CATERPILLAR INC
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February 24, 2005

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.   )

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o   Preliminary Proxy Statement

o   **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý   Definitive Proxy Statement

o   Definitive Additional Materials

o   Soliciting Material Pursuant to §240.14a-12

Caterpillar Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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o   Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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100 NE Adams Street
Peoria, Illinois 61629

Notice of Annual Meeting of Stockholders
Wednesday, April 13, 2005
1:30 p.m. Central Daylight Time

Northern Trust Building
50 South LaSalle Street
Chicago, Illinois 60675

March 3, 2005

Fellow stockholder:

On behalf of the board of directors, you are cordially invited to attend the 2005 Caterpillar Inc. annual meeting of stockholders to:

- elect directors;
- ratify Independent Registered Public Accounting Firm;
- act on stockholder proposals, if properly presented; and
- conduct any other business properly brought before the meeting.

You must have an admission ticket to attend, and procedures for requesting that ticket are detailed on page 35 of this proxy statement. Attendance and voting is limited to stockholders of record at the close of business on February 14, 2005.

Sincerely yours,

James W. Owens
Chairman

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Attendance and Voting Matters

Admission Ticket Required

Anyone wishing to attend the annual meeting must have an admission ticket issued in his or her name. Admission is limited to stockholders of record on February 14, 2005, and one guest, or a stockholder's authorized proxy holder. The requirements for obtaining an admission ticket are specified in the "Admission Ticket Request Procedure" on page 35.

Record Date Information

Each share of Caterpillar stock you owned as of February 14, 2005, entitles you to one vote. On February 14, 2005, there were 341,636,001 shares of Caterpillar common stock outstanding.

Voting by Telephone or Internet

Caterpillar is again offering stockholders the opportunity to vote by phone or electronically via the Internet. Instructions for stockholders interested in using either of these methods to vote are set forth on the enclosed proxy and/or voting instruction card.

If you vote by phone or via the Internet, please have your proxy and/or voting instruction card available. The control number appearing on your card is necessary to process your vote. A phone or Internet vote authorizes the named proxies in the same manner as if you marked, signed and returned the card by mail. In the opinion of counsel, voting by phone or via the Internet are valid proxy voting methods under Delaware law and Caterpillar's bylaws.

Giving your Proxy to Someone Other than Individuals Designated on the Card

If you want to authorize someone other than the individual(s) named on the proxy card to vote this written proxy:

- cross out the individual(s) named and insert the name of the individual you are authorizing to vote; or
- provide a written authorization to the individual you are authorizing to vote along with your proxy card.

To obtain an admission ticket for your authorized proxy representative, see the requirements specified in the "Admission Ticket Request Procedure" on page 35.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. If at least one-third of Caterpillar stockholders are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Vote Necessary for Action

Directors are elected by a plurality vote of the shares present at the meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected for that slot.

Other actions require an affirmative vote of the majority of shares present at the meeting. Abstentions and broker non-votes have the effect of a vote against matters other than director elections.

Votes submitted by mail, telephone or Internet will be voted by the individuals named on the card (or the individual properly authorized) in the manner you indicate. If you do not specify how you want your shares voted, they will be voted in accordance with management's recommendations. If you hold shares in more than one account, you must vote each proxy and/or voting instruction card you receive to ensure that all shares you own are voted. You may change your vote by voting in person at the annual meeting or by submitting another proxy that is dated later. For all methods of voting, the last vote cast will supercede all previous votes.

The Caterpillar Board of Directors

Structure

Our board of directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. With the exception of the Chairman, all directors are independent as defined in the New York Stock Exchange listing standards.

Directors elected at the 2005 annual meeting of stockholders will hold office for a three-year term expiring in 2008. Other directors are not up for election this year and will continue in office for the remainder of their terms.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the board or, as an alternative, the board may reduce the number of directors to be elected at the meeting.

PROPOSAL 1 Election of Directors

Directors Up For Election This Year for Terms Expiring in 2008

W. FRANK BLOUNT, 66, Chairman and CEO of JI Ventures, Inc. (venture capital firm) and TTS Management Corporation (private equity management company). Prior to his current positions, Mr. Blount served as Chairman and CEO of Cypress Communications Inc. (telecommunications) and Director and CEO of Telstra Corporation Limited (telecommunications). Other directorships: ADTRAN, Inc.; Alcatel S.A.; Entergy Corporation; and Hanson PLC. Mr. Blount has been a director of the company since 1995.

JOHN R. BRAZIL, 58, President of Trinity University (San Antonio, Texas). Prior to his current position, Dr. Brazil was President of Bradley University (Peoria, Illinois). Dr. Brazil has been a director of the company since 1998.

EUGENE V. FIFE, 64, Managing Principal of Vawter Capital LLC (private investment firm). Prior to his current position, Mr. Fife was President and CEO of Illuminis Inc. (medical technology company). He is the non-executive Chairman of Eclipsys Corporation. Mr. Fife has been a director of the company since 2002.

GAIL D. FOSLER, 57, Executive Vice President and Chief Economist of The Conference Board (research and business membership organization). Prior to her current position, Ms. Fosler was Senior Vice President of The Conference Board. Other directorships: Unisys Corporation; Baxter International Inc.; and DBS Group Holdings Ltd. Ms. Fosler has been a director of the company since 2003.

