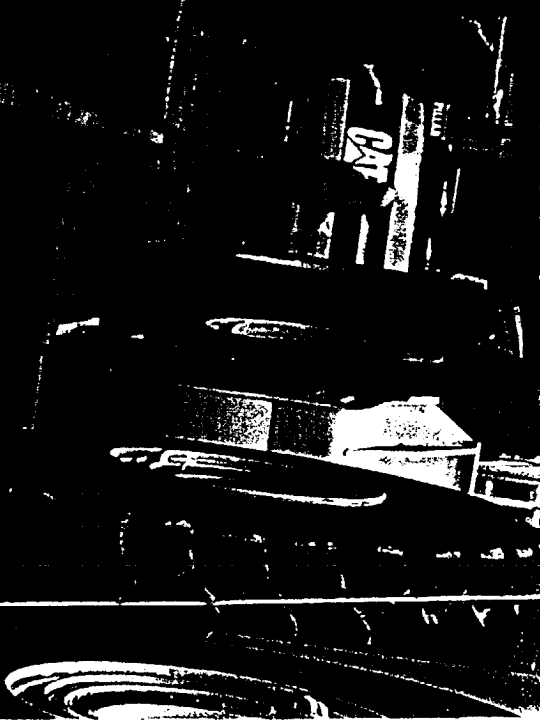
Mexico's MICARE coal mine provides fuel for more than 10 percent of that country's electrical generation. It also generates jobs for 3,000 people directly. 5,000 indirectly. MICARE uses a fleet of Cat equipment - 65 pieces - from gen sets to mining trucks to track-type tractors.

CATERPILLAR

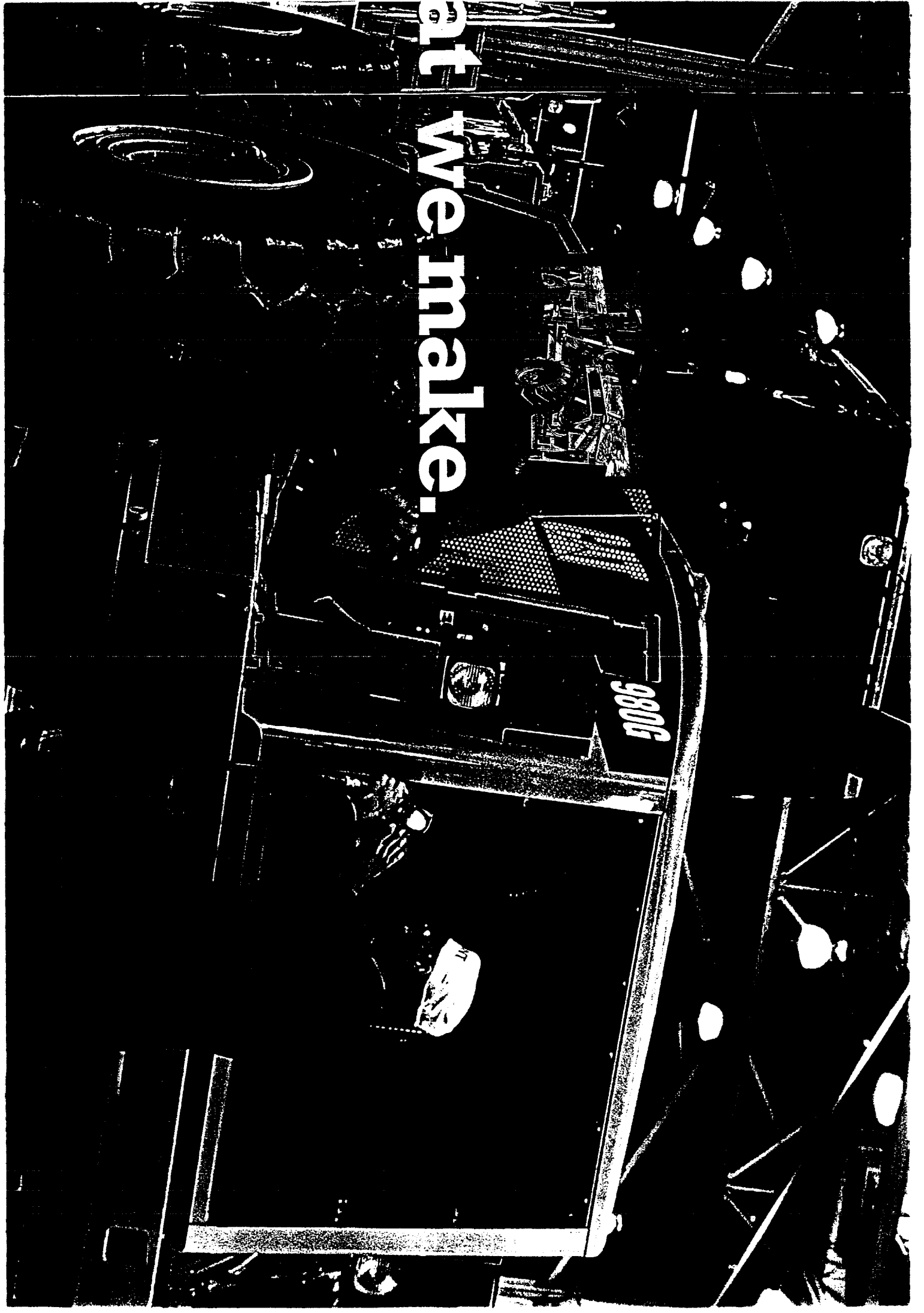
CAT

Australia, Illinois, employees put the finishing touches on the 980C, the first in a series of newly-designed wheel loaders. The G-series machines will further strengthen the company's leadership in worldwide wheel loader sales.

Proud of what we



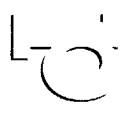
at we make.






Proud of what we make

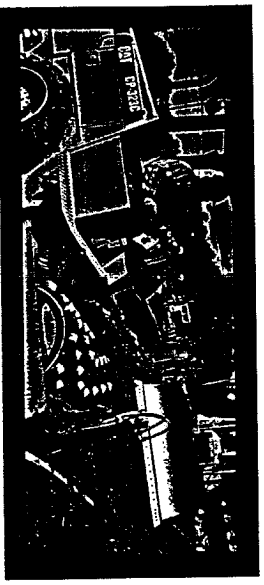
Bound
ton Sol
loaded
Turbof
turbine
cubic f
ing ene





Bound for an oil rig in the Gulf of Mexico, this 490-ton Solar turbine compression module is being loaded on an ocean-going barge at the Solar TurboFab facility in Houston, Texas. The Solar turbines and compressors will compress 100 million cubic feet of natural gas a day, eventually providing energy for American homes and industries.

KE Possibilities



Long-haul trucks, powered by Cat engines, criss-cross the United States daily with food and supplies to keep America going. Cat loaders and trucks move millions of cubic yards of radioactive soil from an old uranium mine near Gera, Germany, reclaiming the land for future generations. It happens every day. In nearly every country around the world. Caterpillar® machines and engines working to improve lives. Building or repairing highways and dams and water systems. Providing power to homes, businesses and industry. Excavating and hauling valuable minerals. Helping farmers plant and harvest. Laying down new roads and repaving old ones. Cat products have been making progress possible since the company's formation in 1925. Through seven decades, we've built better machines and engines – and we've discovered better and quicker ways to develop new products. In the last five years alone, we've introduced 220 new or improved products to our customers. The Cat tradition of quality has continued, too. But we've revolutionized our approach, making quality an integral part of the process. Part of everyone's job, not just the job of a few. Surveys show customer satisfaction at high levels. Even so, we're working daily to improve in the factory and in the office. In everything we do. Provide products and services of superior value – that's part of the Caterpillar mission. But for Cat employees, it goes without saying. A new employee knows it the first time he or she sees a Cat machine working. It's pride in the product. In what the product does. We've made the best for 70 years. We wouldn't have it any other way.



Buy the iron, g





n, get the company.

Eight 994s work with 42 Cat mining trucks loading and hauling iron ore in CVRD's Caeté, Conceição and Timbopeba mines in Brazil. Cat equipment also plays a vital role in CVRD's pioneering environmental efforts, helping reclaim valuable mining land for future generations.

And am outstanding dealer.

11

Tractor:
Cheong
3508-TK
ered to
Cheong
going to
provide





TR The World

Tractor Malaysia (TMB) Senior Mechanic Tham Kee Cheong runs through a checklist as he tests the 3508-TA standby power generator before it's delivered to a customer. The TMB testing facility and Cheong's attention to detail are typical of the ongoing investment and commitment that Cat dealers provide customers.

Their common need – Cat machines and engines that perform whenever they're needed – even around the clock. That means quick parts delivery and service. Down the street or on the other side of the world – in a new Florida neighborhood, the Brazilian tropics, a coal mine in China, or in downtown Berlin – wherever there's work to be done. We provide that service with a distribution system that covers the world. There is no other like it. At its core, 186 Cat dealers serving 197 countries. Dealers who live where they work, business leaders in their own communities. Who know and understand their customers' needs. Who have made the multi-million dollar investments necessary to serve those customers well. Who are committed to servicing a product throughout its life, monitoring its health and scheduling maintenance and repairs, minimizing the customers' costs of doing their work. Whose success is measured by the success of their customers. We support dealer personnel with the latest technology. Things like our Cat Vital Information Management System (VIMS), a diagnostic tool that monitors and manages vital signs on our larger machines. Or Cat PC multi-user software, which provides more than 1,000 authorized truck engine dealers in North America access to parts and service history and repair information from our mainframe. We work with our dealers to establish a parts and service presence at the sites of major operations. Like the Cyprus Sierrita copper mine in Arizona where Empire Machinery maintains a full-time staff to keep Cat machines up and running. Our dealers provide training for customers' operators, help them with financing, advise them on the most productive use of their Cat machines – whatever is needed. Our dealer network and distribution system is unmatched by anyone else in our industry and the envy of most outside it. We intend to keep it that way.



