

CATERPILLAR INC. NYSE-CAT

RECENT PRICE **67.66** P/E RATIO **12.6** (Trailing: 12.9 Median: 15.0) RELATIVE P/E RATIO **0.65** DIV'D YLD **2.1%**

VALUE LINE

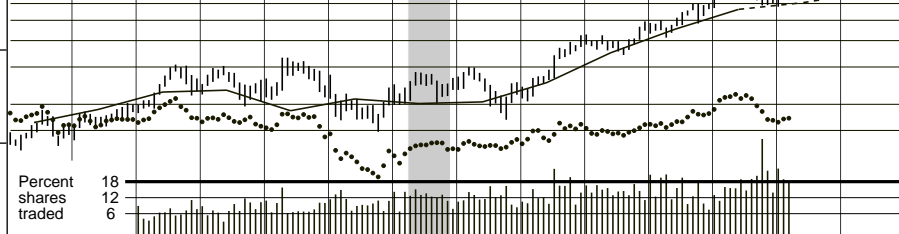
TIMELINESS 4 Lowered 11/3/06
SAFETY 2 Raised 7/30/04
TECHNICAL 3 Raised 3/23/07
BETA 1.15 (1.00 = Market)

2010-12 PROJECTIONS
 Price **110** Gain **(+65%)** Ann'l Total Return **15%**
 High **110** Low **80** (+20%) **7%**

Insider Decisions
 J J A S O N D J F
 to Buy 0 1 1 0 0 0 0 0 0 0
 Options 0 1 1 0 1 0 1 0 1 0
 to Sell 0 1 1 0 0 0 0 0 0 0

Institutional Decisions
 202006 302006 402006
 to Buy 387 371 449
 to Sell 402 408 417
 Hld's(000) 451747 440234 414452

LEGENDS
 — 7.0 x "Cash Flow" p sh
 Relative Price Strength
 2-for-1 split 9/94
 2-for-1 split 7/97
 2-for-1 split 7/05
 Options: Yes
 Shaded area indicates recession



Target Price	Range
2010	2011
2012	
160	
120	
100	
80	
60	
40	
30	
20	
15	

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
12.61	12.62	14.25	17.87	20.71	21.70	25.71	29.36	27.72	29.38	29.78	29.27	33.11	44.11	54.17	64.29	66.50	71.75	Sales per sh	97.30
.58	.54	1.66	2.04	2.34	2.70	3.26	3.33	2.66	3.02	2.87	2.93	3.62	5.00	6.46	8.03	8.65	9.65	"Cash Flow" per sh	14.05
d.17	d.27	.84	1.18	1.43	1.77	2.19	2.06	1.32	1.51	1.16	1.15	1.62	2.88	4.04	5.25	5.55	6.25	Earnings per sh ^A	9.55
.13	.08	.08	.16	.30	.39	.48	.58	.64	.67	.70	.70	.71	.80	.96	1.10	1.35	1.55	Div'ds Decl'd per sh ^B	2.15
.96	.79	.78	.87	.88	1.01	1.50	1.78	1.28	1.35	1.60	2.58	2.57	3.08	3.60	4.14	4.30	4.65	Cap'l Spending per sh	6.35
5.01	1.95	2.70	3.63	4.37	5.41	6.36	7.18	7.69	8.15	8.17	7.95	8.84	10.89	12.57	10.62	13.30	16.95	Book Value per sh ^C	32.15
807.29	807.62	814.89	801.77	776.06	761.40	736.02	714.40	710.78	686.79	686.75	688.51	687.52	685.87	670.87	645.81	640.00	620.00	Common Shs Outst'g ^D	560.00
--	--	10.9	11.5	10.3	9.8	11.2	12.3	20.6	12.8	21.0	20.9	18.8	13.9	12.6	13.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	10.0
--	--	.64	.75	.69	.61	.65	.64	1.17	.83	1.08	1.14	1.07	.73	.67	.71			Relative P/E Ratio	.65
2.2%	1.2%	.8%	1.2%	2.0%	2.2%	1.9%	2.3%	2.4%	3.5%	2.9%	2.9%	2.3%	2.0%	1.9%	1.7%			Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 12/31/06
 Total Debt \$27.3 bill. Due in 5 Yrs \$21.9 bill.
 LT Debt \$17.7 bill. LT Interest \$865.0 mill.
 Incl. \$14.0 bill. in debt held by Financial Products division.
 (LT interest earned: 6.7x;
 Total interest coverage: 4.7x) (72% of Cap'l)
Leases, Uncapitalized Annual rentals \$230.0 mill.
Pension Assets-12/06 \$12.4 bill. **Oblig.** \$12.9 bill.
Prd Stock None
Common Stock 645,808,176 shs.
 (683.8 mill. diluted shs.)
MARKET CAP: \$43.7 billion (Large Cap)