PETER A. MAGOWAN, 62, President and Managing General Partner of the San Francisco Giants (Major League Baseball team). Other directorships: DaimlerChrysler AG; Safeway Inc.; and Spring Group plc. Mr. Magowan has been a director of the company since 1993.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES PRESENTED IN PROPOSAL 1.

Directors Remaining in Office Until 2006

DAVID R. GOODE, 64, Chairman and CEO of Norfolk Southern Corporation (holding company engaged principally in surface transportation). In addition to his current positions, Mr. Goode formerly served as President of Norfolk Southern Corporation. Other directorships: Delta Air Lines, Inc.; Georgia-Pacific Corporation; Norfolk Southern Railway Company; and Texas Instruments Incorporated. Mr. Goode has been a director of the company since 1993.

JAMES W. OWENS, 59, Chairman and CEO of Caterpillar Inc. (machinery, engines, and financial products). Prior to his current position, Mr. Owens served as Vice Chairman and as Group President of Caterpillar. Mr. Owens has been a director of the company since 2004.

CHARLES D. POWELL, 63, Chairman of Sagitta Asset Management Limited (asset management) and LVMH Services Limited (luxury goods). Prior to his current positions, Lord Powell was Chairman of Phillips Fine Art Auctioneers (art, jewelry, and furniture auction) and Senior Director of Jardine Matheson Holdings Ltd. and associated companies (multinational business group). Other directorships: LVMH Moet-Hennessy Louis Vuitton; Mandarin Oriental International Ltd.; Textron Corporation; Schindler Holding Ltd.; and Yell Group plc. Lord Powell has been a director of the company since 2001.

JOSHUA I. SMITH, 63, Chairman and Managing Partner of the Coaching Group, LLC (management consulting). As part of the Coaching Group, Mr. Smith served as former Vice Chairman and Chief Development Officer of iGate, Inc. (broadband networking company). Other directorships: CardioComm Solutions Inc.; Federal Express Corporation; and The Allstate Corporation. Mr. Smith has been a director of the company since 1993.

Directors Remaining in Office Until 2007

JOHN T. DILLON, 66, former Chairman and CEO of International Paper (paper and forest products). Other directorships: E. I. du Pont de Nemours and Company and Kellogg Co. Mr. Dillon has been a director of the company since 1997.

JUAN GALLARDO, 57, Chairman of Grupo Embotelladoras Unidas S.A. de C.V. (bottling) and Mexico Fund Inc. (mutual fund). Former Vice Chairman of Home Mart de Mexico, S.A. de C.V. (retail trade) and former Chairman and CEO of Grupo Azucarero Mexico, S.A. de C.V. (sugar mills). Other directorships: Lafarge SA and Grupo Mexico, S.A. de C.V. Mr. Gallardo has been a director of the company since 1998.

WILLIAM A. OSBORN, 57, Chairman and CEO of Northern Trust Corporation (multibank holding company) and The Northern Trust Company (bank). Other directorships: Nicor Inc. and Tribune Company. Mr. Osborn has been a director of the company since 2000.

GORDON R. PARKER, 69, former Chairman of Newmont Mining Corporation (gold properties production, exploration and acquisition company). Other directorships: Gold Fields Limited and Phelps Dodge Corporation. Mr. Parker has been a director of the company since 1995.

EDWARD B. RUST, JR., 54, Chairman and CEO of State Farm Mutual Automobile Insurance Company (insurance). He is also President and CEO of State Farm Fire and Casualty Company, State Farm Life Insurance Company and other principal State Farm affiliates as well as Trustee and President of State Farm Mutual Fund Trust and State Farm Variable Product Trust. Other directorships: Helmerich & Payne, Inc. and The McGraw-Hill Companies, Inc. Mr. Rust has been a director of the company since 2003.

Board Meetings, Communications, and Committees

In 2004, our board met seven times, including regularly scheduled executive sessions without management and presided over by the chair of the Governance Committee. In addition to those meetings, directors attended meetings of individual board committees. For our incumbent board as a whole, attendance in 2004 at board and committee meetings was 94.88 percent. Company policy, posted on our website, states that in the absence of unavoidable conflict, all directors are expected to attend the annual meeting of stockholders. Thirteen of our fourteen directors attended the annual meeting in April 2004.

Our board has four standing committees, an ***Audit Committee, Compensation Committee, Governance Committee,*** and ***Public Policy Committee.*** Copies of written charters for each of these committees, as well as our board's Guidelines on Corporate Governance Issues, Worldwide Code of Business Conduct, and other corporate governance information are available on our Internet site (www.CAT.com/governance), or upon written request to the Corporate Secretary at 100 NE Adams Street, Peoria, Illinois 61629.

You may communicate with any of our directors, our board as a group or any board committee as a group by sending an email to a particular director, the board, or a committee at Directors@CAT.com or by mail c/o the Corporate Secretary at 100 NE Adams Street, Peoria, Illinois 61629. The board has delegated to the Corporate Secretary, or his designee, responsibility for determining in his discretion whether the communication is appropriate for individual director, committee or board consideration. According to the policy adopted by the board, the Corporate Secretary is required to direct all communications regarding personal grievances, administrative matters, the conduct of the company's ordinary business operations, billing issues, product or service related inquires, order requests, and similar issues to the appropriate individual within the company. All other communications are to be submitted to the board as a group, to the particular director to whom it is directed or, if appropriate, to the director or committee the Corporate Secretary believes to be the most appropriate recipient, as the case may be. If you send an email or letter to a director, the board, or a board committee, you will receive a written acknowledgement from the Corporate Secretary's office confirming receipt of your communication.