When Ontario's new toll road is completed just north of Toronto, it will relieve traffic congestion which now costs business and industry there C\$2 billion a year. Contractors are using nearly 100 pieces of Cat equipment to construct the 69 km section

of Highway 407.

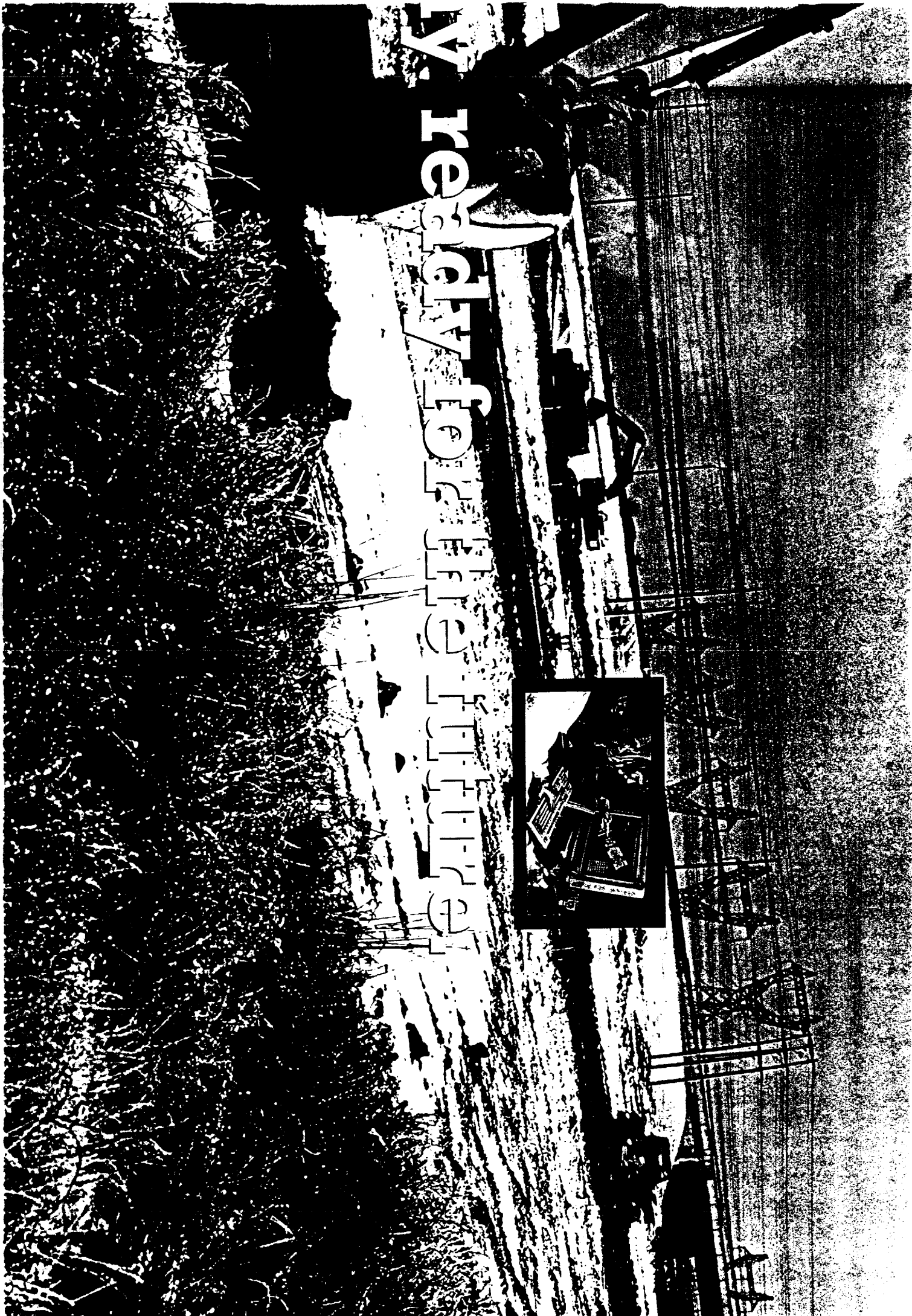
A global company re

16.121

CAT

D4900

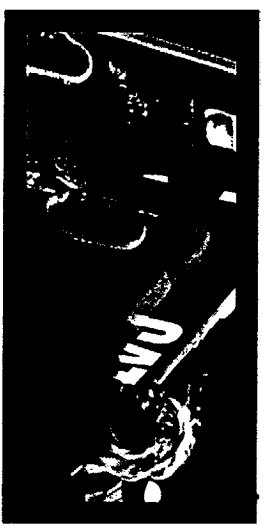
Yreka for the future



Same with mining. And power generation. It's true of all the industries we serve. So the people in those businesses who buy our machines and engines – our customers – expect us to more than keep pace. To supply them with products and services that allow them to serve their customers better. We're doing it. We've set up a decentralized corporate structure based on products and geography. Individual divisions make their own product and sales decisions that reflect the special needs of their customers and the nature of their products. Because each division knows its customers best – and can respond to them quickly and meaningfully. We've given divisions the resources they need. Our factories are the most modern in our industry. We've ensured that our design and manufacturing systems stay on the leading edge. Doing things like pioneering the use of virtual reality in product development. Or using three-dimensional engineering design software to create and test a product digitally before building prototypes. That saves time and money, and gets customers involved early in the design process. It's easier for customers to buy our equipment. Through Cat Financial's growing global enterprise (a \$6 billion managed portfolio) and through barter arrangements worked out by Cat World Trade, Cat customers have a wide range of financing alternatives. Caterpillar has been a leading global player for most of this century. As the world changes, we will develop new strategies to stay in front. Designing and manufacturing better product. Establishing a long-term presence in developing countries. Refining our distribution network. Strategies that will help us lead our industry into the next century.

Vernon Turner farms wheat, corn and cotton on nearly 2,000 acres of land near Muldoon, Texas. With the Challenger 45 and 55, he can hit the fields sooner and faster, save fuel, reduce compaction and increase yields.

Exciting to



meet customer needs.

GAT

88



Donald V. Files is chairman and CEO of Caterpillar Inc. His 40 years with Caterpillar include 16 years in Europe, Africa, South America and Asia. Elected chairman in 1990, Mr. Files has led the company's reorganization, which has resulted in a greater return on assets, better use of resources and a greater focus on customers. He serves as a director of Mobil Corporation, First Chicago NBD Corporation, National Association of Manufacturers, and Georgia-Pacific Corporation, and is chairman of the U.S.-Japan Business Council. He has been a Caterpillar director since 1986.

Lilyan H. Affinito is the former vice chairman of Maxxam Group Inc. She is actively involved on the boards of numerous companies and organizations, among them Jostens Inc., Mayo Foundation, Chrysler Corporation, Tambrands, Inc. and Kmart Corporation. She has been a director since 1980.

W. Frank Blount is president and CEO of Telstra Corporation, providing telecommunications and electronic information services to Australia and an increasing portion of the Far East. A long-time executive for both AT&T and the previous Bell System, he is a director of Ennergy Corporation, the LXE Corporation, the First Union National Bank of Georgia, and is a member of the Business Council of Australia and the Business-Higher Education Roundtable of Australia. He was elected a director in 1995.

John W. Fondahl retired in 1990 as the Charles H. Leavell Professor of Civil Engineering at Stanford University. In 35 years at Stanford, he served as a visiting professor at universities in Australia, Chile, Colombia, Denmark, South Africa and Switzerland. He has served on the Caterpillar board since 1976.

David R. Goode is chairman, president and CEO of Norfolk Southern Corporation, a holding company whose subsidiaries provide surface transportation. Elected a Caterpillar director in 1993, he also serves as director for TRINOVA Corporation, Georgia-Pacific Corporation, Texas Instruments Incorporated and the Association of American Railroads.

James P. Gorter is chairman of the board of Baker, Fennessy, & Company, a closed-end investment company. Mr. Gorter joined Goldman, Sachs & Co. in 1956, became a general partner in 1965, and a limited partner in 1988. He has been a Caterpillar director since 1990.

Jerry R. Jenkins is chairman, president and CEO of Texas Instruments Incorporated, one of the world's leading high-technology companies. A member of the Business Roundtable, the Business Council and the U.S.-Japan Business Council, Mr. Jenkins was elected a Caterpillar director in 1988, and is also a director of Procter & Gamble and 3M.

Peter A. Magowan is chairman of Safeway Inc., and president and managing general partner of the San Francisco Giants. During his 27 years at Safeway, his responsibilities have included managing the company's international operations. He is a director of the Chrysler Corporation and The Vons Companies, and has been a Caterpillar director since 1993.

