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EDITED TRANSCRIPT

CAT - Caterpillar Inc. 2014 Analyst Meeting at ConExpo - Las Vegas*

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PRESENTATION

Mike DeWalt - *Caterpillar Inc. - VP - Strategic Services Division*

Good afternoon, everyone, and welcome to ConExpo and our analyst meeting this afternoon. I'm going to run through a few of the preliminaries before we get started with the presentations.

I'm Mike DeWalt. I think I know if not everybody in the room, most everybody in the room.

At Caterpillar, safety is of paramount importance for us, and we start every meeting that we do with a safety briefing, and this one is no different.

So the big things to remember in terms of this room, there are a lot of people in here, if there's a reason that we have to evacuate, there'll be rush to the doors, keep it orderly. The biggest hazards, I think, in the room are the tables on the side and the A.V. equipment, so just be careful.

If for some reason we need to evacuate, you can go out all the side doors and exit behind me to the stairs and escalators go down and go out the room. We have people in the room that have the emergency number and we'll call it if we need it.

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I'd be remiss if I didn't -- if I didn't go over the safe harbor. I would probably be in real trouble if I didn't do that as well. So we're certainly going to be talking about the future today. I think, in fact, we'll probably be mostly talking about the future today. So there are things that either individually or in the aggregate could cause things to be different than what we talk about today. They can be found in the safe harbor in the material that we put on the website, the material that we handed out and our safe harbor from the 10-K.

So with that, the agenda today, we have a very full agenda. We're going to try and go through it quickly. You are going to hear from essentially our entire executive office today -- the chairman, all of our group presidents and our senior vice president, Dave Bozeman.

We're going to break the presentation today really into 2 pieces. The first part of it with Doug, and Stu, and Dave and Brad is on our strategy update. And then we're going to do a business review of each of our 3 big segments with Ed, and Steve and Jim.

Doug will give the overview of the strategy, kind of a big picture of what we're doing, what we're changing.

Two big key elements of the strategy we're bridging are around lean, and value chains, and our Across the Table initiative with dealers. And so for both of those we're pulling that out as a separate topic, and Stu and Dave will cover those.

So without further ado, just to keep us on time, let's start. I'd like to introduce our chairman and CEO Doug Oberhelman.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Thank you, Michael.

Well, good afternoon, everyone, and welcome to ConExpo 2014. The last analyst meeting we had was at MINExpo out here about a year and a half ago. So it was time to talk with all of you. We have a lot of things going internally we wanted to discuss with you as well -- several big initiatives and some tweaks to our strategy of 2010, which I will go over.

And I really want to emphasize that because this is not -- you will not hear today Caterpillar taking a right or a left turn on our strategy. Our strategy is working. It's solid. We like it. Some things we have to do a little better, which we will talk about, and a couple of really big initiatives that Stu and David will talk about here in a few minutes.

Caterpillar has been around a long time. Our IPO was in 1929, kind of a famous year. And we've been through a lot of cycles since that time. We've returned to the top 30% of the S&P over the last 20 years, and we feel pretty good about that. But there's no guarantee in the future that success will be like it has been. And the statistic here on this slide, I think, says an awful lot about that.

There is one company left in the Dow Jones that was there in 1929. The year we IPO'd, obviously, but we persevered along that long period of time as has one other company. I won't ask a trivia question, but you can probably figure it out. It's one of our big competitors, and we like them a lot.

But we've got to keep changing, and renewing, and doing things differently. That's really what we're going to talk about today -- strategy for the next few years.

In 2010, we sort of revolutionized the company. That's a bit of a bold statement, but we made vast changes to our company. We talked to you about it at the time.

A lot of things needed to be changed. We needed to drive a customer focus. We really needed to think about our customers and our competitors. We felt we had become a bit insular over a period of time and needed to look outwardly. We lost a little focus on our backbone; quality, product, brand, name. We introduced the Cat Production System in the mid-2000's and needed to ramp that up. In addition, we had a lot of cost management to do to undertake in 2010.

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We really needed to exercise the Cat business model, which is quite simply Seed, Grow and Harvest, lowest owning and operating cost for our customers, lots of field population we call PINS, and great dealer aftermarket support by a tremendous distribution organization. But we had to step that up and do it even more.

We introduced a lot of leadership development programs internally. I won't spend a lot of time on that today, but we put several thousand leaders through all kinds of programs that we are teaching in a joint venture with Stanford University.

The good news is that after about 4 years of this now 40% of the enrollees of those programs have been promoted. We're starting to see the fruits of that investment in our leadership teams.

We really focused on resource allocation. We identified a couple of businesses we really like -- oil and gas, mining, electric power. And you've seen our move since that time be focused around that.

And finally, I think the single biggest thing we did was drive accountability through a group president leader and a business that we report externally, which we started in 2010. We can lay the construction industries right up against many of our competition. We can lay the mining resource industries up against our competition. It's a way we measure ourselves internally, and it drove tremendous accountability by our business leaders throughout the company.

It's the same metrics I report to our board with. They report to me and their organizations report to them. I think this is one of the single biggest positive changes we made that has driven the types of internal success we've had.

We, at that time, introduced 8 big imperatives. I won't spend a lot of time on these. I kind of talked about it. A couple of I will spend time on product development. We really upped our game. And I will tell you today that the products you'll see down on the floor -- 14 brand new machines this year at ConExpo, Tier 4 final, ready to go with the best fuel efficiency that we can find against the competitors that we measured it against.

And there is no doubt in my mind that our Tier 4 product development program, which has been coming for 10 years is the best product development program Caterpillar has ever had in its history. Very good high quality, very good fuel economy and efficiency, lots of good customer features. And you'll see that. I'd like for all of you to get down and talk to our people on the floor and compare our Tier 4 products to our competition.

We spend a lot of time on the cost structure. Earlier, increases in volumes typically had meant higher cost increases than sales at Caterpillar. We knew we had to do something different and we did in the run-up after '09.

Profit and cash pull through, we talked a lot about that with you, 25% on the dollar on the way up, 25% to 30% on the way down. We've done pretty good with that. We've got some more work to do and I'll talk about that.

Win in China is a huge one -- largest construction equipment market in the world. Today, in excavators, we're in the lead position by a fairly nice margin. Our wheel loader business there is getting good traction -- 25 plants, 15,000 employees and over 20 dealers. And we really like our business model and how it's working inside China.

Global profitable machine leadership, in our lexicon is PINS. We have seen a nice increase in that over the last 5 years, which has resulted in tens of thousands of more machines in the field today than we would have had at our former PINS level from our low of March of 2010.

Leadership in mining and quarry and aggregates, I'll let Steve talk a little bit about that. And grow power systems, I'll let Jim talk about that in a little bit.

How did we do? I kind of talked about PINS. I am very, very happy with the PINS profit balance that we've engineered the last 5, 4 years. Our PINS are growing. They're not quite where we want to be in our targets that we established for 2015, but we're getting there every single month, and that's done through the good quality product we have as well as an organization, and dealers who are getting after it.

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Safety and quality are two proxies for me that I use when I visit a plant. If I visit a plant of ours or a customer job site, and it's safe, and clean and organized, chances are it's going to be high-quality, chances are it's going to be profitable and chances are the employees are going to be quite happy.

When we started on safety in 2001, our recordable injury frequency was over 6. At the end of January it was 0.8. We think that's 1 or 2 best safety records in any industry in the United States and beyond. But that has really been accomplished to a lot of Cat Production System as well as a lot of accountability from our leaders and managers.

I talked about Tier 4 without a doubt, our best product development program. I talked about people a little bit, good profit pull-through on the upside. I was happy with the profit pull-through on the downside last year as ugly as that was.

In years passed, if we would have pulled $8 billion off the top line, $10 billion off the top line, chances are we would have been bleeding with such a rapid decrease in sales like that. In fact, we ended up with our third best profit year in history.

Rapid decline, it came around us that we didn't see we couldn't keep up with. We missed four quarters in a row. But in the end, we got a hold of it. Our cost structure is where we want it. I think we did pretty well given the fact it was in -- most of that was in our high-end mining and high-end margin machines.

2011, 2013 record cash flow years, last year was spectacular. A lot of our inventory we turned into cash, but we did even more than that. I was quite happy with that. We ended up in December with the strongest balance sheet defined by debt-to-debt and equity in over 25 years at about 30%. And this is important because in a business where we see these extended, and short-term, and deep cycles that we seem to be encountering, we've got to have a balance sheet to give us the power and the flexibility to do things we want to do when the market is off, and we now have that.