Below is a description of each committee of the board. Committee memberships as of December 31, 2004, are listed in the Committee Membership table on page 6.

The ***Audit Committee*** assists the board in fulfilling its oversight responsibilities for financial matters. The committee performs this function by monitoring Caterpillar's financial reporting process and internal controls and by assessing the audit efforts of Caterpillar's Independent Registered Public Accounting Firm (auditors) and internal auditing department. The committee has ultimate authority and responsibility to appoint, retain, compensate, evaluate, and, where appropriate, replace the auditors. The committee also reviews updates on emerging accounting and auditing issues provided by the auditors and by management to assess their potential impact on Caterpillar. During 2004, the committee met 10 times. All members of the committee meet the standards for independence set forth in the New York Stock Exchange listing standards and meet financial literacy guidelines adopted by the board. Additionally, the board has determined that each member of the committee qualifies as an "audit committee financial expert" as defined under the Sarbanes-Oxley Act of 2002 and Item 401(h) of Regulation S-K.

The ***Compensation Committee*** assists the board of directors in fulfilling its responsibilities in connection with the compensation of company directors, officers and employees. It performs this function by approving and recommending standards for the company's compensation programs and plans, including various incentive compensation, retirement and other benefit plans. The committee reviews the board's annual review of the performance of the company's Chief Executive Officer and fixes his compensation. The committee also reviews the company's salaried and management compensation practices, including the methodologies for setting employee and officer salaries, and fixes the salary and other compensation of all officers of the company. All members of the committee meet the standards for independence set forth in the New York Stock Exchange listing standards. During 2004, the committee met four times.

The ***Governance Committee*** makes recommendations to the board regarding the appropriate size and composition of the board, and monitors and makes recommendations regarding the board's performance. The committee also reviews the company's Shareholder Rights Plan at least every three years to consider whether the continuance of the Rights Plan continues to be in the best interests of the company, its stockholders, and other constituencies of the company. The committee, formerly known as the Nominating and Governance Committee, continues to perform the functions of a nominating committee. As such, the committee makes recommendations regarding the criteria for the selection of candidates to serve on the board and evaluates and makes recommendations on proposed candidates for service on the board, including recommending the slate of nominees for election at annual meetings of stockholders. The committee also recommends candidates for election as officers of the company (including Chairman and Chief Executive Officer), monitors compliance with the board's Guidelines on Corporate Governance Issues, and administers the board's self-evaluation and the self-evaluation of each board committee and shares the results thereof with the board for discussion and deliberation. The committee considers director nominees from stockholders for election at the annual stockholders' meeting. Stockholders who are interested in nominating a director candidate can do so in accordance with the policy discussed in the Governance Committee Report on page 10. During 2004, the committee met three times.

The ***Public Policy Committee*** assists the board with general oversight with respect to matters of public and social policy affecting the company domestically and internationally, including investor, consumer and community relations issues and employee safety programs, policies and procedures, and labor relations issues. The committee oversees the company's Code of Worldwide Business Conduct, Policy Letters, and compliance programs and reviews major legislative proposals and proposed regulations involving matters not falling within the substantive coverage of any other committee of the board. During 2004, the committee met three times.

Committee Membership
(as of December 31, 2004)

	Audit	Compensation	Governance	Public Policy
W. Frank Blount	X		X	
John R. Brazil		X		X*
John T. Dillon	X		X*	
Eugene V. Fife	X*			
Gail D. Fosler		X		X
Juan Gallardo			X	X
David R. Goode	X		X	
Peter A. Magowan		X	X	
William A. Osborn		X*		
James W. Owens				
Gordon R. Parker	X			X
Charles D. Powell		X		X
Edward B. Rust, Jr.	X		X	
Joshua I. Smith		X		X

* Chairman of Committee

Director Compensation

Of our current board members, only Mr. Owens is a salaried employee of Caterpillar. All other members receive separate compensation for board service comprised of:

Annual Retainer:	$65,000		
Attendance Fees:	$1,000 for each board meeting		
	$1,000 for each board committee meeting		
	Expenses related to attendance		
Annual Committee Chairman Stipend:	Audit	$	10,000
	Compensation	$	5,000
	Governance	$	5,000
	Public Policy	$	5,000
Stock Options:	4,000 shares annually		

Under Caterpillar's Directors' Deferred Compensation Plan, directors may defer 50 percent or more of their annual compensation in an interest-bearing account or an account representing shares of Caterpillar stock. Under the 1996 Stock Option and Long-Term Incentive Plan, directors may also elect to receive all or a portion of their annual retainer fees, attendance fees and/or stipends in shares of Caterpillar stock.

Our directors also participate in a Charitable Award Program. In the year of a director's death, the first of 10 equal annual installments is paid to charities selected by the director and to the Caterpillar Foundation. The maximum amount payable under the program is $1 million on behalf of each eligible director and is based on the director's length of service. The program is financed through the purchase of life insurance policies, and directors derive no financial benefit from the program.