Gordon R. Parker retired as chairman of the Newmont Mining Corp. at the end of 1994 after an association with that company that lasted 40 years. He retired as CEO in 1993 after serving in both positions since 1986. A native of South Africa, Mr. Parker is vice chairman of the American Mining Congress, director of the Williams Companies, Inc., Phelps Dodge Corporation and Gold Fields of South Africa Limited, and past chairman of the World Gold Council. He was elected a Caterpillar director in late 1994.

George A. Schaefer was the chairman and CEO of Caterpillar from 1985 to 1990. During his tenure, Caterpillar launched its successful plant modernization program and its corporate reorganization. A Caterpillar director since 1983, he also serves as a director of Aon Corporation and McDonnell Douglas Corporation, among others.

Operating Division

Joshua I. Smith is chairman and CEO of the MAXIMA Corporation, a computer systems and management information products and services firm. He started MAXIMA in 1978 and has developed it into a major supplier of information technology. A Caterpillar director since 1993, Mr. Smith also serves as a director of Inland Steel Corporation and Federal Express Corporation.

Clayton K. Yautner has had a distinguished career in the private sector and in government, most recently as Counselor to President George Bush. He also served as U.S. Secretary of Agriculture and as U.S. Trade Representative. Prior to that he was president and CEO of the Chicago Mercantile Exchange. Except for a short period in 1992, he has served on the Caterpillar board since 1991. He is also a director of ConAgra, Texas Instruments Incorporated, FMC, B.A.T. Industries and the Oppenheimer Funds.



Michael A. Flexsenhar is a new vice president with responsibility for the Mining and Construction Equipment Division in Decatur, Illinois. A 30-year company veteran, Flexsenhar most recently headed up operations at the Large Engine Center in Lafayette, Indiana, a position he held for eight years. He's also held managerial positions at six Cat facilities in both the United States and England. He has a degree in mechanical engineering from Bradley University.



John E. Pfeiffer is a new vice president and chairman of Shin Caterpillar Mitsubishi Ltd. He most recently was manager of the York, Pennsylvania, plant from 1993 to 1995 and president of our Mexican subsidiary, CONEK S.A. de C.V., from 1991 to 1993. In 28 years with the company, he has also held a variety of posts with the North American Commercial Division. He has degrees from Santa Clara University and the American Graduate School of International Management in political science and foreign trade, respectively, and was a Sloan Fellow at the Massachusetts Institute of Technology.



W. Frank Blount, president and CEO of Telstra Corporation, was elected a director in 1995. Telstra provides telecommunications and information services to Australia and an increasing portion of the Far East. He has served as chairman of the National Institute for the Deaf and of the Advisory Board of the Georgia Institute of Technology, and has been a trustee of the Rochester Institute of Technology. He also has been an executive for both AT&T and the previous Bell System and CEO of the New American Schools Development Corporation.



Walter H. Helmerich, III, retired in 1995 after 13 years as a Caterpillar director. He is the chairman of Helmerich & Payne, Inc., a company specializing in well drilling, and crude oil and natural gas production.



James W. Wogslund retired in 1995 as both vice chairman and a director. His distinguished career at Cat spanned almost four decades, nearly half of that time spent in key overseas assignments. He advanced through numerous finance positions before becoming secretary-treasurer of Caterpillar Overseas S.A. in Geneva in 1970. He subsequently became treasurer of Caterpillar Tractor Co., director-president of Caterpillar Brasil S.A. and then executive vice president before being named vice chairman in 1990. Mr. Wogslund was elected a director in 1987.

Robert C. Dryden and **Keith G. Johnson** both retired in 1995 as vice presidents after long and distinguished careers with Caterpillar. Mr. Dryden served for 36 years, the last five as vice president with responsibility for Component Products. He was succeeded by Gary A. Stroup, who had been vice president with responsibility for the Mining and Construction Equipment Division. Mr. Johnson's Caterpillar career spanned more than four decades. His most recent assignment was vice president and chairman of Shin Caterpillar Mitsubishi Ltd. He was succeeded by John E. Pfeiffer.

Office/Director Listing

Officers

Chairman/CEO

Donald V. Fites

Group Presidents

Glen A. Barron

Gerald S. Flaherty

James W. Owens

Richard L. Thompson

Vice Presidents

R. Rennie Atterbury III

James W. Baldwin

Vito H. Baumgartner

James S. Beard

Richard A. Benson

Ronald P. Bonati

James E. Despain

Roger E. Fischbach

Michael A. Flexsenhar

Donald M. Ings

Duane H. Livingston

Douglas R. Oberhelman

Gerald Palmer

Robert C. Peterson

John E. Pfeiffer

Siegfried R. Ramseyer

Alan J. Rassi

Gerald L. Shaheen

Gary A. Stroup

Sherril K. West

Donald G. Western

Wayne M. Zimmerman

General Counsel and Secretary

R. Rennie Atterbury III

Controller

Robert R. Gallagher

Treasurer

F. Lynn McPeters

Assistant Treasurer

Robin D. Berman

Assistant Secretaries

Mary J. Callahan

Laurie J. Huynh

Track-Type Tractors

As Caterpillar's first product family, track-type tractors are used for a wide variety of construction, mining, forestry, agricultural and industrial jobs. Most of them feature the elevated sprocket design, a Caterpillar exclusive. Waste disposal configurations are available, as well as low ground pressure models and pipelayers. Track-type tractors range in size from the 70HP D3C to the 770HP D11R.



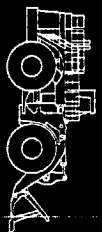
Track-Type Loaders

Designed for excavating and loading applications, Cat track-type loaders come in five basic models, including waste disposal configurations.



Wheel Loaders

Larger Cat loaders are matched with Cat trucks for loading and hauling in mining and construction applications. Smaller loaders are used in many applications, primarily building construction and aggregate production. Loaders range in size from the 90HP 914G to the 1,250HP 994.



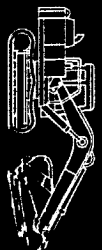
Integrated Toolcarriers

Integrated toolcarriers can doze, plow, dump, haul, lift, grapple, reach, stack, load, place, grade and sweep...using the customer's choice of more than 100 tools and attachments to customize the machine to the job.



Excavators

A very versatile machine, the excavator has become the most popular construction machine worldwide. Cat excavators are available with a wide variety of sticks and booms, undercarriages, buckets and other attachments - with operating weights from 8 tons (7 metric tons) to 83 tons (75 metric tons). Excavators perform many different tasks - trenching, excavating, pipelaying, forestry, materials handling and many more.



Trucks

The Cat of the needs of construction. Mining and from the 40 to the 240-ton. Articulated variety of use in construction and handling.



Caterpillar: \$

Corporate

Headquarters:

Peoria, Illinois

Marketing

Headquarters:

Inside the United States

San Diego, California

Mossville, Illinois

Peoria, Illinois

Outside the United States

Melbourne, Australia

Gosselies, Belgium

Practicaba, Brazil

Hong Kong

Tokyo, Japan

Singapore

Geneva, Switzerland

Financial Products

Locations:

Headquarters

Nashville, Tennessee

Inside the United States

Phoenix, Arizona

Atlanta, Georgia

Chicago, Illinois

Baltimore, Maryland

Dallas, Texas

Outside the United States

Melbourne, Australia

Calgary, Canada

Toronto, Canada

Copenhagen, Denmark

London, England

Paris, France

Leipzig, Germany

Munich, Germany

Dublin, Ireland

Mexico City, Mexico

Oslo, Norway

Lisbon, Portugal

Madrid, Spain

Stockholm, Sweden

Manufacturing

Locations:

Inside the United States

Gardena, California

San Diego, California

Jacksonville, Florida

Jefferson, Georgia

Aurora, Illinois

Champaign, Illinois

Decatur, Illinois

DeKalb, Illinois

Dixon, Illinois

East Peoria, Illinois

Joliet, Illinois

Mapleton, Illinois

Mossville, Illinois

Peoria, Illinois

Pontiac, Illinois

Sterling, Illinois

Lafayette, Indiana

Wamego, Kansas

Menominee, Michigan

Minneapolis, Minnesota

New Ulm, Minnesota

Boonville, Missouri

Clayton, North Carolina

Franklin, North Carolina

Leland, North Carolina

Dallas, Oregon

York, Pennsylvania

Greenville, South Carolina

Dyersburg, Tennessee

Rockwood, Tennessee

Houston, Texas

Outside

Burnie,

Melbou

Gosselie

Practic

Cambr

Shangh

Xuzhou

Lestec

Peterle

Stockto

Grenob

Rantfig

Godollo

Bangal

Bombay

Jakarta

Bazzano

Trucks

The Cat off-highway truck line meets the needs of a wide range of mining, construction and aggregate customers. Mining and construction trucks range from the 40-ton (36-metric ton) 769C to the 240-ton (218-metric ton) 793B. Articulated trucks are available in a variety of sizes and axle options for use in construction, mining, quarry and landfill applications.



Scrapers

Wheel tractor scrapers are widely used to excavate, haul and spread material in construction, mining operations and landfills. They come in five configurations: standard, tandem-powered, elevating, auger and push-pull.



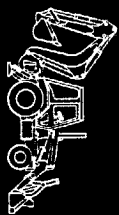
Motor Graders

A familiar sight on road building and road maintenance projects around the world, Cat motor graders are also valuable on other construction, mining and maintenance projects. They are available in nine models, ranging in size from the 125HP 120H to the 500HP 241L.