We saw that happening in 2013. We announced $2 billion of buyback last year because the idea is to kind of keep our capital structure and our balance sheet strong. We never want to lose our credit rating so that we can have flexibility in the downturn whether it's acquisitions, buying further shares back, pension plans, whatever it is Brad will talk about it, but we got to have that strong balance sheet with the different cyclical industries we seem to see.

Finally, we took a look at strategic businesses and we really have been looking at working on that with low cost producers status for a lot of our machines, where we source, how we source. David will talk more about that, where we're going.

Resource allocation, we divested of Cat Logistic services -- third party logistics. You'll recall we sold to Carter Machinery a few years ago, and the idea was to focus our attention on those businesses that we want to be in a long-term going forward.

We did pretty well on all of that. However, we have a lot more to do, and there are some things we're working on and this is where our strategy tweaks are going to start to come into play. Very volatile industry demand.

And one of the good things that we maybe see is in '08, '09, '10 the emerging markets helped us through that. In '13 with the collapse in the mining business, Power Systems and, to a degree, Construction held up, and our Finance division did super. So as deep as the cycle seem to be, I like where we're positioned with power systems, construction, resources and financial. And needless to say that's all underpinned with deep product support from a field population that's far higher than anybody else's in the industry.

Our inventory problem, you witnessed we didn't like. It was painful on the way up and it was very painful on the way down. And we will get a hold of that.

We introduced the entire organization of Caterpillar Enterprise Systems Group under David Bozeman last year to begin to help us through the process of a dealer order in the field to when that dealer receives the product weeks later. We've got to do better with that. We're spending a lot of time on it. The early returns here are pretty good. We like what we see, but we got work to do.

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Well, I talked about PINS being up. They're not quite where we want to be. POPS is our parts market share number and PODD is our Financial Products market share number. And we're focusing on that because again our business model is driven by field population, and that drives our dealers to be successful in a downturn when they're not selling new equipment because their servicing what's in the field. We've seen it every time. We're seeing it now in the mining industry once again.

We have aspired to being top quartile S&P 500 over a period of time. We did okay in '10 and '11, and '09 and '10 we did not do so well on '11 and '12. And we feel like we're making all the other moves to get there. When the market comes our way we'll see that, but that is our goal to be in the top quartile. I'll talk more about that as we go through the cycle. And then finally, more employee engagements from our people at all levels, and we've got plans in place to really get after that.

So we felt the 2010 strategy direction was right. It's meant a lot of great things for our company since that time, and we needed to do a few things to make sure we're on a path to get everything done we want to see done by 2018.

I want to sideline here just for a minute and talk about something very important to us, and that's our values. And we've had four values in our company forever -- Integrity, Excellence, Teamwork and Commitment. They have served us well around the world. Our employees like that. Our customers like that, our dealers like it, suppliers like it. It works well for us. It's ingrained in our DNA.

We're adding another value for the first time in many, many years called Sustainability, and this is a very broad definition of sustainability. It's not only sustainability in our products and services and solutions that we offer our customers. And I can tell you when I meet with customers it doesn't take very long in a conversation to talk about help me with my emissions, help me with oil drops on the job, help me with fuel economy, help me with carbon footprint, help with noise levels. You name it. That's what we mean in part by sustainability.

We've got a wonderful Reman business. I'll talk about that. We've got a lot going on. This elevates this to a core value of Caterpillar and I think will set us up very well going out the next 4 or 5 years.

And then also in Sustainability we include all the good things we're trying to do in our communities. Our employees are involved in all kinds of charitable events. Our Cat Foundation is a big player. Over its history it's donated about $500 million around the world to different projects. That's a key piece of our interest around sustainability.

In the upper right-hand corner of this chart, in the yellow, our goal is to deliver total shareholder return, et cetera is exactly off the chart we used with you in 2010. That has not changed and it's not going to change.

We like that. That's where we want to be. That's where we have been for the most part for our entire time as a public company. That's our aspiration. That's what we want to do.

The other thing we've added on here are some changes to our imperatives, and I'll go through those just kind of quickly.

First of all, execute the business model. And I can't overemphasize the importance of this because this means that we've got to have field population that sustains our dealers and allows our customers to win with the lowest owning and operating cost. That is what we do. And when we do that and we do it better than anybody else, we win every time, but that's field population, that's parts business, that's aftermarket by our dealers, that's what we do best that sets us apart from all of our competition. And our dealers have to be strong to do that.

We lost one dealer through the great recession, only one -- a small one. All the rest survived very well. We've added since then. We've grown in China and other places around the world to get after our business model, but we thrive on that and they've got to thrive on that.

We're talking a lot about improving dealer collaboration and performance in our distribution model. And Stu is going to spend a lot of time talking about that as one of our really big imperatives for the next couple of years.

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Outstanding products and customer solutions technology. When you go down to the floor, I'd ask you to talk to our people. There's a lot of technology going on down there -- connecting our machines to their owners, connecting the fleet to their owners, connecting those machines to their owners, our dealers and us. How do we make sure through all of that customers are more efficient and are making more money?

This was kind of a major roll-out this year at ConExpo that we will look back on down the road and realize that was a big change when technology finally took off for us and our industry. I'm excited about it.

Finally, increase responsiveness to customers and lean manufacturing. David Bozeman will be up here. We're well into our CAT Production System, which has morphed into our Enterprise Systems, and lean, lean, lean everything. And the early indicators are outstanding -- from quality to inventory, to just across the board.

And another year I've told you before you've heard me say it, when do you expect to see improvement from your lean efforts? I expect to start to see chunks of lean -- the benefits of lean come to us late '14 and certainly into '15. And David will describe for you some of the early models, some of the early production lines where we're seeing it and it's coming not in chunks, but in a cascade. We can get this going as fast as we can. It will mean great things for us down the road.

We've expanded Win in China a little bit because we're happy with our business model. We did about $3.5 billion total in China last year. We're leading the market in excavators. Our dealers are doing their thing, I guess, and turning out to be the business model in China that we see elsewhere, which is what we wanted.

Frankly, the Chinese that our business model came to us -- the market came to our business model a little quicker, I think, than we all thought. This big slowdown we've seen over the last couple of years in China has really pushed our customers there and contractors to the same kinds of productivity levels that you've seen elsewhere and needed.

That usually plays to our advantage and we're seeing that come. We're not seeing it completely in wheel loaders, but we sure are in excavators and some of the other products we have there. And then we are talking about other growth markets as well.

And finally, we'll talk again about our balanced portfolio because I really think that this is one of our strengths. You're going to hear Jim Umpleby talk an awful lot about what's in our Energy & Transportation segment. But it operates on a little different cycle than mining; mining on a little different cycle than construction.

Now I'm not going to stand before you and say that we won't have a massive single cycle return like we saw in '08. That happens. It could happen. And the world is a fragile place. But the way we structured this with the diversity of those businesses and the diversity within those businesses should give us a little relief on that.

We see these cycles like this and you see them we're turning that into a competitive advantage I think getting pretty good at it unfortunately or fortunately, but we see them, we live with it and we're figuring out how to get our cost more flexible and more quickly addressed than we ever have in the past. So I'm quite happy with these changes again a little bit of a tweak. You haven't heard revolutionary comments up here from me at all. But if there's a few things I'd like to remember there they're on this chart.

Long-term investment thesis is intact. We're not changing that. We want to be a leader in everything we do -- construction, mining, energy, transportation. No change, no big change there.

We understand cyclical industries, and like I say between '02, '09, '13, this management team that's up here in the front has had a lot of practice. And whether it's good or bad, it's hard on our employees, it's hard on our suppliers, it's hard on our dealers, but we're turning that into a competitive advantage. And we're going to keep our eye on that ball and take it even further.

And finally, I think our strategy is sound. Our execution is much better than it's been in the past. Our pull-through is all the things we measure we like. It's hard to recover from the $10 billion top line meltdown last year, and I will not dispute that at all. That's hard to overcome.

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So what do we really focus on? Flexible cost structure. We really took big steps on that in '13. We're taking further steps in '14 with the European restructuring we announced. It's right on schedule. It will end up in a position where we are in really sound footing in Europe for the first time in a long time, sized for the business in Europe, Africa and the Middle East.