Legal Proceedings

On May 11, 2000, the First Circuit Court in Mexico City granted Grupo Azucarero Mexico, S.A. de C.V., a public company of which Juan Gallardo is the controlling stockholder, suspension of payments protection, which is legal protection similar to Chapter 11 of the U.S. Bankruptcy Code. This protection enables the company to continue its operations while meeting its financial obligations in an orderly fashion.

Certain Related Transactions

In 1998, Caterpillar entered into a lease agreement with Riverfront Development L.L.C. (Riverfront) for space at One Technology Plaza, 211 Fulton Street, Peoria, Illinois. Pursuant to this lease and subsequent amendments, Caterpillar paid $395,805.29 to Riverfront through September 21, 2004. Diane A. Oberhelman, who has been married to Caterpillar Group President Douglas R. Oberhelman since 2000, owns a majority of Cullinan Properties L.L.C. (Cullinan), which owned 100 percent of Riverfront until September 21, 2004, when Cullinan divested itself of its entire interest in Riverfront. Thus, Diane A. Oberhelman no longer has any interest in either Riverfront or One Technology Plaza.

In each of 1998 and 2003, respectively, Caterpillar Financial Services Corporation entered into loan arrangements with Dynamic Retailers, L.L.C. The balance of these two loans as of December 31, 2004, was $559,000. Cullinan was a 50 percent member of Dynamic Retailers, L.L.C. until December 21, 2004, when Cullinan sold all of its interest in Dynamic Retailers, L.L.C. Thus, Diane A. Oberhelman no longer has an interest in Dynamic Retailers, L.L.C. and is no longer a personal guarantor of the full repayment of the loans.

Audit Committee Report

The Audit Committee (committee) is comprised entirely of independent directors (as defined for members of an audit committee in the New York Stock Exchange listing standards) and operates under a written charter adopted by the board (attached hereto as Exhibit A). The members of the committee, as of December 31, 2004, are listed at the end of this report. Management is responsible for the company's internal controls and the financial reporting process. The Independent Registered Public Accounting Firm (auditors) are responsible for performing an independent audit of the company's consolidated financial statements and internal controls over financial reporting in accordance with standards established by the Public Company Accounting Oversight Board (United States) and issuing a report thereon. The committee's responsibility is to monitor these processes. In this regard, the committee meets separately at each committee meeting with management, the Vice President for Corporate Auditing and Compliance, and the auditors. The committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in conducting any such investigations. The committee is responsible for selecting and, if appropriate, replacing the auditors (PricewaterhouseCoopers LLP).

Pre-Approval Process

The committee pre-approves all audit and non-audit services to be performed by the auditors. It has policies and procedures in place to ensure that the company and its subsidiaries are in full compliance with the requirements for pre-approval set forth in the Sarbanes-Oxley Act of 2002 and the SEC rules regarding auditor independence. These policies and procedures provide a mechanism by which management can request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations. The policies and procedures are detailed as to the particular service and **do not** delegate the committee's responsibility to management. They address any service provided by the auditors, and any audit or audit-related services to be provided by any other audit service provider. The pre-approval process includes an annual and interim component.

Annual Pre-Approval Process

At each February committee meeting, management and the auditors jointly submit a Service Matrix of the types of audit and non-audit services that management may wish to have the auditors perform for the year. The Service Matrix categorizes the types of services by Audit, Audit-Related, Tax and All Other. Approval of a service is merely an authorization that this type of service is permitted by the committee, subject to pre-approval of specific services. Management and the auditors jointly submit an Annual PreApproval Limits Request. The request lists individual project and aggregate pre-approval limits by service category. The request also lists known or anticipated services and associated fees. The committee approves or rejects the pre-approval limits and each of the listed services. For 2004, the pre-approval limits were as follows:

	Pre-approval Limits	
Type of Service	**Per Project**	**Aggregate Limit**
	(in thousands)	
Audit Services	$ 200	$ 15,000
Audit Related Services	$ 200	$ 3,000
Tax Services	$ 200	$ 15,000
All Other Services	$ 200	$ 1,000

Interim Pre-Approval Process

During the course of the year, the committee chairman has the authority to pre-approve requests for services that were not approved in the Annual Pre-Approval Process. Committee approval is not required for individual projects below the pre-approval project limits. However, all services, regardless of fee amounts, are subject to the services allowable under the Sarbanes-Oxley Act of 2002 and SEC rules regarding auditor independence. In addition, all fees are subject to on-going monitoring by the committee.

On-Going Monitoring

At each committee meeting subsequent to the February meeting, the chairman reports any interim pre-approvals since the last meeting. Also, at each of these meetings, management and the auditors provide the committee with an update of fees expected to be incurred for the year compared to amounts pre-approved in February.

The committee has discussed with the company's auditors the overall scope and plans for the independent audit. Management represented to the committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. Discussions about the company's audited financial statements included the auditors' judgments about the quality, not just the acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The committee also discussed with the auditors other matters required by Statement on Auditing Standards No. 61 *Communication with Audit Committees,* as amended by SAS No. 90 *Audit Committee Communications.* Management and the auditors also made presentations to the committee throughout the year on specific topics of interest, including: i) management's philosophy, asset allocation levels, risk management and oversight of the company's pension funds; ii) accounting for the company's pension funding obligations; iii) the company's derivatives policy; iv) the internal audit plan for 2004; v) the company's information technology systems and the controls in place within those systems for compliance with the Sarbanes-Oxley Act of 2002; vi) the applicability of new accounting releases; vii) the company's critical accounting policies; viii) risk management initiatives and controls for various business units within the company, including the Global Purchasing Division and Financial Products Division; and ix) the company's progress in meeting the internal controls requirements under Section 404 of the Sarbanes-Oxley Act of 2002.