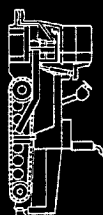
Backhoe Loaders

These are among the most versatile machines in the construction industry. Equipped with a front shovel and a rear backhoe, the six models of Cat backhoe loaders are used to dig trenches and foundations, and to load, doze and backfill material.



Paving Products

The Cat paving products line includes machines for most paving operations — profiling, soil and asphalt compaction, asphalt paving, reclaiming and stabilizing.



Agric

The Cat is revol world Mobil-d combin improv compac



Setting the industry standard

Outside the United States

Burnie, Australia'
Melbourne, Australia
Gosselies, Belgium
Piracicaba, Brazil
Cambridge, Canada'
Shanghai, China'
Xuzhou, China'
Leicester, England
Peterlee, England
Stockton, England
Grenoble, France
Rantigny, France
Godollo, Hungary'
Bangalore, India'
Bombay, India'
Jakarta, Indonesia'
Bazzano, Italy

Akashi, Japan'

Sagamihara, Japan'
Monterrey, Mexico
Tijuana, Mexico
St. Petersburg, Russia'

Remanufacturing and Overhaul Facilities:

Inside the United States
Corinth, Mississippi
DeSoto, Texas
Mabank, Texas
Outside the United States
Melbourne, Australia
Gosselies, Belgium
Edmonton, Canada
Nuevo Laredo, Mexico
Tijuana, Mexico

Parts & Service Support

Center:

Morton, Illinois

Distribution Centers:

Inside the United States
Denver, Colorado
Morton, Illinois
York, Pennsylvania
Outside the United States
Melbourne, Australia
Grimbergen, Belgium
Piracicaba, Brazil
Beijing, China
Sagamihara, Japan'
Monterrey, Mexico
Moscow, Russia
Singapore

Regional Distribution

Centers:

Inside the United States
Anchorage, Alaska
Hayward, California
Los Angeles, California
Miami, Florida
Atlanta, Georgia
Indianapolis, Indiana
New Orleans, Louisiana
St. Paul, Minnesota
Kansas City, Missouri
Memphis, Tennessee
Dallas, Texas
Spokane, Washington
Outside the United States
Toronto, Canada

CLS* Distribution

Centers:

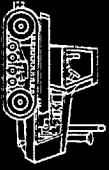
Inside the United States
Hayward, California
Los Angeles, California
Union City, California
Atlanta, Georgia
Champaign, Illinois
Joliet, Illinois
Moline, Illinois
Morton, Illinois
Greenfield, Indiana
Indianapolis, Indiana
Reno, Nevada
Cincinnati, Ohio
Lancaster, Ohio
Sharonville, Ohio
Allentown, Pennsylvania

York,
Memp
Nashv
Dallas
Outside
Melbo
Pauze
Guelph
Saskat
Toron
Leices
Manch
Metz,
Bologn
Sagam
Almere
Singap
Madri

s line includes
 ge operations
 all compact-
 mining and

Agricultural Tractors

The Challenger™ family of tractors is revolutionizing farming practices worldwide. Equipped with Cat's Mobil-trac™ system, the tractors combine speed and mobility with improved traction and low compaction.



Forest Machines

Caterpillar provides a variety of machines for use in forest applications, including log loaders, feller bunchers and skidders. Cat forest machines harvest trees, skid and load logs, and handle many jobs for the forestry and millyard industries.



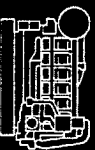
Wheel Tractors and Compactors

Wheel tractors are used in applications where the mobility of wheels (instead of tracks) is required. Compactors are a configuration of wheel tractors, using steel wheels to compact the earth for construction applications. Landfill compactors are specially designed to work on landfill sites.



Engines

Cat reciprocating engines provide power for medium and heavy-duty on-highway trucks, stationary and mobile industrial applications, marine propulsion and auxiliaries, construction and mining and agricultural equipment, electric power generation, locomotives and more. The seven families of Cat diesel and spark-ignited engines range from 40HP to 8,050HP.



Solar™ Turbines

The Solar line of gas turbines, rated from 1,340HP (1000 kW) to 15,000HP (11 200kW), plays an important role in the development of natural gas and oil projects around the world. Solar gas turbine-powered compressor sets, pump-drive packages and generator sets are also widely used in industrial applications.



World around the world.

York, Pennsylvania

Memphis, Tennessee
 Nashville, Tennessee
 Dallas, Texas

Outside the United States

Melbourne, Australia
 Peurs, Belgium
 Guelph, Canada
 Saskatoon, Canada
 Toronto, Canada
 Leicester, England
 Manchester, England
 Metz, France
 Bologna, Italy
 Sagamihara, Japan
 Almere, The Netherlands
 Singapore
 Madrid, Spain

Training Centers and Demonstration Areas:

Inside the United States

Tucson, Arizona
 San Diego, California
 East Peoria, Illinois
 Edwards, Illinois

Outside the United States

Melbourne, Australia
 Piracicaba, Brazil
 Chichibu, Japan*
 Sagamihara, Japan*
 Monterrey, Mexico
 Singapore
 Malaga, Spain

Technical Center:

Mossville, Illinois

Proving Grounds:

Inside the United States
 Tucson, Arizona
 Peoria, Illinois
 Outside the United States
 Ono, Japan*

*Facilities of affiliated companies (50%-or-less owned)

*Partly-owned subsidiaries (more than 50%, less than 100%)

*Caterpillar Logistics Services, Inc.

Caterpillar® Dealers

	Inside U.S.	Outside U.S.	Worldwide
Full-line Dealers	65	121	18
Branch Stores	358	776	1,13
Employees	28,976	44,659	73,63
Service Bays	5,810	4,426	10,23
Estimated Net Worth	\$2.20 Billion	\$2.79 Billion	\$4.99 Billio

Record sales and revenues of \$16.07 billion. Record profit of \$1.14 billion. Record

U.S. exports of \$5.13 billion. Continued record worldwide market share. The final tally — sales and revenues were up 12

percent from last year's record level. Profit was up 19 per-

cent. U.S. exports were up 14 percent. Our sales inside

the United States were up six percent to \$7.42 billion,

mostly on the strength of higher industry demand and

increased prices. Sales of machines to end-users were higher

in construction and in most commodity sectors. Engine

sales were up, reflecting higher industry demand for diesel

and gas engines. Turbine sales remained near 1994 levels.

U.S. exports reached record levels in

1995, reinforcing Caterpillar's determination to be globally

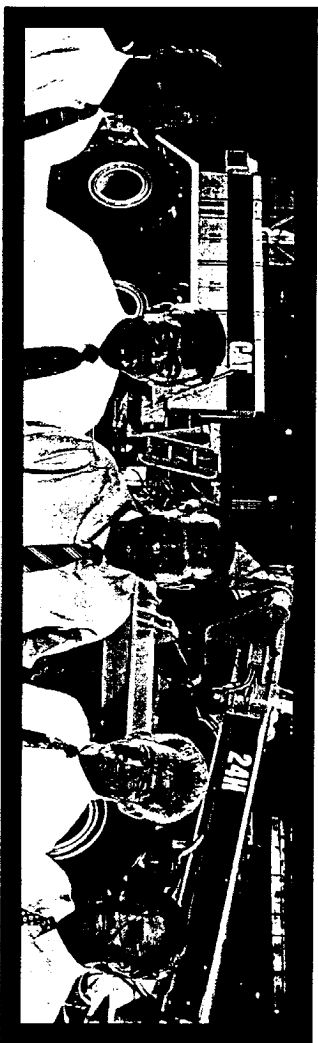
competitive from a U.S. manufacturing base and strengthening our role as a leading U.S. exporter. On the strength of those

exports, sales outside the United States were up 17 percent to \$8.03 billion. Europe, Africa/Middle East and Asia recorded

the largest increases in sales volume for machines. Engine sales were up in all major applications, particularly in electric

power generation. Turbine sales were up in key applications, including oil and gas and industrial power generation, with the

largest gain in Latin America. Cat Financial's larger portfolio produced record revenues of \$621 million, up 33 percent.



Investment

Caterpillar's executive officers at the Large Mining Products Center in Joliet, Illinois, with the first 24H, the newest and largest motor grader. Chairman and CEO Donald V. Fites, center, with group presidents Richard L. Thompson, Glen A. Barton, Gerald S. Flaherty and James W. Owens.

Our

1

2

3

4

5

6

7

8

9

10

11

12

13



Review of Operations

, with
rites,
y and

Without them, we would not have achieved the record-

setting sales, profit and worldwide market share. Key to that success is our decentralized corporate organization, put in place at the beginning of the decade. With it we've developed a keen focus on two synergistic priorities – the customer and the bottom line. Anticipating what our customers want and responding to their needs encourages long-lasting relationships. Those long-term commitments, in turn, help keep sales strong (more than 80 percent of our sales are from repeat customers) and improve results. Our new product introduction (NPI) process has cut development time by 25 to 30 percent. And in the last four years we've revamped every product family. In doing so, we've served both priorities. Streamlining how we intro-

duce new products is cutting costs, bringing new technology to the

marketplace sooner and improving sales. At the same time, we're far more responsive to changes in customers' needs while achieving a better ROA.