We've got to accelerate our business model. That is PINS, POPS, PODD, our big measures of market share, parts market share and financial market share. That's what drives this business more than anything else. And Stu will talk about that. We've had wonderful market share growth around the world in the last 3 years.

Lean transformation. Lean, lean, lean everywhere. We've got to get that done in the next 2 or 3 years, and we've got a good down payment on it.

Finally, I've mentioned we talked about we think we've got an attractive, well-balanced portfolio. We think -- we think there's lots of ways we can get it through execution to make it even more responsive in terms of cost structure, but we like the industries that we're in an awful lot for the long-term.

So quickly to summarize, I think I had probably said most of it, but I will. I think we executed very well in '13 in a tough environment. And I'm really proud of our team for doing that.

Third best year in history, best balance sheet we've had in 25 years, record cash flow number, some things we can work on. But overall, we did -- we did pretty well given the history of that kind of a meltdown that we've seen in the past.

I think we have a wonderful portfolio of business. We've been working hard. We exited some. We have acquired some and we've grown some others. And we'll talk about that more in a little bit.

2013, what more can I say? Tough particularly in the mining business. Power and construction held up relatively well for us, which really helped us.

Execution and, finally, working hard on the fundamentals, which for us is the business model.

Field population, aftermarket support, lowest owning and operating cost for our customers, and that's how we do it better than anybody else and we have to do that for the next 8 years as well, but certainly in the next 5 years that we're talking about for this strategy.

So that's my opening and the tweak in our strategy as to where we're going. I'd like to invite Stu Levenick to come up and talk about our distribution organization and where that's headed, which is one of the very big initiatives we've got to fulfill in the next couple of years.

Stu?

Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

Thanks, Doug.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Thank you.

Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

So Across the Table, what is this all about? Let me start with our dealer organization, and Doug alluded to it.

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Many of you who that cover us on a regular basis have heard us say our dealer organization is our single biggest competitive advantage. I don't think I sent you something we make up that's because customers tell us this all the time and third parties tell us this all the time, and here's why.

It's an organization of 178 independent dealers worldwide. They have more people than we do and they have more assets than we do, and that's on the front end of our value stream, so you can see where we put the focus and resources in dealing with customers on the front end.

The average Caterpillar dealer has been a CAT dealer for over 40 years, and their average volume is over $400 million. But we have dealers ranging from the low teens all the way to $6.5 billion in total sales, so quite a range of dealers.

Maybe the most important thing about our Caterpillar dealers is not the size and the scale of their organization, but it's a relationship that binds us together.

Caterpillar dealership is not a franchise. That's often misconstrued. It's simply a performance agreement between 2 parties based on mutual performance. I'll focus on a customer that brings the world's largest manufacturer in our industry, in our engineering and manufacturing power house together with an independent entrepreneur in a locale that brings the language and culture of that dealer together with customers to form a very strong relationship.

That marriage between CAT and dealers is remarkable. And really I think is the reason that it has lasted over so many years, ever since 1926. So it's something that we value very, very highly, and that is exactly why Doug showed you the strategy pyramid.

If you look at our operating principles, those 9 basic things are fundamental to how we run the company unmatched dealer support is one of those principles.

Now, as Doug said, and he just gave you a pretty good overview of what we've been doing for the last 3 years since 2010. We've made a lot of progress on some of the key imperatives.

This was one that, while we felt, needed to be addressed. It was not a priority in 2010. But about 20 months ago we recognized it was time to maybe take a look at this. The world is changing rapidly. Customer requirements are changing. And so we wanted to basically take a look at what it was going to take to make sure that that single greatest competitive advantage always stays that way.

And so we created an initiative called Across the Table. Across the Table is the name of a book. It's this blue book that you see here reflected, and it was written in 1926 by 3, at that time, new employees of Caterpillar -- fairly low level employees -- I.E. Jones, W.H. Gardner, H.P. Mee. And they wrote a book essentially to describe the relationship they wanted to have, which included these basic foundational principles.

We wanted a relationship with people that had character and reputation in a territory. We wanted to have business enterprise and to be good business operators.

We wanted capital and financing. They understood at the early days of the creation of our business that this was a cyclical industry, and deep pockets was going to be something that would be very beneficial.

They want a product line experience, not just sales people, but something that really understood how our machines worked and how they work.

Territory knowledge and cooperative relationships not only with CAT, but also with our neighboring dealers.

And so we thought this was -- if we're going to evaluate our distribution organization and what needed to happen to take it into the future, starting with this as a foundation was the perfect place to start.

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Now, we put a team together of about 20 people, until about 20 months ago, of about 10 people internally if we take a look at this. One of the things that we observed was that our dealer organization was being faced with lots of challenges that we historically hadn't seen. This didn't happen abruptly. It had been occurring for some time with globalization being one of them.

Today if you think about it -- a lot of you think about it, today the fact is that 30% of our customers today deal with more than one Caterpillar dealer. All of our large customers deal was more than one Caterpillar dealer. And so that's creating an opportunity for variation, which, in many cases, makes us hard to do business with.

One of our large mining customers several years when asked after a presentation to our senior leadership team, what do you like best and least about Caterpillar? He said, "That's easy -- Caterpillar dealers. So I'd love him. I just wish I had one of them." And he was reflecting the fact that there's a lot of variation in our organization, which, if you think about CAT dealers are originally created to be local, you know, they measured their competitiveness to provide services to a customer against the competitor down the street.

Today they measure against the screen every morning that tells them best practices worldwide called the Internet.

Disruptive technology in eBusiness are lowering barriers to entry and making it easier for, you know, upstart competitors to compete with this distribution organization we have.

eBusiness is creating transparency that exposes variation, in some cases, unexplainable variation.

Economic uncertainty, Doug talked a little bit about rental and that was the question when we had the press briefing this morning. But in the environment of economic uncertainty, customers are increasingly looking to outsource risk to our distribution organization and us, and that's being -- that's becoming a bigger and bigger challenge as rental and other tendencies that customers want to outsource risk are becoming more and more important. Our organization needs to be able to react to that.

Focused competition, we started off as a company of six products. Today we're over 300 and we serve hundreds of industries. That makes us big and broad, but it also opens gaps for potential focus in niche competitors.

And finally, fragmented customer needs. We also understood there were some significant changes going on in customer needs for distribution.

We also spent some time thinking about what was the ideal profile of CAT dealers going forward, and there was a lot of debate around, well, many of our competitors are going direct. Is that a model we should consider? And we did. We did a lot of work on that.

But in the end, we concluded that the model that we had really provided some fundamental things that we really like. So those are entrepreneurial business leader that's deeply engaged in the business. We don't want remote leadership. We want people in our dealerships that are deeply engaged with our customer base -- local relationships built over time.

You saw that on the Built for It video in the beginning. That explains the kind of relationships we built with the industry over the years.

A true partner that's represented by the mutual performance agreement in our sales service agreement cancel with either party in 90 days, but is based on mutual collaboration, which is close to a trust agreement as you could probably have in the business today. Remarkable, and we want to maintain that.

Well-capitalized, obviously, if we were cyclical then we're even more cyclical now in the last 6 years are a great example of that.

And then finally, generational continuity. The idea that we have, primarily, family-owned businesses, but we have a variety of different models with a continuity of that relationship with us and with our customer base is really powerful and a tremendous competitive advantage, and we wanted to keep that.

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We also reflected on the fact that customer needs for distribution that change dramatically. Our business was really built around this first one, the traditional customer. The customer buys mid-sized products and operates locally. Think of D6s, D7s, 950s. That's what our model was built around.

But increasingly, it's moved towards retail for a significant portion of our business. Think compact construction equipment, retail power, and also rental and used, which I just described is the need for additional solutions, commercial solutions increases around the world.

Our business used to be all sales when I first started. Today in many parts of the developed world, it's up to 50%, 60% of the industry opportunities is rental, and that's vastly increasing in the rest of the world. So it's something our core concept that our model needs to embrace and be good at. In addition, we identified some different account coverage models, and this gives us a transient nature of many of our customers.

Production critical equipment. These are customers like mining that operate 8,000 hours a year, and utilization and uptime are their prime drivers of value.

We've also got cross-territorial customers. These are customers that are operating not only across one or two territories; it could be dozens and want to have a consistent experience with CAT wherever they go, which ever dealer they're dealing with.

Mobile customers. Think of pipeline contractors. They're domiciled in one country. They buy products from a dealer, but never operate there. Large marine is another example.