The auditors provided to the committee the written disclosures required by Independence Standards Board Standard No. 1 *Independence Discussions with Audit Committees,* and the committee discussed the auditors' independence with management and the auditors. In addition, the committee noted that no information technology or other non-audit consulting services had been provided by the auditors' firm. The committee concluded that the auditors' independence had not been impaired.

Based on: (i) the committee's discussion with management and the auditors; (ii) the committee's review of the representations of management; and (iii) the report of the auditors to the committee, the committee recommended to the board that the audited consolidated financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

By the Audit Committee consisting of:

	Eugene V. Fife (Chairman)	
W. Frank Blount	***David R. Goode***	***Gordon R. Parker***
John T. Dillon		***Edward B. Rust, Jr.***

Audit Fees

Fees paid to our auditors' firm were comprised of the following (in millions):

	2003 Actual	2004 Actual
Audit Services	$ 10.2	$ 18.7
Audit Related Services	3.5	2.6
Tax Compliance Services(1,3)	2.5	3.4
Tax Planning and Consulting Services(2,3)	10.5	7.8
All Other	0.4	0.1
TOTAL	**$ 27.1**	**$ 32.6**

(1) "Tax Compliance Services" includes, among other things, tax return preparation and review, executive tax compliance, and advising on the impact of changes in local tax laws.

(2) "Tax Planning and Consulting Services" includes, among other things, tax planning and advice and assistance with respect to transfer pricing issues.

(3) For 2003, $0.4 million has been reclassified from "Tax Planning and Consulting Services" to "Tax Compliance Services" to be consistent with 2004 actual presentation.

Governance Committee Report

The Governance Committee (committee) is composed of six directors, identified at the end of this report, all of whom meet the independence requirements for nominating committee members as defined in the New York Stock Exchange listing standards and determined by the board in its business judgment. The committee operates under a written charter adopted by the board. As part of its mandate, the committee evaluates and makes recommendations regarding proposed candidates to serve on the board, including recommending the slate of nominees for election at annual meetings of stockholders.

Process for Nominating Directors

The committee identifies director nominees from various sources such as officers, directors, and stockholders and in 2004 did not retain the services of any third party consultants to assist in identifying and evaluating potential nominees. The committee will consider and evaluate a director candidate recommended by a stockholder in the same manner as a committee-recommended nominee. Specifically, the committee assesses all director nominees taking into account several factors, including, but not limited to, issues such as the current needs of the board and the nominee's: (i) integrity, honesty, and accountability; (ii) successful leadership experience and strong business acumen; (iii) forward-looking, strategic focus; (iv) collegiality; (v) independence and absence of conflicts of interests; (vi) ability to devote necessary time to meet director responsibilities; and (vii) ability to commit to company stock ownership. The committee will ultimately recommend nominees that it believes will enhance the board's ability to manage and direct, in an effective manner, the affairs and business of the company.

Shareholder Nominations

Stockholders wishing to recommend a director candidate to serve on the board may do so by providing advance written notice to the company. Such written notice of an intent to nominate a director candidate at an annual meeting of stockholders must be given either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary no later than ninety (90) days in advance of such meeting. The notice must set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the nominating stockholder is a stockholder of record of the company's stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the board; and (e) the consent of each nominee to serve as a director of the company if so elected. The presiding officer of the annual meeting of stockholders may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. If you are interested in recommending a director candidate, you may request a copy of the company's bylaws by writing the Corporate Secretary at the address set forth on the front page of this Proxy Statement.

By the Governance Committee consisting of:

John T. Dillon (Chairman)

W. Frank Blount	***David R. Goode***	***Peter A. Magowan***
Juan Gallardo		***Edward B. Rust, Jr.***

Caterpillar Stock Owned by Officers and Directors (as of December 31, 2004)	
Barton	877,558(1)
Blount	26,075(2)
Brazil	17,651(3)
Dillon	30,099(4)
Fife	12,334(5)
Fosler	2,334(6)
Gallardo	66,503(7)
Goode	42,319(8)
Levenick	169,312(9)
Magowan	57,428(10)
Oberhelman	279,652(11)
Osborn	11,793(12)
Owens	688,710(13)
Parker	39,997(14)
Powell	10,043(15)
Rust	3,334(16)
Shaheen	351,628(17)
Smith	22,506(18)
Vittecoq	191,649(19)
Wunning	203,961(20)
All directors and executive officers as a group	6,841,530(21)

(1) Barton Includes 796,601 shares subject to stock options exercisable within 60 days.

(2) Blount Includes 20,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 448 shares of common stock.

(3) Brazil Includes 16,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 148 shares of common stock.

(4) Dillon Includes 24,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 217 shares of common stock.

(5) Fife Includes 1,334 shares subject to stock options exercisable within 60 days.

(6) Fosler Includes 1,334 shares subject to stock options exercisable within 60 days.

(7) Gallardo Includes 20,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 148 shares of common stock.

(8) Goode Includes 32,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such

compensation had been invested on December 31, 2004, in 14,884 shares of common stock.