The Caterpillar and Cat names are synonymous with quality. Yet we're working continuously to improve. By the end of the year, 25 Cat facilities from around the world had passed the rigorous international quality tests necessary to win ISO 9000 or QS 9000 certification. More than 350 work areas were internally certified, passing the same tough tests our external suppliers face before we establish a long-term relationship with them.

Our Mission

- Provide customers worldwide with differentiated products and services of recognized superior value.
- Pursue businesses in which we can be a leader based on one or more of our strengths.
- Create and maintain a productive work environment in which employee satisfaction is attained with high levels of personal growth and achievement while conforming to our "Code of Worldwide Business Conduct and Operating Principles."
- Achieve growth and provide above-average returns for stockholders resulting from both management of ongoing businesses and a studied awareness and development of new opportunities.

Consolidated Sales Around the World

(Millions of dollars)

	1995	1994
United States.....	\$7,422	\$7,008
Europe.....	\$2,686	\$2,078
Asia/Pacific.....	\$2,290	\$1,964
Latin America.....	\$1,183	\$1,151
Canada.....	\$ 956	\$ 909
Africa/Middle East.....	\$ 914	\$ 753

Our factories and offices are state of the art. Our \$1.8 billion factory modernization program, finished in 1993, continues to produce significant benefits. We've reduced the amount of material in process in our factories by 60 percent. It takes us 75 percent less time to

manufacture a part from start to finish. We're enjoying a 20-plus percent return on our investment. Caterpillar facilities, dealers and large customers are located worldwide – across 23 time zones and in 160 countries. But they function efficiently with the help of our global communications network. Employees throughout the company can access thousands of documents using an electronic marketing information system. The result – real-time information on product performance, sales levels and customer satisfaction surveys. Another example: Cat engineers have on-line access to an electronic data base of three million product drawings and blueprints, resulting in better engineering support and decisions.

Our people are talented and productive – world class. They create and develop our products and systems, in the factory and in the office. Then make them work. For example, the people of

Engine Division have formed 50 self-directed employee teams that have already achieved as much as a 70 percent improvement in work cycle times. That has meant quicker responses to customers and better use of people and machinery. We're supporting employee efforts to improve. In Illinois alone, we're investing over \$6,000 per employee per year on training.

Sales Inside/Outside the United States

(Billions of dollars)

	Inside	Outside
1995.....	\$7.42 (48%)	\$8.03 (52%)
1994.....	\$7.01 (51%)	\$6.85 (49%)
1993.....	\$5.71 (51%)	\$5.53 (49%)
1992.....	\$4.42 (45%)	\$5.42 (55%)
1991.....	\$4.06 (41%)	\$5.78 (59%)

Through our own Cat Training

Institute, we provide nearly 250,000

hours of training to employees

annually. We continue to hire good

people – recruiting top college grad-

uates in many disciplines. The

actions of our people spoke for

themselves in 1995. Through their

strength and determination, they

managed to meet customer demands despite a strike by 8,700 employees represented by the United Auto Workers union that

lasted almost the entire year. And they turned in a year of record sales and profit.

There are other “bests.” We’ve got the best product line we’ve ever had. With our streamlined

NPI process, we added 49 new or improved products in 1995. As we’ve become more responsive to customers, they’ve

increasingly invested in our products. That has translated into even greater participation in the worldwide market. For example,

we’re now number two in the world in the backhoe loader business even though we introduced our first machine just 10 years

ago. The G-series wheel loaders – marked by improved efficiency and productivity – have solidified our leadership position

in that business, widening the gap between us and our nearest competitor. The 300-series excavators have propelled us into

the leadership position in worldwide excavator sales measured in dollars. The growing demand for electric power

Exports from the United States

Exports from the United States were a record \$5.13 billion in 1995 (including \$291 million in component sales to subsidiaries), a 14 percent increase over 1994. These exports accounted for about 17,000 Caterpillar jobs in the United States and nearly 34,000 jobs at Caterpillar suppliers in the United States.

(Millions of dollars)

Canada	95	\$852	
	94	\$806	
	93	\$625	
Europe	95		\$1,176
	94		\$973
	93	\$745	
Asia/Pacific	95		\$1,527
	94		\$1,359
	93		\$1,191
Latin America	95	\$927	
	94	\$852	
	93	\$605	
Africa/Middle East	95	\$644	
	94	\$522	
	93	\$577	

1996 Outlook

- *Worldwide company sales are expected to be somewhat lower than 1995 levels as improved sales in the developing regions and Europe are not expected to offset lower sales in the United States, Canada and Australia.*
- *However, if moderate economic growth continues in the United States throughout 1996, rather than the projected weaker growth and mild recession, then company sales should increase from 1995 levels. Improved manufacturing flexibility should allow the company to readily adjust to changes in demand during 1996. Profit is expected to be in line with physical sales volume.*

The information included in this Outlook is forward looking and involves risks and uncertainties that could significantly impact expected results. For further information regarding these risks and uncertainties, please refer to the company's 1996 proxy statement and Form 10-K for 1995.

and to increase dramatically our worldwide market acceptance before the year 2000. Late in the year, we reinforced our commitment with the announced purchase of Brown Group Holdings, the UK-based company that has been manufacturing Caterpillar articulated trucks through a contractual arrangement. The Challenger 55 is our newest agricultural tractor, adding a third size to our row crop offerings and giving farmers six models from which to select. Our revolutionary Mobil-trac system's combination of improved traction and low compaction is challenging long-time leaders in the ag tractor field.

The developing countries have 74 percent of the world's land area and 81 percent of its population. They also have monumental needs for infrastructure, water and electricity. Caterpillar has had a presence in these regions for more than half a century. In 1995, they represented 23 percent of our total sales. With their total GDP growth expected to be above five percent well into the next century, we continue to increase our investment. Three joint ventures and three new dealerships in China. A dealership in Vietnam. Two joint ventures, three dealers, a service center and a parts warehouse in the Commonwealth of Independent States. All new in 1994 and 1995. We now have more than 80 independent dealers

generation has helped boost our leadership position in large diesel engines, natural gas engines and turbines. Sales of our 3600 engines, for example, have tripled since 1991. We're pursuing aggressive strategies in other product areas. The highly competitive E-series articulated trucks were launched in 1995, designed to satisfy customers' changing needs

throughout Asia, Central Europe, Latin America, Africa and the Middle East with more than 24,000 employees among them. As the world grows, Caterpillar is prepared to help it grow and to grow with it.

It's the

best in our industry. And it makes us truly a global company. 186 dealers serving 197 countries, with an average of more than 50 years service as a Cat dealer. Independent, most locally owned, they are in tune with what their customers need. They have state-of-the-art service facilities and more employees collectively than Caterpillar. Dealers are teamed with 25 Cat parts distribution facilities – with 10 million square feet of warehouse space strategically placed around the world. We ship

Full-time Employees at Year End

	1995	1994	1993	1992
Inside U.S.	39,978	39,749	38,103	37,311
Outside U.S.	14,374	14,237	13,147	13,438
Europe	8,413	8,146	7,999	8,011
Latin America	4,104	4,500	3,735	4,088
Asia/Pacific	1,630	1,383	1,235	1,155
Canada	121	117	91	97
Other	106	91	87	87
Total	54,352	53,986	51,250	50,749

Business Segments

Caterpillar operates in three principal business segments: *Machinery* (construction, mining and agricultural), *Engines* and *Financial Products*.

(Millions of dollars) **Sales & Revenues**

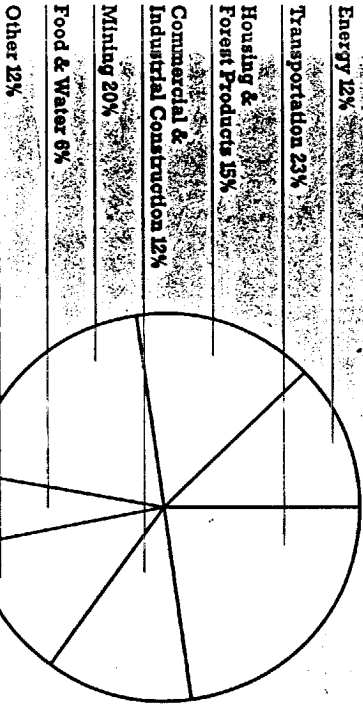
Machinery	95		\$11,336
	94		\$10,164
Engines	95	\$4,115	
	94	\$3,699	
Financial Products	95	\$621	
	94	\$465	
Operating Profit			

Machinery	95	\$1,210
	94	\$1,099
Engines	95	\$462
	94	\$348
Financial Products	95	\$88
	94	\$64

84,000 items daily. Our pledge – have parts in customers' hands immediately from dealers, or in less than 24 hours in most parts of the world from our regional distribution centers. We've tied our distribution system together electronically. So a dealer technician, using his computer, can identify the location of the nearest needed part and have it on its way within minutes.

New Machine Sales to End-Users

1995 worldwide sales of Caterpillar machines by major end use:



Operating within any business arena where we have – or can have – a product or service advantage, a strength or a contribution that puts us ahead of the pack;

Making continuous improvement a top priority in the design, manufacturing, financing and distribution of our product – in all we do.

We plan to continue telling new success stories, like those of the last five years, far into the future. With our confidence, financial strength and worldwide momentum, we are ready to continue what's been a remarkable journey into the next century.