And then OEM customers who bought portions of Caterpillar products -- components, frames, et cetera, turn them into other machines. They sell those machines around the world and they want to provide the support for those customers through our networks.

And then lastly, solutions and this is a developing effect or a developing situation right now where many of our large customers, particularly in the foreign aggregates of business are looking to outsource the operations of their business through Caterpillar dealers of third party providers who own and operate the fleet on their behalf on a contract basis.

To be successful in the future, our distribution model is going to need to be able to address these 8 different models, so we spend a lot of time on that.

As we look at it, the changing globalization, the impact of the external forces, the changing customer requirements really rolled up to three fundamental things -- one, a variable customer experience. Customers were getting variation across the world in their customer experience. Two, there was an opportunity for better alignment between Cat and dealers. Historically, we operate kind of arms-length arrangement. And three was variation and dealer performance.

And to put an explanation point on that as we roll up variation, if we would bring every dealer in the world up to top quartile performance, that's an $18 billion delta. If we bring them up to just the median performance, that's $9 billion. This is nothing new. This is deploying best demonstrated practices, so there's a huge opportunity. This is their sales level. And it primarily is comprised of PINS and POPS increases, both on incremental PINS as well as the existing field population. Again, deploying best demonstrated practices.

So now we put a team together and say, Okay. What should we do about this? And something else we've done for the first time, we brought in our 20 best dealers in the world to make them part of the team. So this was a collaborative dealer-Caterpillar effort. I have to say what do we need to really address the challenges going forward, and it started with an economic foundation. We wanted to have a means of evaluating what the gaps were and what a pragmatic business case for action would be. So that's that bottom foundation.

And then we divided up the things we needed to do into four categories. Seizing opportunities and mitigating risks, this was all about things like technology-enabled solutions, and you'll see all of this displayed downstairs at the show. But today we have roughly 250,000 machines connected out of a population of 3.5 million machines. It was a role for dealers and helping us manage that, and then managing that data and creating customer solutions.

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eBusiness, we're rapidly becoming an online merchandiser of parts services and solutions, but we need full alignment with dealers -- 178 dealers going in different directions. And then lastly, CAT dealer data integration, the ability to share data between Caterpillar and dealers and customers so that we can create customer solutions.

The second one was achieving superior economics for CAT and dealers. This is about CAT and dealer integration, and here transparent and consistent marketing practices around the world, again trying to eliminate some of the variation that exists.

Parts logistics integration. We have the most efficient parts distribution organization in the world from Caterpillar. Our dealers have one on the front-end of our value stream, but the two aren't very integrated. There's an opportunity here for first visibility and ultimately, some integration that will make us a lot more efficient.

The third one is customer-driven service strategy, very same thing. Variation in our service delivery around the world means customers are getting different experiences and there is an opportunity for a more common framework.

And lastly, a globally-aligned rental and used equipment strategy. Doug mentioned in the press briefing this morning that we had, in aggregate, the largest rental organization, but there's a tremendous amount of variation in both operational efficiencies, customer experience, and there's a great opportunity for us to hear from them. So again, leverage best practices and really improve.

The whole things come together with number 2, which is called enhancing customer focus, and this is what we call the Playbook. In the organization that I lead for the first time in 3 years ago had total visibility toward global dealer organization and was able to identify both best practices and the outcomes of deploying those best practices. And the Playbook essentially is what it describes. It is a compilation of best practices that can be applied against a given opportunity to drive better performance, and that really is what comes together and is the heart of Across the Table, you know, which is the strategy for renewal and transformation.

Lastly, and the first part is dealer renewal and succession planning. We also need to do a better job of ongoing and proactive succession planning for our distribution organization. The intent of this exercise is not pulling of our dealer organization, it's an opportunity to raise the level of performance for everybody including CAT, but we see an opportunity to manage succession better and to have an ongoing pipeline of candidates both existing Caterpillar dealers and external parties who are interested in becoming a dealer as we go forward when opportunities arise.

So what are we going to get from this? Well, we think we're going to improve overall dealer performance and we rolled this out to all 178 of our principals 10 days ago in Nashville, and the reaction has been extremely positive. It's going to prove our competitive advantage, drive significant roles in field population, again what Doug described as executing the business model.

It's going to improve the customer experience and make it more consistent, make us more easy to do business with, and then fundamentally, deal with this multiple customer distribution requirements that I described before.

So we've made a compelling case. I think that we like this model. We think it's our single best competitive advantage.

We have identified customer requirements, some external forces that really necessitates change, but we've given, I think, a framework on which we can define opportunity for improvement, a solid business case and go forward and execute.

Next is, in fact, it's already begun is the cascade to the dealer leadership teams, which is beginning this week. Our field teams are working with dealers to go through, number one, communication of this message.

Two, assessing during the balance of the year with assessing the gaps and opportunities for improvement, lay out a strategy and planning process the end of the year, and then in 2015 go forward and execute. So a lot going on, but at the end of the day, I think we're doubling down on something that has been our single biggest competitive advantage, and we're going to deliver on them, match dealer support in a way that you've never seen.

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So I'll move on and I would like to introduce Dave Bozeman, our senior VP. He's going to talk about lean transformation and value chains.

Dave? It's right here.

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

Okay. Good afternoon. But we have more to do. That's what Doug said earlier, but we have more to do. And that is really aligned, driven on why the Caterpillar Enterprise System Group was put together. It was formed by the Chairman and the Board, and instituted back in April of last year to really optimize the order-to-delivery process. There was a lot of work to do and in partnership with the businesses we went and took on that work right away.

And when you look at that work, it was comprehensive and still is comprehensive, but there was a strong framework, and I'm going to briefly describe to you the work that's underway to really drive these improvements and leverage some of the great results that Caterpillar has seen over the last several years.

One, there was 3 components to that work. It was strategy, it was capability, and then there is performance. Under strategy, it's really driving enterprise excellence throughout all of Caterpillar, and that meant telling Caterpillar, no matter what work you do, you're all part of driving enterprise excellence.

When you look at customer service promise, that's our reputation, that's who we are, that's what we do. This really lines up to the strategy that you've seen so far from Doug and Stu and we'll continue to do that. It will enhance our customer service promise. Maximize OPACC and drive competitive advantage is the fundamental key of what we do and for you in the room here, and that's what this work will do.

As we look to capability it's something that we have to strengthen and we will strengthen. We call it building that muscle and that strong muscle being built within Caterpillar, with the Caterpillar Enterprise System Group in partnership with the businesses. One, a strong CPS foundation.

As you know, we started with 6 Sigma in 2000, 2001. Launched CPS in 2005, 2006. And now as we move forward into Lean, I'll talk a little bit more about that. But we sit on a great foundation in this company.

Engineered value chains. I'm going to talk more about that. The engineered value chain is really when you look at this framework. For once, Caterpillar has decided to explicitly look at engineering our value chains from the customer requirements all the way back to our product strategies, something that we have not given that level of work towards. It's part of our capability.

And finally, integrated business solutions. In order to do this, you have to have systems to support that end-to-end strategy.

And at the end of the day it's about performance. And in this performance we will get things like asset utilization, cash-to-cash cycle improvement, customer satisfaction and others.

But in doing that, the strong framework is one that we're working on and will continue to go, but in order to achieve that you have to achieve lean. Lean is a key foundation to us really driving to that next level. And in Lean we have a methodology, which again sits on a strong foundational base of CPS and 6 Sigma, and that methodology is simple.

It's a 5-step process that we've been driving within Caterpillar with the foundation being Built-In Quality. And in built-in quality, we are driving a mentality within the culture of really driving perfect work. It means reducing the amount of rework we have by establishing very rigid requirements in the work we do.

Now on the surface, that can seem just like a manufacturing process. This applies to all work. Be it our closing process or back office work, or to the way we build the greatest machines in the world. It's about establishing strong quality gates in all the work we do and not passing on defects.

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It's simple, but it's sophisticated. And when you establish built-in quality we then go up the staircase to right work or right part right, right time and, ultimately, the advantage to Caterpillar the ability to shorten our lead times.

This is important because as you saw earlier today when Doug talked, our ability to deal with a cyclical industry we have to be much more nimble, flexible, agile. We do this by establishing built-in quality and the ability to control shortened lead times. This methodology allows us to do that. And it's real. If you look at some of the things we're seeing, this is a very, very large customer of ours that came in when they saw the process we were doing.