(9) Levenick Includes 153,186 shares subject to stock options exercisable within 60 days.

(10) Magowan Includes 32,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 4,535 shares of common stock.

(11) Oberhelman Includes 250,988 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2004, in 9,046 shares of common stock.

(12) Osborn Includes 8,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 37 shares of common stock.

(13) Owens Includes 602,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2004, in 3,107 shares of common stock.

(14) Parker Includes 32,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 514 shares of common stock.

(15) Powell Includes 8,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 37 shares of common stock.

(16) Rust Includes 1,334 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 1,137 shares of common stock.

(17) Shaheen Includes 282,602 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2004, in 6,914 shares of common stock.

(18) Smith Includes 14,001 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to the Directors' Deferred Compensation Plan representing an equivalent value as if such compensation had been invested on December 31, 2004, in 492 shares of common stock.

(19) Vittecoq Includes 168,564 shares subject to stock options exercisable within 60 days.

(20) Wunning Includes 182,060 shares subject to stock options exercisable within 60 days. In addition to the shares listed above, a portion of compensation has been deferred pursuant to supplemental employees' investment plans representing an equivalent value as if such compensation had been invested on December 31, 2004, in 9,389 shares of common stock.

(21) Group Includes 5,801,190 shares subject to stock options exercisable within 60 days. Also includes 85,376 shares for which voting and investment power is shared. Each individual director and executive officer beneficially owns less than one percent of the company's outstanding common stock. All directors and executive officers as a group beneficially own 1.99 percent of the company's outstanding

common stock.

Persons Owning More than Five Percent of Caterpillar Stock
(as of December 31, 2004)

Name and Address	Voting Authority		Dispositive Authority		Total Amount of Beneficial Ownership	Percent of Class
	Sole	Shared	Sole	Shared		
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071			20,454,500		20,454,500	6%

Performance Graph

Compensation Committee Report on
Executive Officer and Chief Executive Officer Compensation

As Caterpillar's Compensation Committee (committee), our primary goal is to establish a compensation program that serves the long-term interests of Caterpillar and its stockholders. Our most valuable asset is our people and we believe a focused, competitive compensation program, tailored to meet our long-term goals, helps us engage the entire Caterpillar team.

We believe that Caterpillar has developed a compensation program that effectively:

- links the interests of management and stockholders;
- links employee compensation with both individual performance and long-term Caterpillar performance; and
- attracts and retains people of high caliber and ability.

Although this report is directed at CEO and executive officer compensation, the committee emphasizes that only through the efforts of highly motivated, dedicated Caterpillar employees at all levels and around the globe, has the company been able to experience the success it had in 2004 and will it be able to continue to drive profitable growth and build on its success in the future.

Guidelines and Philosophy

Our executive officer compensation package is a combination of total annual cash and long-term incentive compensation. Compensation at Caterpillar is driven by two main philosophies: pay for performance and higher pay at risk for increased job responsibility. As such, no executive officer has a "golden parachute" agreement that would reward him or her upon departure from the company.

Total annual cash compensation consists of market-competitive, performance-driven base pay and our annual short-term incentive pay. Long-term incentives currently consist of two main elements; stock option grants and a three-year long-term cash performance plan. Also included in the long-term incentive plan are targeted restricted stock grants.

The committee established the following principles to guide the use of the compensation components listed above to drive Caterpillar's pay for performance and pay at risk philosophy:

- ***Base salary, as a percentage of total direct pay, should decrease as salary grade levels increase.*** *As employees move to higher levels of responsibility, with greater ability to influence enterprise results, the percentage of their pay at risk should increase correspondingly.*
- ***The ratio of long-term variable pay to short-term variable pay should increase as salary grade levels increase.*** *The long-term success of our company should be the top priority of our executives. Our compensation program must emphasize this and motivate our executives to take actions that are best for the long-term vitality of the company.*
- ***Equity compensation increases as salary grade levels increase.*** *Equity ownership provides a clear link between interests of the stockholder and the interests of the recipient. As employees have more impact on corporate performance, their main incentive should be profitably growing the company, which aligns their interests with those of our stockholders.*

These principles guided the committee's compensation decisions during 2004, and are reflected in the graph below. The graph depicts the progression of pay components as salary grades increase for a representative management plan in the United States. Structures differ globally depending on local practices, but preserve the compensation philosophy and guidelines described in this report.

Total Annual Cash Compensation

Total annual cash compensation for executive officers is comprised of base salary plus annual short-term incentive pay. At Caterpillar, total annual cash compensation is targeted to be highly competitive compared to other companies within our comparator group for talent.

Base Salary

Base salary increases are performance-driven, consistent with Caterpillar's compensation philosophy. At Caterpillar, we believe in paying for performance, as evidenced by our base salary administration practice the Performance Award Process. The Performance Award Process provides for salary increases based on individual performance, and is designed to drive the largest percentage increase to our highest-performing employees. Virtually all management employees from entry-level positions through the executive levels of the company are evaluated and receive pay adjustments through this process. Consistently high-performing employees will have the opportunity to significantly exceed target base salary levels.

To strengthen the performance component of base salary, the administration of officer base pay changed in 2004. As part of this change, base pay for officers will ordinarily move to a market-competitive level within five years if performance objectives are met, with faster progression based on performance. Base salary above midpoint must be re-earned annually given certain performance parameters, thereby stressing the performance component of the program to an even greater degree for our executive group.