These things have led to our success – customer-

focused teamwork in an ROA-based corporate structure; modern facilities and equipment; superior products; a talented work force; and a world class dealer network. We intend to become even stronger by:

Focusing on the global market;

Moving quickly to take advantage of market growth opportunities;

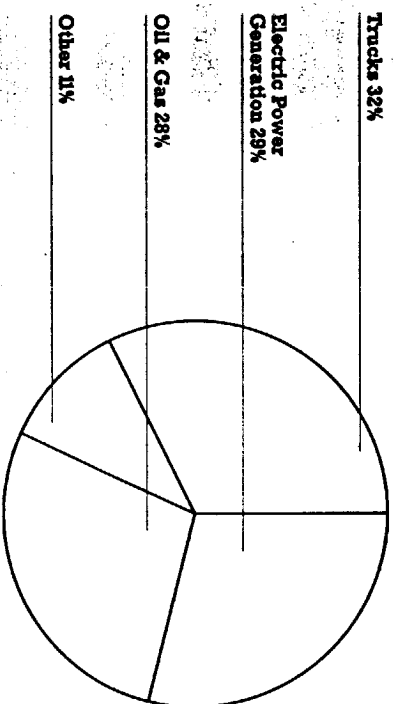
Operating within any business arena where we have – or can have – a product or service advantage, a strength or a contribution that puts us ahead of the pack;

Making continuous improvement a top priority in the design, manufacturing, financing and distribution of our product – in all we do.

We plan to continue telling new success stories, like those of the last five years, far into the future. With our confidence, financial strength and worldwide momentum, we are ready to continue what's been a remarkable journey into the next century.

New Engine Sales to End-Users

1995 worldwide sales of Caterpillar engines by major end use:



Financial Statements

The following financial statements and notes have been condensed to make them more readable. **A detailed financial evaluation may require more information than is included in this summary annual report. More comprehensive financial information is provided in the appendix to the proxy statement** which is normally mailed with the annual report. Additional copies are available on request (see supplemental stockholder information on inside back cover). Where applicable, financial information has been grouped as follows:

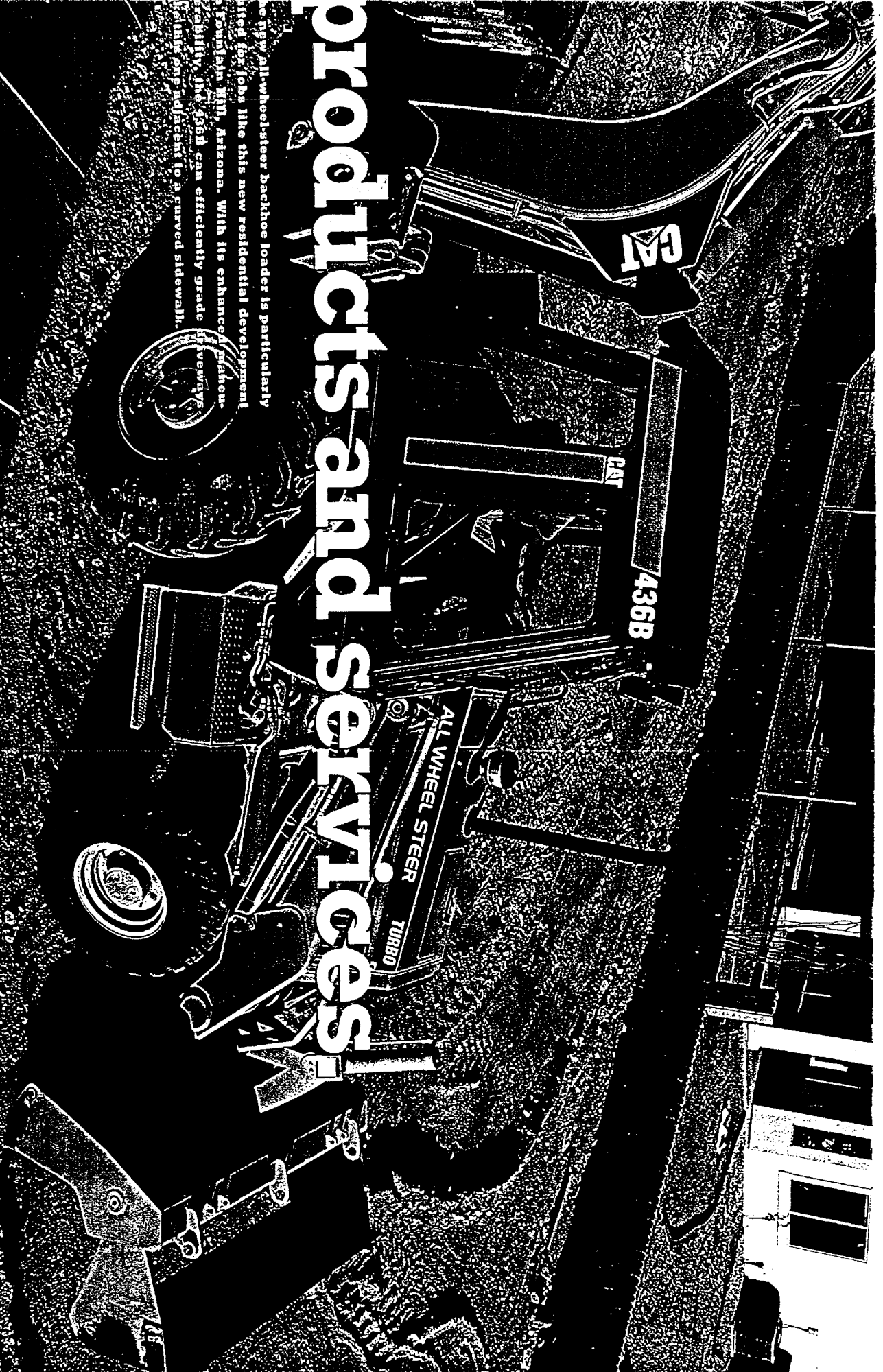
Consolidated: The consolidated data of Caterpillar Inc. and all its subsidiaries.

Machinery and Engines: Company operations, excluding the Financial Products subsidiaries; consists primarily of the company's manufacturing, marketing and parts distribution operations.

Financial Products: The company's finance and insurance subsidiaries, primarily Caterpillar Financial Services Corporation and Caterpillar Insurance Services Corporation.

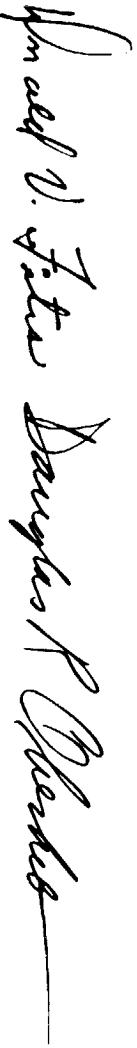
Products and services

The new all-wheel-steer backhoe loader is particularly suited for jobs like this new residential development in Fountain Hill, Arizona. With its enhanced maneuverability, the 436B can efficiently grade and finish one adjacent to a curved sidewalk.



Report of Management

The management of Caterpillar Inc. has prepared the accompanying condensed consolidated financial statements for the years ended December 31, 1995 and 1994, and is responsible for their integrity and objectivity. Management maintains a system of internal accounting controls which is designed to provide reasonable assurance that, among other things, transactions are properly executed and financial records and reports are reliable. Through its Audit Committee, the board of directors reviews the company's financial and accounting policies, practices and reports. The complete Report of Management appears in the appendix to the proxy statement for the 1996 annual meeting of the stockholders of Caterpillar Inc.



Chairman of the Board
January 18, 1996

Chief Financial Officer

Report of Independent Accountants

Price Waterhouse LLP



To the Stockholders of Caterpillar Inc.: We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Caterpillar Inc. and subsidiaries as of December 31, 1995, 1994, and 1993, and for the years then ended. These statements appear in the appendix to the proxy statement for the 1996 annual meeting of the stockholders of Caterpillar Inc. and have not been presented herein. In our report dated January 18, 1996, which also appears in the appendix to the proxy statement, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information in the accompanying condensed consolidated financial statements appearing on pages 31 through 35, is fairly stated in all material respects in relation to the consolidated financial statements from which it was derived.



Peoria, Illinois
January 18, 1996

Consolidated Results of Operations

Years Ended December 31
(Dollars in millions except per share data)

	1995	1994
Machinery and Engines:		
Sales	\$ 15,451	\$ 13,863
Operating costs:		
Cost of goods sold	12,000	10,834
Selling, general, and administrative expenses	1,483	1,348
Research and development expenses (note 2)	375	311
	<u>13,858</u>	<u>12,493</u>
Operating profit	1,593	1,370
Interest expense	191	200
	1,402	1,170
Other income (expense)	92	43
Profit before taxes	1,494	1,213
Financial Products:		
Revenues	621	465
Operating costs:		
Selling, general, and administrative expenses	240	191
Interest expense	293	210
	533	401
Operating profit	88	64
Other income (expense)	33	(4)
Profit before taxes	121	60
Consolidated Profit Before Taxes	1,615	1,273
Provision for income taxes (note 4)	501	354
Profit of consolidated companies	1,114	919
Equity in profit of affiliated companies (notes 1A and 5)	22	36
Profit	\$ 1,136	\$ 955
Profit per share of common stock	\$ 5.72	\$ 4.70
Dividends declared per share of common stock	\$ 1.30	\$.63

See accompanying Condensed Notes to Consolidated Financial Statements.