What they took out of it is the vocabulary, the power of this methodology of lean, leveraging our CPS and 6 Sigma work. They are now starting to drive for 0 defects in the work that they do. And as you go forward, these results are real. You can read them up here at 98% reduction in defects around the world, reduction in missing parts. Huge, huge results that we're seeing.

And the key here is it's not about the facility, be it a late 1958 facility like Aurora, Illinois or a facility we just built in Victoria, Texas in 2011. The results are the same. So it's not about the facility, it's about the methodology and the people. So this is powerful and it does link up to the enterprise strategy, and it takes us deeper in where we need to go.

Now if we examine this a little bit further, let's go down. This is a particular example of our medium wheel loaders, a particular product that we build in one of our facilities in Aurora, Illinois. This chart is very self-explanatory.

On the left-hand side, that represents defects per machines. The red dot line that goes down is when we established built-in quality or our lean methodology. You can clearly see the results that we're seeing in this product, which is an extremely strong reduction in the amount of defects that we have.

But more importantly, there is more. I could have taken this example, from any facility that we're deploying this methodology around the world. This is one particular one just to highlight the power of what we're seeing. From a business perspective, the velocity is tremendous.

At one point, it took us 12 days start on line to finish this product, ready to ship. As we go with this methodology going forward, we have reduced that to 5 days. Why is that? Because the products, when they come down, have quality built into all of the aspects along the way.

But more importantly, that gives us better cash-to-cash. That gives us better inventory. That gives us better agility and flexibility for customer requirements. This is the power of this methodology when you roll this up on all the value streams that we're doing. And in fact, we're doing that. If you look around the world, we're being very aggressive and urgent, and with the amount of results we're seeing, we're starting to bring that globally around the world.

We've launched in China, Brazil, India as well as the Americas. And as you can see, the amount of coverage that we're having is tremendous. This represents sales coverage and warranty coverage that we will have on our product streams as we continue to go forward. These results, ultimately, support the overall strategy of Caterpillar and it's work that we will continue to do.

So if you look at the results overall, 2013 and 2012, it was very, very strong -- record safety, best quality ever. As Doug said, we could have stopped there but great companies have to be introspective and go further. And when you go further, there's more to do. The potential that we have is not being realized. And so as we go, there is a prize in this. And that prize going out through 2018 we feel is fairly significant -- improved customer service promise, again so reputation of who we are.

But ultimately, when you break down, what this does around the world, there will be about a $2 billion to $4 billion OPACC improvement going out for 2018.

Specifically, it breaks down into cost of quality, inventory, variable efficiency, huge ranges that we're seeing in some of our early returns as we do this methodology. So it's a strong company with a strong prize and a very strong framework.

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I'm humbled and honored to lead this organization in concert with the strategic businesses, and at the end of the day, this prize is real.

Thank you. I'm going to introduce Brad Halverson, CFO, Caterpillar.

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

Well, good afternoon. I'd say, Mr. Bozeman, that's a nice prize you've got there, and I can say we're all over that. There's a lot of value there and it's real. And we're really getting after it and we like the early results.

I want to really talk about 3 things. A lot of familiar faces out there. I want to go through our financial goals in terms of how we're looking in the future. I want to talk about our balance sheet, our cash, our cash deployment. We have a great story there. And then the last thing is I want to talk a little bit about how we work internally and tie that back to our goals.

So before I do that I want a quick look back to 2013, and it was a difficult year. And Doug talked about the fact that we missed 4 quarters in a row, and we're aware of that.

The fact is we thought commodity prices would hold in mining. We thought production would be flat to up, and we thought our order rates would have to improve in the second half of the year. And the fact is we got 2 of the 3 right. We're kind of in at the same boat right now, and Steve will talk about it. And that caused us to miss our sales forecasts. And we had a $10 billion decrease, $8 billion in mining.

But what I want to remind everybody is we took action in the fourth quarter. We got together as an executive office. We knew there was risk. We knew the orders were not coming in, and we took action. And we took action because I sat with many of you and talked with you that we're committed to a 25% incremental margin. We call it pull-through. And we're committed to a 25% to 30% decremental margins, again pull-through. And when we look at this with a negative mining mix and the high margins we have in mining, you know, that was an $800 million headwind.

We also had a headwind on inventory. Inventory was coming down, which was great. It helped with our record cash flow year, but that produced, you know, roughly $400 million of headwind relative to inventory absorption. So we took action in the first quarter. We had a strong fourth quarter. We finished the year slightly within that range, 29%, high end of the range. But we liked how we did it.

In the bottom part of that chart talks about how we did it. We stayed true to the business model. You didn't see a midyear price increase from us. We had little price increase during the year. We grew our market share.

Cat Financial had a record year and they had a significant improvement in the percent of the dealer delivery, their market share for what they do. And we had a $1.2 billion in cost reduction. Some of it short-term, some of it things that will stay with us, and we really launched a lot of restructuring efforts that we talked about heading into 2014.

So Doug mentioned it, but we like where we sit heading into '14 with our product lineup, with our management structure and our cost structure.

So we kind of tweaked the strategy. We have not changed our financial goal. Our financial goal is a great company, is a great investment. A great investment delivers a total shareholder return in the top quartile that's remained consistent. We think looking back historically we need to deliver about a 15% compounded annual growth rate on our profit to do that.

The fact is it's hard for our operational organization to understand either of those two points, and we had all of them together a few weeks ago. And we told them they need to deliver two things -- they need to deliver the incremental margin, and I'll talk about curves later that we set for their business, and they need to deliver a roughly 7% to 9% compounded growth rate relative to revenue or sales, which is kind of our historic average.

If we do those 2 things when you're in a unit, these two things will take care of themselves. We will have a profit growth, compounded growth rate of 15%, and that will get us in the top quartile.

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We understand that we're in cyclical industries. The fact is we have embraced that. We're going to be the best in managing the industries we're in. We like the industries that we're in. Our customers make money. We make progress possible. And you look across those industries, if the world grows we do well.

In fact, if you look back in the past 23 years when the world GDP is above 2.5, that's been 14 of the last 23, 24 years. Our sales grew 13 of those 14 years. So when the world grows, we do well.

So, clearly, with this audience I don't need to explain this. But when you look at total shareholder return, you know, stock appreciation, plus the dividend growth. Dividend growth is in our dividend policy is very important to us. We want a sustainable dividend growth, something that we can maintain through all of the cycles. We've paid a dividend every year since we've been formed.

We paid a higher dividend each year for the last 20 years. We had an 11% improvement increase in our declared dividend in 2012 and a 15% in 2013. It's a very important part of our cash deployment story.

On the left side of EPS growth, we talked about the correlation for this 15% CAGR.

I sent a note to Doug once in text that he's changed our company forever and he's changed it because group presidents have real jobs. They're running a business. They're running resource industries, mining. They're running construction. They're running power. And they're making decisions in such a fast-paced way compared to the history that we've done. They're really driving the business and they have the tools and the power to do that.

That is unleashing a lot of positive things and a lot of focus on product, and cost reduction, and margin improvement across the board. To me that structure with a customer at the center is the biggest thing that I have confidence in and we'll deliver this 25% pull-through relative to the EPS.

We know there's volatility within our PE ratio. Some of that is going to be there with the industries we're in, and I'll talk a little bit about this later, but we can do better in terms of how we manage the company to reduce volatility.

This chart shows our year-over-year change in sales from 1980. Not a smooth path, but the fact is the industries we're in this is going to be a piece of this. A lot of you came here probably wanting to write down what is Caterpillar's 2018 long-term forecast number. What is their 2020 number they're going to tell me that they're going to be at, and I can give an opinion about that.

I just want to talk to you transparently about how we look at this. I'm not going to give you an absolute number. I'm going to tell you that we are absolutely committed to a 25% pull-through.

We've got VPs, officers in the second row. Each of those units have a pull-through commitment across a range of volume. If you look at 2014, if we get a volume increase, that total amount is 25% in terms of how the units are going to perform. We are absolutely committed to that pull-through and we're absolutely committed to managing that pull-through on the way down.

Our historic trend on growth has been roughly 7% to 9%. We like that number long-term. We see more upside with Across the Table than we've had from the dealer side before, so there's some upside to that.

If you say, well, how do you see the world between now and 2018? And we're positive. Our chief economist would have a GDP averaging above 3 for the world between now and 2018.