When reviewing total annual cash compensation, we use Hewitt Associates LLC as our principal source of survey data. Our review of market data for 2004 showed that the market position for the cash element for all officer groups other than Group President had deteriorated, and in all cases was below the market competitive level. Based on this data, and following our market competitiveness philosophy, we implemented a five percent increase in the midpoint of the salary range for Group Presidents, and a ten percent increase for the ranges for Vice Presidents and the Chairman/CEO. These changes brought all officer groups to within five percent of the market.

Short Term Incentive Plans

Officers, along with most other employee populations, participate in Caterpillar's Short Term Incentive Plans (STIP). These plans constitute team-based pay at risk that deliver a target percentage of base salary to each participant based on performance against team goals at both the enterprise and business unit levels. The following guiding principles apply to these plans:

- percentage of pay at risk is to remain at market-leading levels, meaning in general that commensurately less pay at market target levels is included in base pay than is the case for our comparator companies;
- employees are rewarded for the delivery of results against measurable goals;
- highly competitive incentive compensation is paid out for target levels of performance;
- they are designed to drive behavior aligned with both enterprise and business unit results; and
- the company's payout objective under the plans is to be at target on average over a period of years.

The market data reviewed by the committee showed that our STIP target percentages remain competitive for all officer groups, and preserve the desired proportion of pay at risk. We are, therefore, maintaining the STIP target percentages for all officer groups.

Payouts Under The Corporate Incentive Compensation Plans

For 2004, approximately 56,600 Caterpillar employees earned approximately $461 million in short-term incentive compensation. This team award is based on prorated annual salary, a specific percentage based on position, and performance factors for corporate and business units' achievements.

Before any amount could be awarded under these plans for 2004, Caterpillar had to achieve a threshold profit per share (PPS) level, with increasing amounts awarded for achievement of higher levels from threshold to maximum PPS levels. For 2004, the threshold PPS level was exceeded and all executive officers received a team award.

As part of the STIP, 28 business units (or divisions within those units) at Caterpillar have their own short-term incentive compensation plans tied to the goals of their particular unit. For 2004, 20 officers received part of their short-term incentive payouts based on the performance of their individual business units. Several factors specific to the unit may have impacted that payout, including PPS, 6 Sigma benefits, return on assets, accountable profit, cash flow, revenue growth, price realization, percentage of industry sales, and quality.

Officers participating in their respective divisional incentive plans were eligible to receive 50 percent of the team award amount that would have been awarded if he or she had participated solely in the divisional plans and 50 percent of the amount that would have been awarded had the officer participated solely in the corporate STIP metrics (PPS and corporate 6 Sigma benefits).

In line with Caterpillar's pay for performance philosophy, the company's top performing officers and executives (as well as our top performers from most participating employee populations) are eligible for incremental STIP discretionary awards. At the end of each plan year, a two percent discretionary pool is formed from STIP to award these top performers. In consultation with the committee, the Chairman decides whether any individual awards to officers are warranted. Each business unit Vice President decides whether any individual awards to employees at all other salary grade levels are warranted. Top performing employees can receive an additional award of up to their original STIP award. Unused portions of the funds allocated to the Chairman and unit Vice Presidents each year for individual awards are not carried forward into the next year.

Long-Term Incentive Compensation

The Long-Term Incentive Plan (LTIP) is composed of two main elements, an equity plan and a Long-Term Cash Performance Plan (LTCPP). At Caterpillar, we target long-term compensation to be highly competitive against a comparator group. Caterpillar's LTIP is designed to reward the company's key employees for achieving and exceeding long-term goals, to drive stockholder return, and to foster stock ownership. Ultimately, LTIP aligns the interests of officers and executives with those of the stockholders.

Equity

The main equity vehicle used in 2004 to motivate and reward officers and certain other key employees was stock options. These stock options permit the holder to buy Caterpillar stock for the stock's price when the option was granted. The option holders only benefit if the price of Caterpillar stock increases from the date of the grant. Option holders have 10 years to exercise stock options from the date they were granted, absent events such as death or termination of employment. Caterpillar views stock options as critical to linking the interests of our stockholders and employees to realize a benefit from appreciation in the price of our stock.

The number of options an officer receives depends upon his or her position in the company and his or her performance. A baseline number of options is granted for the positions of Vice President, Group President and Chairman. Positive or negative adjustments may be made based on a subjective assessment of individual performance, as long as these adjustments do not increase the total number of options issued.

In 2004, despite past adjustments, equity compensation for officers remained considerably below market competitive levels. However, instead of increasing the standard grants, we approved the creation of a share pool to supplement the standard grants to provide more flexibility in executing our pay for performance philosophy. This pool is to be distributed exclusively to the officer group at the discretion of the committee and in consultation with the Chairman/CEO.

Consistent with our commitment to cultivate an ownership mentality among our executive group, Caterpillar is one of the few companies to establish and adhere to strict ownership guidelines in connection with stock option grants. Pursuant to these guidelines, reductions to the number of options granted may be made if the officer (or other eligible employee) does not meet his or her stock ownership requirements. Employees are encouraged to own a number of shares at least equal to the average number of shares for which they received options in their last five option grants. Generally, this target corresponds to a requirement that executive officers hold more than two to three times their base salary in Caterpillar stock. Twenty-five percent of vested unexercised options apply toward the ownership target. With few exceptions, if 100 percent of the ownership requirement is not met, the officer's grant would be reduced. For 2004, all officers complied with the target ownership guidelines and no officer was penalized for low share ownership.