FINANCIAL POSITION

Consolidated
(Caterpillar Inc. and subsidiaries)

Supplemental Consolidating Data
Machinery and Engines
(Caterpillar Inc. with Financial
Products on the equity basis)

December 31 (Dollars in millions)	Consolidated		Machinery and Engines		Financial Products	
	1995	1994	1995	1994	1995	1994
Assets						
Current assets:						
Cash and short-term investments.....	\$ 638	\$ 419	\$ 580	\$ 395	\$ 58	\$ 24
Receivables – trade and other.....	2,531	2,971	2,910	2,919	132	96
Receivables – finance.....	1,754	1,319	—	—	1,754	1,319
Deferred income taxes and prepaid expenses.....	803	865	834	888	13	3
Inventories (note 1B).....	1,921	1,835	1,921	1,835	—	—
Total current assets.....	7,647	7,409	6,245	6,037	1,957	1,442
Land, buildings, machinery, and equipment – net (note 1C).....	3,644	3,776	3,199	3,343	445	433
Long-term receivables – trade and other.....	126	125	126	125	—	—
Long-term receivables – finance.....	3,066	2,669	—	—	3,066	2,669
Investments in affiliated companies (notes 1A and 5).....	476	455	476	455	—	—
Investments in Financial Products subsidiaries.....	—	—	658	548	—	—
Deferred income taxes.....	1,127	1,243	1,171	1,254	—	—
Intangible assets.....	170	237	170	237	—	—
Other assets.....	574	336	330	143	244	193
Total Assets.....	\$ 16,830	\$ 16,250	\$ 12,375	\$ 12,142	\$ 5,712	\$ 4,737
Liabilities						
Current liabilities:						
Short-term borrowings.....	\$ 1,174	\$ 740	\$ 14	\$ 17	\$ 1,160	\$ 723
Accounts payable and accrued expenses.....	2,579	2,624	2,358	2,416	776	278
Accrued wages, salaries, and employee benefits.....	875	1,047	873	1,045	2	2
Dividends payable.....	68	50	68	50	—	—
Deferred and current income taxes payable.....	91	144	40	112	51	32
Long-term debt due within one year (note 6B).....	1,262	893	156	86	1,106	807
Total current liabilities.....	6,049	5,498	3,509	3,726	3,095	1,842
Long-term debt due after one year (note 6B).....	3,964	4,270	2,049	1,934	1,915	2,336
Liability for postemployment benefits (note 3).....	3,393	3,548	3,393	3,548	—	—
Deferred income taxes.....	36	23	36	23	44	11
Total Liabilities.....	13,442	13,339	8,987	9,231	5,054	4,189
Stockholders' Equity						
Common stock of \$1.00 par value (note 7):						
Authorized shares: 450,000,000						
Issued shares (1995 and 1994 - 203,723,656)						
at paid-in amount.....	901	923	901	923	333	303
Profit employed in the business.....	2,840	1,961	2,840	1,961	320	245
Foreign currency translation adjustment.....	215	205	215	205	5	—
Treasury stock (1995 - 9,708,538 shares; 1994 - 3,281,569 shares) at cost.....	(568)	(178)	(568)	(178)	—	—
Total Stockholders' Equity.....	3,388	2,911	3,388	2,911	658	548
Total Liabilities and Stockholders' Equity.....	\$ 16,830	\$ 16,250	\$ 12,375	\$ 12,142	\$ 5,712	\$ 4,737

See accompanying Condensed Notes to Consolidated Financial Statements

Condensed Statement of Cash Flows

Consolidated
(Caterpillar Inc. and subsidiaries)

Supplemental Consolidating Data
Machinery and Engines
Financial Products
(Caterpillar Inc. with Financial
Products on the equity basis)

	December 31 (Millions of dollars)		1995		1994		1995		1994			
Profit	\$	1,136	\$	955	\$	1,136	\$	955	\$	75	\$	39
Depreciation and amortization		682		683		580		588		102		95
Changes in operating working capital and other		372		119		230		35		67		45
Operating Cash Flow		2,190		1,757		1,946		1,578		244		179
Dividends paid		(239)		(91)		(239)		(91)		—		—
Operating Cash Flow Reinvested in the Business		1,951		1,666		1,707		1,487		244		179
Capital expenditures – excluding equipment leased to others		(464)		(501)		(460)		(498)		(4)		(3)
Expenditures for equipment leased to others		(215)		(193)		(9)		(9)		(206)		(184)
Net (increase) in finance receivables		(820)		(1,084)		(9)		(1,084)		(820)		(1,084)
Net increase (decrease) in borrowings		447		411		176		(352)		271		763
Treasury shares purchased		(427)		(240)		(427)		(240)		—		—
Net short-term loans to Financial Products		—		—		(475)		—		—		—
Net short-term loans from Machinery and Engines		—		—		—		—		475		—
Other		(253)		277		(327)		(55)		74		332
Increase in Cash and Short-Term Investments	\$	219	\$	336	\$	185	\$	333	\$	34	\$	3

See accompanying Condensed Notes to Consolidated Financial Statements.

Condensed Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

A. Basis of Consolidation: The financial statements include the accounts of Caterpillar Inc. and all its subsidiaries. Affiliated companies (50 percent interest or less) are accounted for by the equity method (note 5). Accordingly, the company's share of the affiliates profit or loss is included in the Consolidated Results of Operations as "Equity in profit (loss) of affiliated companies" and the company's investments in these affiliates, including its share of their retained profits or losses, are included in the Financial Position as "Investments in affiliated companies."

B. Inventories: The cost of inventories is determined principally by the LIFO (last-in, first-out) method of inventory valuation. LIFO was first adopted for the major portion of inventories in 1950. If the FIFO (first-in, first-out) method had been in use, inventories would have been \$2,103 million and \$2,035 million higher than reported at December 31, 1995 and 1994, respectively.

C. Depreciation: Depreciation is computed principally using accelerated methods. These methods result in a larger allocation of the cost of buildings, machinery and equipment to operations in the early years of the lives of assets than does the straight-line method, which allocates costs evenly over the lives of assets.

Research and Engineering Expenses

Research and engineering expenses include both "Research and development expenses" for new product development and charges to "Cost of goods sold" for ongoing efforts to improve existing products.

Postemployment Benefit Plans

Caterpillar has pension plans covering almost all employees. These plans provide a benefit based on years of service and/or the employee's average earnings near retirement. Pension expense for 1995 was \$50 million, compared with \$81 million in 1994. Caterpillar also provides health care and life insurance benefits for nearly all retired U.S. employees. As required by SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the company recognizes the cost of providing postretirement health care and life insurance benefits over the employee service period. Postretirement benefit expense for 1995 was \$88 million, compared with \$95 million in 1994.

Income Taxes

In 1995 and 1994, Caterpillar's effective income tax rate was 31 percent and 28 percent, respectively. The higher 1995 rate primarily resulted from a change in the mix of geographic areas where profits were earned. In addition, the 1994 tax provision was favorably affected by the recognition of additional deferred tax assets at one of the company's foreign subsidiaries.

Affiliated Companies

Caterpillar's investments in affiliated companies consist principally of a 50 percent interest in Shin Caterpillar Mitsubishi Ltd., Japan (\$438 million). The other 50 percent owner of this company is Mitsubishi Heavy Industries, Ltd., Japan. Profit of affiliated companies for the years ended September 30, totaled \$44 million on sales of \$3,789 million in 1995, and \$63 million on sales of \$3,324 million in 1994. Net assets of affiliated companies at September 30, 1995 and 1994, were \$928 million and \$875 million, respectively.

Credit Commitments and Debt

A. Credit Commitments: At December 31, 1995, Caterpillar had uncured, confirmed credit lines available from banks totaling \$4,000 million. Of the total, \$2,345 million was provided under two revolving credit agreements that may be utilized by either *Machinery and Engines* or, up to 90 percent by *Financial Products*. These revolving credit agreements may be extended subject to mutual agreement. The remaining confirmed credit lines are individual bilateral agreements of \$288 million for *Machinery and Engines*, and \$1,367 million for *Financial Products*. Of the \$4,000 million of confirmed lines, \$1,427 million was utilized, virtually all by *Financial Products*.

B. Long-term Debt: Long-term debt, including that due within one year and classified as current, totaled \$5,226 million at December 31, 1995; \$2,205 million related to *Machinery and Engines*, and \$3,021 million related to *Financial Products*. This includes \$294 million of commercial paper outstanding at December 31, 1995, which was classified as long-term debt due after one year in conjunction with *Financial Products'* revolving credit agreement. The aggregate amounts of maturities and sinking fund requirements of long-term debt during each of the years 1996 through 2000 are:

(Millions of dollars)	1996	1997	1998	1999	2000
Machinery and Engines	\$ 156	\$ 129	\$ 41	\$ 61	\$ 169
Financial Products	1,106	711	486	238	82
	<u>\$1,262</u>	<u>\$ 840</u>	<u>\$ 527</u>	<u>\$ 299</u>	<u>\$ 251</u>

Capital Stock

In 1977 and 1987, stockholders approved stock option plans for officers and other key employees. In 1988, the 1987 plan was amended to include non-employee directors. Options granted under both plans carry prices equal to the market price on the date of the grant. Under these plans, 713,131 shares were issued in 1995. At December 31, 1995, options outstanding were 6,633,824. Caterpillar has a stock purchase rights plan designed to protect stockholders from certain takeover attempts.