We see on the construction side significant lack of investment and infrastructure, relatively low inflation, low interest rate, some positive momentum beginning, the political party getting out of the way a little bit. We need more help, i.e., an Infrastructure Bill. We think Europe governments will need to move to some pro-growth off the bottom of where they're at, and we've seen some growth in construction.

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Clearly, mining has a lot of upside from where it's at. And Jim will talk a lot about it, but in energy and transportation we like the diversity of those businesses. So if you were to say how do we view the time period between now and 2018, it would be positive in terms of growth prospects.

So volatility, again part of it is the -- and Doug mentioned it, the different businesses that we're in, but let's be brutally honest about this. We have exaggerated volatility on our sales relative to how the entire chain has been managed. We've exaggerated on the way up, we've exaggerated on the way down. We're absolutely committed as the total company to what Dave is leading throughout the business.

If we can get our lead times based on customer expectations, where we want them, then we'll be able to accelerate. If you go back, we can accelerate when sales are improving and allows us a lot more flex time in terms of reacting to that and the same on the way down. We think we can manage that much better as we move forward.

We continue to be focused on cost, the only smart way that you can manage the downside of that profit curve. And then we talked about the initiatives that we have.

So let's move into a fun topic, and this is a lot -- it might not have been quite as fun if I was standing here in 2009, but right now it's a good topic to talk about, and that's our cash, our balance sheet and our priorities.

Our first priority is to protect our credit rating. A good measure of that is your financial strength, your debt-to-cap ratio. 2008 it was 58%. We wanted to strengthen the balance sheet to be in a strong position heading into a trough so we could take advantage of things that might be available in a variety of different areas at that time.

We finished 2013 with a debt-to-cap below 30%. We were carrying $6 billion of cash, very low net debt-to-cap. Balance sheet was strong.

Second priority is to fund growth. Our shareholders wanted to take this money to invest in growth and generate a greater than cost of capital return, around 12%. And that's in CapEx, R&D and acquisitions.

2008 we spent about $4 billion a year and, you know, about the acquisitions in '10 through '12, we spent about $8 billion a year. And then in '13 it was $4 billion.

Our pension plans are well-funded. They are sunset plans, low interest rate environment, you get a 1% increase in interest rate that will move to 95%. We talked about our dividend policy. And stock repurchase. We're very happy with what happened in '13 in the first quarter of '14. It's clearly a great way to give back to our shareholders. Once you have your balance sheet and strength and you can fund your growth.

The question you might say is, well, how you think about cash moving forward for the next 5 years. We see if you look kind of that $4 billion a year for growth, I'm not going to give you a number, but I can say that when we look at our forecast we're going to have significantly north of $4 billion a year to spend on growth, which makes us really pushing the units on finding great opportunities to grow the business organically. We can fund it, key message we made on Leadership Summit, and we're also optimistic about the $10 billion authorization we put in place and our ability to use that heading up to 2018.

So just 3 more charts here, and these charts relate to how we measure -- how we manage ourselves internally.

We talked about OPACC back when we have the strategy, operating profit after a capital charge, bring the balance sheet to the P&L. That has caught on very well within our culture, and it's really working well. And really what we ask them to do is look at 3 different things. One is improve your operating margin percent. A lot of initiatives around cost structure, NPIs, margins, capacity footprint, sourcing, LCP, all of those things.

To manage your assets, to generate the same amount of profit with a lower asset-base.

Good improvement in CapEx deployment, a lot of opportunity and inventory.

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And the last thing is to invest in projects to generate, and we do everything pre-tax so we say generate, at a unit level, return greater than 17%.

And the last chart I'm going to spend just a minute on because it's become very powerful within our structure. And this is the curve that I've mentioned. This is how we manage the company.

Every single product that has a P&L, a balance sheet and every group president they have a profit curve for 2014, they have an OPACC curve for 2014, and they have the same out until 2018. And they have very transparent expectations business by business how they're expected to perform on the way up and the way down.

And in our culture the best way to drive performance is to impact somebody's performance rating. And their performance review is based on whether they meet their curve or not.

Now the fact is there might be some situations where we're okay with them being off their curve, and that's my job working with the group president to manage that and make sure we make smart decisions, but it's an expectation we use this in our long-term planning as well as our short-term planning, and it's worked extremely well to get across the entire organization and expectation for not only what we need to do, but more importantly how we're going to deliver, and that's to deliver it smartly and to protect the long-term future.

Resource allocation, again with OPACC and EVA measure, you need to make sure you're paying attention to growth. We have a very formal review in mid-year around growth, around resource allocation, the growth plans for each of our business. We need that for the 7% to 9% compounded annual growth rate. It remains a very important part of what we do.

So to summarize, we think we're well-positioned. Our goal, total shareholder return remains top quartile. We have a lot of cash to invest as we move forward.

And with that, I think we're going to move on to the business reviews and first up will be Ed Rapp.

Ed Rapp - *Caterpillar Inc. - Group President - Construction Industries & Growth Markets*

You know, when you've been in this business for a long time you come to ConExpo and it feels a little bit like a class reunion. Dealers, suppliers, customers, colleagues of Cat, and based on my past job, you know, the analysts to follow was the investors that show confidence, so it's a real pleasure to be with you today and talk about the construction business.

Just as a little bit of a background in terms of Construction Industries, made of 3 divisions, excavation, earth-moving and BCP. Really the P&L parts of the business supported by 2 operating divisions -- one covering Europe and South America, the other one China operations. And then as we go to market, our sales and marketing arm, you know, global construction and infrastructure.

In total, this team of people looks after 17 product lines that cover more than 250 models, but good balance across the world. If you look at it, about half of our sales fall in the Americas North and South, and then equally split on the balance between the EAME and Asia-Pacific. So it gives you a little bit of a view of construction industries.

As a group, what we're really focused on and really turning the levers to drive improved performance in the business growth as well as OPACC. And I'm going to take you through kind of the 4 levers that we really drive organizational focus on how we see competitive advantage in each of those and then the project portfolio that we're really, really driving the business.

Let's start with segmentation, the geographic and market segments that we serve.

We think our source of competitive advantage here falls into the diversity of the segments that we serve, the ability to sell in a multiple customer segments around the world. We also had advantaged through the long-term customer relationships that we had. This is a business where relationships

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do matter. And then lastly, competitive advantage that comes from the business model that you heard about throughout the presentations here this afternoon.

The project portfolio that really focus on here get into a number of areas. One is it's important to win in the emerging markets, but it's equally important to grow our position in those developed parts of the world.

Doug talked about it earlier in terms of the market share gains we've realized since the roll-out of our strategy. A big part of that has been in those areas of strength, in those developed markets. We also need to build it out in the emerging markets and you've seen that as one of our key imperatives.

And then lastly in the area of segmentation is really understanding customer economics, how the customers make money and how do we then develop products and services that allow them to make more money with our equipment than they do with any competitor. If we get that equation right, this business gets really easy.

On the emerging market side of it, we couldn't have an update without talking about the progress that we're making in China. And our approach there is very straightforward -- 5 key elements that we're driving in the business.

Number one is to build a pipeline of great local leaders. We continue to make progress.

Our group of employees in China is as dedicated as any we have in the company. And we continue to give them the right set of experiences, the right global opportunities to build out our pipeline of local leaders.

Secondly, systematically building out our business model from our supply base to our component facilities, to our manufacturing facilities, our product line, our dealers, the services that we offer. Building that systematic business model out we continue to gain strength.

Maybe one measure of how far we've come, some of the high volume excavator business that we do in China today, our local content is higher than that of our local China competitors. We continue to make gains on building out that business model.

Number 3 is establishing a leadership position in Construction, Resource Industries, and Energy and Transportation. The depth and breadth of our product line is a big strategic advantage that we continue to leverage.

Number 4 is getting a fair return on that investment, positive OPACC over the cycle.

And then number 5 is we're not in China to take advantage of the opportunity. We're there to be a good local citizen and participate in the development of China over the long haul. We've been there since 1975. We're going to positively impact the communities where we live and work and we're starting to get good recognition on the work we're doing in this area.

So the progress being made you've seen it play out in some of the market share numbers, but this is a long haul and we're staying very focused on driving that complete business model as we move forward in China.

On customer economics, it's really the understanding of how a customer values performance and uptime. In understanding that, making sure that we have the product portfolio that addresses that opportunity.

And we really kind of break the world down into 3 major segments. One is lifecycle performance. Think of that as your traditional CAT customer, high uptime requirements, gets paid on a cost per cubic meter moved.