Restricted Stock Grants

In addition to stock options, the committee approved the implementation of a restricted stock award program in December 2000 in recognition of the need to attract and retain outstanding performers. Key elements of the program are:

- establishment of a pool of 250,000 restricted shares of company stock, from which selected performance-based and retention-based grants would be made to officers and other key employees, as well as prospective employees;
- refreshment of the pool annually to a level approved by the committee;
- restrictions on awarded shares with vesting schedules varying from 3-5 years; and
- forfeiture of restricted shares upon the grantee's election to leave Caterpillar.

Pursuant to the plan, the committee reviews nominations for awards to assure they meet the following criteria:

For prospective employees:

- demonstrated potential as a significant contributor;
- capabilities presenting a potential competitive advantage; or
- special talents or characteristics to meet a specific corporate need.

For current Caterpillar employees:

- exceptional performance;
- high potential for promotion; or
- high marketability for positions outside Caterpillar.

Seventy-nine participants received a total of 44,350 restricted shares with a total value of $3,542,807 under this restricted stock award program in 2004. In addition, 18 participants received a total of 7,400 restricted share equivalents with a total value of $590,569 under this program in 2004.

Cash Performance Plan

Our long-term incentive compensation plan also includes a LTCPP offered to officers and other high-level management employees. Under this feature, a three-year performance cycle is established each year. If the company meets certain threshold, target, or maximum performance goals at the end of the cycle, participants receive a cash payout. We have the ability to apply different performance criteria for different cycles, as well as the discretion to adjust performance measures for unusual items such as changes in accounting practices or corporate restructurings. As with past cycles, we decided to combine company PPS growth and return on equity (ROE) for the 2004-2006 cycle. In February 2004, we set the threshold, target and maximum levels for the 2004-2006 cycle for PPS growth at the 25th, 50th and 75th percentiles of our industry peer group, respectively, and for ROE at 20, 25 and 30 percent, respectively. Each measure will trigger independently for the 2004-2006 cycle.

For the three-year cycle established for the years 2002 through 2004, which uses the same metrics as the 2004-2006 cycle, we achieved an ROE factor of .66 and a PPS growth factor of 1.5, for a combined payout factor of 1.08. This is the first time in three years the company will make any payment under the LTCPP.

Additionally, our market data review showed that the current target percentages for the LTCPP were competitive in the market. The market data further showed that in conjunction with the equity awards, our LTCPP provides for adequate, market-competitive incentives, that adequately balance growth and profitability over an intermediate and long-term horizon.

Summary

We believe the design of Caterpillar's compensation plans and their relative mix successfully motivates the company's officers and executives. All aspects of compensation are performance driven and align both the short-term and long-term interests of employees and stockholders. The ownership requirements for executives and officers are instrumental in the company's drive to increase stockholder return. The committee believes that Caterpillar's plans are effective, create significant value and reflect an appropriate mix that drives company success.

Mr. Owens's Individual Goals for 2004

The committee reviewed the board's assessment of Mr. Owens's individual goals established at the beginning of 2004 and his subsequent performance against those goals. Mr. Owens's 2004 performance was also considered in determining adjustments to his 2004 salary. We believe that the company's extraordinary 2004 performance is a testament to Mr. Owens's effective strategic direction and leadership.

Mr. Owens's individual goals stem from the "3-Ps" that he established as the focal points for the company going forward Profitable growth, Performance through 6 Sigma, and People. We believe that 2004 was a year of remarkable achievement in each of these areas.

Profitable Growth

The company had an excellent year, exceeding the $30 billion dollars in sales and revenue goal set in 1997 well ahead of schedule. Under Mr. Owens's leadership and direction, Team Caterpillar employees, dealers and suppliers effectively responded to an unprecedented recovery in nearly every market the company serves and enhanced its long-term strategic position by meeting record customer demand and building substantial field population. The company delivered record profits and increased return on sales, and ended the year with solid improvement in the company's cash flow despite significant contributions to pension plans, a dividend increase to shareholders and repurchases of almost seven million of Caterpillar shares under the repurchase plan.

The company also leveraged its groundbreaking ACERT® Technology in 2004 to maximize the company's short-term results and position the company for additional benefits long term. In July, Caterpillar became the first company with a full line of off-road engines certified by the United States Environmental Protection Agency (EPA) as compliant with Tier 3 standards slated to go into effect in January 2005 and January 2006. This EPA certification enabled Caterpillar to provide customers with a full line of engines featuring ACERT Technology in the 175-750 horsepower range. In November, the company delivered the first off-road machine meeting the Tier 3 emissions standard with the offering of the new D8T track-type tractor powered by a Caterpillar engine using ACERT Technology. ACERT Technology provides Caterpillar a competitive advantage now and in the future to meet emission and performance requirements. While Caterpillar is leveraging its ACERT Technology directly into its off-highway businesses, the competition must pursue alternative technologies furthering development of their on-highway technologies to meet future on-highway regulations and another technology to meet off-highway market needs and emission requirements.

Under Mr. Owens's direction, the company launched strategic initiatives and finalized acquisiti