Selected Quarterly Financial Results (unaudited)

Financial information for interim periods was as follows:

Quarters	<i>(Dollars in millions except per share data)</i>			
	1st	2nd	3rd	1995 4th
Sales and revenues	\$ 3,913	\$ 4,213	\$ 3,733	\$ 4,213
Less: Revenues	140	154	165	162
Sales	3,773	4,059	3,568	4,051
Cost of goods sold	2,890	3,110	2,878	3,122
Gross margin	883	949	690	929
Profit	\$ 300	\$ 323	\$ 213	\$ 300
Profit per share of common stock	\$ 1.50	\$ 1.62	\$ 1.07	\$ 1.53

Quarters	<i>(Dollars in millions except per share data)</i>			
	1st	2nd	3rd	1994 4th
Sales and revenues	\$ 3,286	\$ 3,605	\$ 3,509	\$ 3,928
Less: Revenues	105	113	119	128
Sales	3,181	3,492	3,390	3,800
Cost of goods sold	2,483	2,730	2,674	2,947
Gross margin	698	762	716	853
Profit	\$ 192	\$ 240	\$ 244	\$ 279
Profit per share of common stock	\$.94	\$ 1.18	\$ 1.20	\$ 1.38

Fourth Quarter 1995 Results

Fourth-quarter profit of \$300 million and profit per share of \$1.53 were records for any fourth quarter and the second highest ever, reflecting a \$21 million or 15 cents per share improvement from the previous fourth-quarter record profit of \$279 million or \$1.38 per share in 1994. Fourth-quarter sales and revenues of \$4.21 billion matched the previous record for any quarter in the company's history, increasing seven percent from the same period last year. The increase in sales was the most significant factor contributing to the increase in fourth-quarter profit. Revenues were \$162 million, up \$34 million from the fourth quarter of 1994, principally due to Cat Financial's larger portfolio.

Five Year Financial Summary

Years Ended December 31

(Dollars in millions except per share data)

	1995	1994	1993
Sales and revenues	\$ 16,072	14,328	11,615
Sales	\$ 15,451	13,863	11,235
Percent inside the United States	48%	51%	51%
Percent outside the United States	52%	49%	49%
Revenues	\$ 621	465	380
Profit (loss) ⁽¹⁾	\$ 1,136	955	652
As a percent of sales and revenues ⁽¹⁾	7.1%	6.7%	5.6%
Profit (loss) per share of common stock ⁽¹⁾	\$ 5.72	4.70	3.21
Dividends declared per share of common stock	\$ 1.30	.63	.30
Return on average common stock equity	36.1%	37.4%	34.6%
Capital expenditures:			
Land, buildings, machinery, and equipment	\$ 464	501	417
Equipment leased to others	\$ 215	193	215
Depreciation and amortization	\$ 682	684	668
Research and engineering expenses	\$ 532	435	455
As a percent of sales and revenues	3.3%	3.0%	3.9%
Provision (credit) for income taxes	\$ 501	354	42
Wages, salaries, and employee benefits	\$ 2,919	3,146	3,038
Average number of employees	54,263	52,778	50,443
December 31			
Total receivables:			
Trade and other	\$ 2,657	3,096	2,769
Finance	\$ 4,820	3,988	3,140
Inventories	\$ 1,921	1,835	1,525
Total assets:			
Machinery and Engines	\$ 11,238	11,582	11,131
Financial Products	\$ 5,592	4,668	3,676
Long-term debt due after one year:			
Machinery and Engines	\$ 2,049	1,934	2,030
Financial Products	\$ 1,915	2,336	1,865
Total debt:			
Machinery and Engines	\$ 2,219	2,037	2,387
Financial Products	\$ 4,181	3,866	3,041
Ratios - excluding Financial Products:			
Ratio of current assets to current liabilities	1.78 to 1	1.62 to 1	1.53 to 1
Percent of total debt to total debt and stockholders' equity	39.6%	41.2%	52.1%

⁽¹⁾1992 loss is after effects of accounting changes; loss before effects of accounting changes was \$218 million, 2.1% as a percent of sales and revenues, and \$1.08 per share of common stock.

	1992	1991	1990	1989	1988	1987	1986	1985
	10,194	10,182	11,436	11,126	10,435	8,294	7,380	6,760
	9,840	9,838	11,103	10,882	10,255	8,180	7,321	6,725
	45%	41%	45%	47%	50%	52%	54%	56%
	55%	59%	55%	53%	50%	48%	46%	44%
	354	344	333	244	180	114	59	35
	(2,435)	(404)	210	497	616	350	76	198
	(23.9%)	(4.0%)	1.8%	4.5%	5.9%	4.2%	1.0%	2.9%
	(12.06)	(2.00)	1.04	2.45	3.04	1.76	.39	1.01
	.30	.53	.60	.60	.43	.28	.31	.25
	(86.7%)	(9.4%)	4.7%	11.6%	16.0%	10.4%	2.4%	6.7%
	515	653	926	984	732	463	290	228
	125	121	113	105	61	30	41	55
	654	602	533	471	434	425	453	485
	446	441	420	387	334	298	308	326
	4.4%	4.3%	3.7%	3.5%	3.2%	3.6%	4.2%	4.8%
	(114)	(152)	78	162	262	118	21	25
	2,795	3,051	3,032	2,888	2,643	2,284	2,184	2,173
	52,340	55,950	59,662	60,784	57,954	53,770	54,024	55,815
	2,330	2,133	2,361	2,353	2,349	2,044	1,755	1,305
	2,525	2,145	1,891	1,498	1,222	795	466	108
	1,675	1,921	2,105	2,120	1,986	1,323	1,211	1,139
	10,979	9,346	9,626	9,100	8,226	6,647	6,134	5,951
	2,956	2,696	2,325	1,826	1,460	984	627	235
	2,753	2,676	2,101	1,797	1,428	900	963	1,177
	1,366	1,216	789	491	525	387	171	87
	3,271	3,136	2,873	2,561	2,116	1,484	1,582	1,404
	2,401	2,111	1,848	1,433	1,144	712	370	130
	1.57 to 1	1.74 to 1	1.67 to 1	1.78 to 1	1.76 to 1	1.55 to 1	1.50 to 1	1.69 to 1
	67.5%	43.7%	38.8%	36.4%	34.0%	29.4%	33.4%	31.4%

Supplemental Stockholder Information

Stock Transfer Agent:

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, NJ 07303-2500
Telephone: (201) 324-0498

Stock Exchange Listings:

Caterpillar common stock is listed on stock exchanges in the United States, Belgium, France, Germany, Great Britain and Switzerland.

Common Stock Price Range: Quarterly price ranges of Caterpillar common stock on the New York Stock Exchange, the principal market in which the stock is traded, were:

Quarter	1995		1994	
	High	Low	High	Low
First	58%	48%	60%	44%
Second	65%	55	60%	50
Third	75%	56%	58%	50
Fourth	63%	50%	59%	50%

Market prices have been adjusted to give retroactive effect to a 2-for-1 stock split in 1994.

Publications for Stockholders: In addition to the annual report, Caterpillar makes available copies of its proxy statement, Form 10-K and 10-Q reports. (Quarterly reports are no longer available.) Form 10-K is available in April. 10-Q reports are available in May, August and November. These reports may be obtained at no charge by writing to:

Secretary
Caterpillar Inc.
100 N.E. Adams Street
Peoria, IL 61629-7310

Financial Information Hotline – New Toll-Free Numbers:

The company's latest financial results and current outlook are available through a toll-free phone call. The results will be updated shortly after the end of each calendar quarter.

800-228-7717 (Inside the United States and Canada)
201-332-8602 (Outside the United States and Canada)

Investor Inquiries: For those seeking additional information about the corporation –

Institutional analysts, portfolio managers, and representatives of financial institutions should contact:

Individual stockholders should contact:

James F. Masterson

Director of Investor Relations

Caterpillar Inc.

100 N.E. Adams Street

Peoria, IL 61629-5310

Telephone: (309) 675-4549

Faxsimile: (309) 675-4457

Laurie J. Huxtable

Assistant Secretary

Caterpillar Inc.

100 N.E. Adams Street

Peoria, IL 61629-7310

Telephone: (309) 675-4619

Number of Stockholders: Stockholders of record at year-end totaled 31,585, compared with 29,363 at the end of 1994. Approximately five percent of the outstanding shares are held by about 30,500 individuals. The remaining shares are held by trustees, banks and other institutions for additional thousands of owners. Employees' investment and profit-sharing plans acquired 1,486,881 shares of Caterpillar stock in 1995. Investment plans, for which membership is voluntary, held 13,180,250 shares for employee accounts at 1995 year-end. Profit-sharing plans, in which membership is automatic for most U.S. and Canadian employees in eligible categories, held 269,343 shares at 1995 year-end.

Automatic Dividend Reinvestment Plan: An Automatic Dividend Reinvestment Plan – administered by First Chicago Trust Company of New York – is available to stockholders. The plan provides a convenient, low-cost method for stockholders to increase their ownership in Caterpillar common stock. In addition, stockholders who elect to participate can make optional cash payments to purchase more Caterpillar shares. Participation may begin with any regularly scheduled dividend payment if an authorization form is completed and returned to the administrator prior to the dividend record date. Stockholders wishing further information may contact First Chicago Trust Company of New York, P.O. Box 13531, Newark, NJ 07188-0001.