Lifecycle value, more in the middle. Think of rental or think in the emerging markets new contractors that are hiring themselves out along with the machine. And then we also have a utility segment, more of a pure price play. And our intent is to serve lifecycle value and lifecycle performance with the CAT brand and CAT dealer. And then the utility segment is really where we'll continue to leverage our SEM brand.

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But understanding customer economics and how they make money is a critical part as we move to the next lever, and that is really developing a portfolio of products and services that really stand out.

Here from a competitive advantage, what we're trying to leverage is the depth and breadth of our product line, the scale that comes with that, but also our ability to drive systems integration.

If you look at the project portfolio, probably the best example of the benefits of systems integration is what we delivered with Tier 4. If you go back in history and have the discussion with our engineers and said we need to improve emissions, the comment was, Okay, but you're going to give up fuel efficiency. You just can't have one without the other.

And what we've demonstrated is the genius of the end. The product that you're going to see on this show delivers the lowest levels of emissions ever delivered at the best fuel economy. It really shows what I would consider the secret sauce of our product development capability, and that's systems integration.

We also remain focused on low-cost producer. It's a competitive world that we live in, and when we think about low-cost producer we think end-to-end. Individual product cost is critical, but how do you drive cost reduction across that end-to-end value chain. That's why we like OPACC as a measure because it really does bring the capital and capacity you got invested across that value chain and where you drive low-cost producer.

Number 3 is developing a product that meets that lifecycle performance and lifecycle value equation. I'll give you some examples of that.

And then lastly is technology-enabled solutions.

Lifecycle performance and lifecycle value, I thought the best way to give you an overview of that was to give you a good example. Go down on the floor and take a look at the 972M XE -- best wheel loader in its class, Tier 4 final, high-degree of technology-enabled solution, and it really shows the power of systems integration.

We got a dual path transmission here that allows the machine to really take the benefits of both the mechanical transmission and a hydrostat. At high speeds it acts like a direct drive. In the face, it pulls the advantages of hydrostat. And in total, a 20% to 25% fuel efficiency advantage versus the predecessor model, truly designed for that customer base that's looking for the lowest cost per cubic meter moved -- best in class.

But if you would have been at BICES in China late last year, you would have also seen the introduction of the 950 GC, specifically focused on that lifecycle value segment, designed for the emerging contractor that's developing in the emerging markets. China is just one of the examples. Not the productivity of a traditional 950, but also at a cost well below.

The selling features on this machine are ease of operation, quality and fuel economy. It will go head-to-head with wheel loaders built by China manufacturers that are looking to come out of China and it will do it with fuel economy in the neighborhood of 25% to 30% better, once again leveraging the advantages that we have from the systems integration.

But these are just 2 examples. If you go down the floor you're going to see the full array of our products and services. This is the best lineup of products that we had ever put on the bench for ConExpo, measured in terms of our market performance, quality, emissions, performance. It is the best line up.

Two things that you're going to see emphasized as you go to the show one is fuel efficiency leader. This is the claim that we have not been able to really talk about in the past. We always sold based on our performance and said the productivity made up for some of the challenges in the area of fuel efficiencies, no longer the case you get it both. Most productive products at highest efficiency.

The other message that you're going to hear as you go there is related to technology-enabled solutions Cat Connect.

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We have come a long way since your last here at ConExpo. Cat Connect offers a suite of capabilities across equipment management, productivity, safety and sustainability. The last 2 years we doubled the field population of Product Link ready machines. We have expanded our relationship that's lasted 20 years with Trimble. We continue to build out in terms of machine control and guidance in the product that we offer to the market. And through SITECH, our dealers now provide coverage for the vast majority to the world as they go to market with this type of capability.

The construction industry has not realized the increases in productivity that many other industries have seen over the last 20 years. We're now positioned to be the ones who lead as we drive that increase in productivity in the marketplace. So from a product perspective, we feel very good about how we're positioned.

With product in place, then you've got to make sure you can flow it across the third level, which is an efficient manufacturing footprint and supply chain. And here we have a lot of things that we can really leverage. Our global footprint, the natural currency hedge that it gives us, a great supply base. We'll meet with many of our suppliers while we're here this week and also as we continue to grow with Cat Production System.

You've heard about the number of the things that we got in this space to drive improved performance, and we are continuing to drive integration of CAT Japan and have most of that work behind us since we've taken 100% ownership.

We're better positioned in Japan than we've ever been. And I think it's important to know it's not only about how we're positioned in Japan, but it's also the capability that exists in Japan and how that can help us around the world.

Restructuring of Europe. We completed a lot of the work over the last number of years in Grenoble. 2014 is the heavy-lifting associated with Gosselies.

We reached agreement with the Union. We got an approval from the government and now it's all about execution. And it's getting Gosselies to the point where it's Europe for Europe as we look to win in that part of the world.

We're also focused on lean capital deployment. With a 17% charge, it's one of the things that OPACC and the focus drives, making sure we're lean in the deployment that we do put out in terms of capital. I think China, the new mini hydraulic excavator facility; Campo Largo, the new facility in Brazil are great examples of lean capital deployment and positioning us to win in those markets.

And then lastly, we are absolutely joined at the hip with the work Dave Bozeman is doing to drive a more integrated supply chain. There's no part of the business that understands the need for this more than construction industries.

If you look back since we were together, this is the last 3 years, the yellow line is sales to end-users, the black line is production. And as you know, there was a period of time where production ran well above the prevailing sales rate that we built up inventory.

We spend most of 2013 working that down. Between CAT and dealer inventory in 2013, we took out $2.5 billion of systems inventory. We really got that work done at the end of third quarter, and I think we saw the benefits of that with improved performance in construction industries in the fourth quarter, and it's our job to make sure we get it.

Two trends here you can see, one is we now have production and sales aligned, and two, as Brad talked about it, we're starting to see some improvement relative to the growth of construction industries. But we really like how we're positioned going forward in this area.

And then after you flow it across your manufacturing footprint and supply chain the fourth lever for us is how do you effectively go to market with our dealer organization. This our most sustainable competitive advantage -- the capital and capability they have, the field population they enjoy, the partnership that we drive in the market, the Cat Finance. It's a great part of our business model.

And relative to the project portfolio here we are fully aligned with Stu and his team. As we talked with dealers 10 days ago we talked about the simultaneous lift. How do we lift our capital and capability and raise our dealer organization at the same pace? We do those things right. I think they're a lot of the opportunities Stu talked about is there for the taking.

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So to summarize in construction industries, these are the four drivers we're focused on. We think we have good sources of competitive advantage in each of these, and we're driving a very disciplined project portfolio to make sure that we're well-positioned. We're starting to see some improvement in the trends in construction industries, but I think the best is yet to come.

Many of our industries are still well below prior peaks. Global urbanization is continuing to occur. Other investment in infrastructure in many of the developed parts of the world is going to have to be addressed at some point in time. And as that opportunity comes, we want to make sure we're well-positioned to deliver on that part of the business.

So that's an update on construction industries. Let me turn it over to Steve Wunning who is going to talk about resource industries. Thank you.

Steve Wunning - *Caterpillar Inc. - Group President - Resource Industries*

Thanks, Ed.

Good afternoon, everybody. You know I was just thinking the last time I talked to you in Las Vegas was the fall of 2012 in MINEXpo, and then we suffered the deepest recession in mining in 25 years. And then I thought a little bit more is that the MINExpo before that was the fall of 2008, and we suffered the global financial crisis and we've never seen anything like this since the 1930's.

I just wonder what's going to happen in MINExpo 2016. I think we ought to cancel MINExpo, Doug. Then the good news is this is not MINExpo, this is ConExpo, so I think we're going to have a lot better future over the next few months.

What I'm going to do is talk about Resource Industries, but I'm not going to talk about the entire group. What I'm going to talk about is really the mining business, which I think is probably what you want to hear the most about. And I'm going to talk about three things -- one is the short-term outlook, which the crystal ball is very cloudy and fairly pessimistic. I'm going to talk about the long-term outlook where the picture is much clearer and much more promising. And then I'm going to take a few minutes and talk about our strategy in mining and break it into five major elements of our mining strategy.

So the short-term outlook -- you all read the headlines, it's full of doom and gloom with all the bad things that have been happening in mining over the past 18 to 24 months, and that's really true. It's been a very rough ride for the mining companies as well as all the suppliers to those companies.

But there are some facts that don't always show up in the headlines. Let me just kind of share some facts with you.