CURRENT POSITION	2004	2005	12/31/06
(\$MILL.)			
Cash Assets	445	1108	530
Receivables	13969	13968	14972
Inventory (LIFO)	4675	5224	6351
Other	1767	2490	1240
Current Assets	20856	22790	23093
Accts Payable	3990	3471	4085
Debt Due	7688	10068	9616
Other	4532	5553	5551
Current Liab.	16210	19092	19252

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '04-'06
of change (per sh)			
Sales	10.5%	13.5%	10.5%
"Cash Flow"	10.5%	18.0%	14.0%
Earnings	11.0%	25.0%	15.5%
Dividends	13.0%	7.5%	12.5%
Book Value	10.0%	7.5%	19.0%

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	6467	7564	7649	8571	30251
2005	8339	9360	8977	9663	36339
2006	9392	10605	10517	11003	41517
2007	9550	11000	10900	11100	42550
2008	10200	11450	11350	11500	44500

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.60	.80	.71	.77	2.88
2005	.82	1.08	.94	1.20	4.04
2006	1.20	1.52	1.21	1.32	5.25
2007	1.20	1.55	1.30	1.50	5.55
2008	1.35	1.70	1.50	1.70	6.25

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	.175	.175	.175	.185	.71
2004	.185	.185	.205	.205	.78
2005	.205	.205	.25	.25	.91
2006	.25	.25	.30	.30	1.10
2007	.30				

BUSINESS: Caterpillar Incorporated is the world's largest producer of earthmoving equipment. Major markets include road building, mining, logging, agriculture, petroleum, and general construction. Products include tractors, scrapers, graders, compactors, loaders, off-highway truck engines, and pipelayers. Also makes diesel & turbine engines and lift trucks. Foreign sales: 53% of 2006 total; re-

Good diversity should allow Caterpillar to record another record sales year. In 2007, domestic sales may well fall from 2006 levels. Higher interest rates have caused a slowdown in the housing sector, which will likely persist to yearend and hurt machinery demand. Engine volume should be sharply lower since on-highway truck demand has dried up. Fleet operators prebought trucks in the years leading up to tougher 2007 federal emissions standards. CAT will spend this year rolling out cleaner engines. Next year, we look for truck engine sales to improve, as customers start to consider tighter pollution controls slated for 2010. Fortunately for CAT, other markets are healthier. The nonresidential construction, mining, energy, power, infrastructure, marine and industrial sectors are all faring well in the Americas, Europe, Africa, the Middle East and Asia/Pacific. Expansion in China and India, and logistics and remanufacturing business will help to lift sales near \$42.5 billion this year. The company may well achieve its \$50 billion sales goal by 2010. **Management is focused on operating efficiency, with the aim of lifting**

search & development: 3.2% of sales. 2006 depreciation rate: 9.3%. Has about 94,595 employees. Officers & directors own 2.0% of common stock; Capital Research and Management Co., 5.9% (4/06 proxy). Chairman & CEO: James W. Owens. Incorporated: Delaware. Address: 100 N.E. Adams St., Peoria, Illinois 61629. Telephone: 309-675-1000. Internet: www.cat.com.

share net. This year, and beyond, in light of easing sales growth, stubbornly high commodities expense and increased business investment, CAT will extend its successful production system initiative across all operations. More specific, management wants to trim inventory and speed up inventory turns, improve manufacturing and office processes, implement lean practices, shore up employee productivity, and among other efforts, enhance supply chain efficiency. Ample cash flow will provide for substantial common stock buybacks over the next few years, lending additional support to the share-net advance. We look for respectable earnings gains to \$5.55 (up 5.7%) 2007 and \$6.25 (12.6%) in 2008. (At the \$50 billion sales goal, the company is capable of earning close to \$8.00 a share.) **The stock is ranked to lag the year-ahead market, but potential total returns to 2010-2012 are modestly above the Value Line average.** We caution, however, that a significant global economic downturn, which we don't expect, would place notable downward pressure on this blue chip equity.
 David M. Reimer
 April 27, 2007