Mining production. Mining production is up. It's up '14 from '13 and mining production was up in '13 over 2012. In fact, in 2014 mining production, depending on the commodity, will be up anywhere from 3% to 8%.

Consumption of commodities of mining products. It was up in '13 over '12 and is projected to be up '14 over '13, again by about 3% to 8%.

Commodity prices. When you talk about commodities you really zero-in usually on coal, copper and iron ore. Commodity prices have stabilized albeit at a very low level, but commodity prices with the exception of thermal coal is above the investment threshold for mining companies.

And even for thermal coal, when you say, Okay, thermal coal is really down and it is, but the spread between natural gas today and thermal coal is $3 per 1,000 BTU. And the economic trade-off usually is about $1 difference between the two, so there is some glimmer of hope for even thermal coal. And stockpiles of commodities have stabilized. And in some cases, the stockpiles are beginning to decline, so that's all bodes well for the short-term.

So why has it been so bad? And it's very simple, I think, is that the mining companies have become more conservative.

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Through about 2012, the mining companies were increasing their production very rapidly and cost management was, frankly, a secondary consideration. That all changed in 2012 for the mining companies began to look at higher production, which we're seeing and lower cost, which we're seeing as well, and that actually plays to our favor over the long-term.

Now we're going through a correction period, there's no question about that and that's been painful, but that plays to our strengths. It's how we sell our products to our mining customers is the highest production at the lowest cost, and that's exactly where the mining CEOs are at today. That's what they're after.

Now we're going through a correction period, and what we're seeing is that -- and I see estimates all over the map in terms of excess capacity, in terms of mining equipments. Anywhere from 8%, excess capacity of part fleets to as high as 25%. And my guess is that the excess capacity that our mining customers have is probably somewhere between 10% and 15%. And that's what we're going to have to see before we see a substantial upturn in mining equipment sales is that excess capacity being absorbed. And with production going up, that will happen.

The good news for us is with higher production and higher consumption the miners will eventually buy more parts and they'll buy more machines. They just have to, and that's going to happen.

We're watching this very closely. We're not willing to declare an upturn. We don't see it right now, but what we do see is that part sales are beginning to show some glimmers that maybe it's starting to increase. I'm not declaring a trend yet. They were watching that very closely. And we're also seeing the quoting activity is beginning to increase albeit our orders for mining machines is still at a very low level, so we're still there are the bottom. I don't think it's going to drop much more. It's going to take a little while to work through that excess capacity that's out there.

Now, the longer term is a lot clearer to see. And you guys -- and we've talked about this before many, many times. The world population is growing. Just think about it. The world population is growing every 10 days the size of Las Vegas, every 10 days, and that's going to continue for a long, long time.

The population is migrating from the country to the cities, and by 2035, 60% of the population will be in the cities.

The standard of living of people in the developing markets are improving. And from 2010 to 2018, it almost doubles the standard of living. And just think about these trends, these trends that are out there, what that's going to do for mining products. It's going to cause the demand for mining products to grow.

And for those of you who think about coal, you say, "Well, what about coal? What's happening with coal?" Particularly everyone in the U.S. People, many times, think, "Well, coal is dead." Well, there's an interesting statistic as regarding coal. It's that the demand for electricity is expected to it to increase 90% by 2040, almost double the demand for electricity.

Today, coal generates about 35% of the electricity. By 2040, in the production of coal, the mining of coal or from the demand for electricity is almost double. Coal's share of the pie will go from 35% to 33% -- smaller slice of a pie that's twice the size. So even for coal, the outlook for coal over the long-term is very, very positive.

So we're also seeing that the ore bodies are declining, and what drives the demand for our equipment and our parts is not so much how much ore is mined, but how much material is moved.

And in copper, this is an example. Copper, the ore bodies of copper have declined 30% over the last several years. That means 30% more material move for the same amount of copper.

So the long-term outlook for mining is extremely positive, and that's the reason back in 2010 we said that we were going to invest heavily in mining and yes, we did. In terms of our acquisitions and our R&D and our capital, we invested over $15 billion. And everybody will see over the long-term that that was an outstanding investment.

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Let's just talk just a minute about our strategy, and I'm just going to break it down into 5 major buckets. So what we intend to do, what we have been doing is we want to continue to fund our R&D to make sure that we have the best products in the world in the mining segment. And from what I can tell, it's not perfect information that Caterpillar has historically, and will continue to out-invest our competitors in the mining space anywhere from 4 to 8 times every year. We're out-investing 4 to 8 times our competitors.

We're focused in on Tier 4 right now to get Tier 4 completed for our mining products. We're looking at automation in terms of autonomous vehicles, and today we've got 2 fleets of trucks operating in Australia autonomously, not by remote control, but autonomously with sensors and computers that operates the vehicles without a person.

We're investing heavily in LNG. We're investing in electric drive and hybrids, and we're going to continue to invest in this. And we're looking at underground. We see lots of opportunities in underground because we want to be the market leader in mining across the board.

And by the way, the products that we have to offer addresses 90% of our mining customers' needs in mobile equipment. None of our competitors come anywhere close to that breadth of the product line.

Second of all is increased market share. Up until about 2012 we were sold out selling all of our products to a few customers. Well, this downturn has given us an opportunity to focus on other customers that we never talk to and focus on other regions that we didn't have time to spend in -- Africa, certain areas of South America, Russia and other regions. And what we intend to do is use this as an opportunity to increase our market share for both equipment and service parts.

And last year, when we were at the depths of the downturn we did just that. Our market share, our PINS from mining equipment climbed.

And today, as we speak, where we can measure PINS 6 out of every 10 pieces of mining equipment is Caterpillar. So we are the market leader and we're growing that share.

The Bucyrus acquisition, we need to finish that. We're almost done. It's been almost 3 years since we bought Bucyrus. Bucyrus brought to us greater stability during the downturn, we saw that in 2009 before we bought them, and we're seeing it again in 2013, plus it gives us greater growth opportunities -- more stability, greater growth.

We've almost completed our transition to our dealers. We're 90% of the way done with our transition to our dealers. We'll be 100% completed by the end of this year, and we're making great progress in terms of our synergies and the performance of the business despite the recession, which was 2 years sooner than what we thought.

And we have some of our directors right here, and I'm proud to say that we're exceeding the commitments that we made to you back when we did the acquisition.

Now what we decided early on is this is not 2 businesses. It's one business, it's one team, it's one brand and, frankly, we manage it as just that as a single integrated business because we get the greatest benefit.

Drive structural cost improvement. 2012 and '13, second half of '12 and all of '13 was really, really tough. We didn't see -- we didn't know how far the business was going to drop. It dropped $8 billion, bigger than the entire sales of Joy Global, bigger than Komatsu's entire mining business and a lot bigger than Hitachi's mining business. We saw that drop in 1 year of $8 billion, so we had to react very aggressively. It's what I call cyclical cost reductions. We had to let go over 10,000 employees an incredibly difficult decisions.

And for those of us that remain, we were on rolling layoffs for our employees were not working weeks at a time. And that's not just our production workers, that included our accountants, our lawyers, our sales and marketing people. It included everybody.

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What we're doing now is that we recognize we can't do that forever. We had to do it in a short time period because the business was dropping, so what we've been doing since August of 2013 is moving to structural improvement, to get our cost structure right for the size of the business that is today without sacrificing capacity, which we haven't although you've seen several of our plants that we have now rationalization and closing.

So what we're doing now is we've got our cost structure right so that we can make the investments in our people that we need to, we can invest in our products so we can continue to be the leader, which we are doing, and we can continue to invest in our plants which are the largest and the most modern plants in the world.

And the last one is that we need to propel our high-performance culture within our teams because the last two years have been very difficult on our people, not only in our production workforce where they weren't working very much as well as throughout our entire office staff, and they were putting an intense effort there to make sure that we can regain the engagement of our workforce throughout the mining business.

So in summary, this is an attractive business. There is no question about it. It is a cyclical business. There's no question about that as well. It's a great fit for Caterpillar. And the ultimate litmus test of that is that we have high market share, our customers like our products, and we have good profitability so we can make money when we sell our products to our customers. That's the best litmus test out there.

We have a strong team. We say it's the best in the industry. I tell Doug it is the best on the planet, regardless of industry. And that quote is not only for mining, so I think that goes for all of Caterpillar.

We've got a very explicit strategy. I just hit the high points today, and what this gets down to is discipline execution. And I want you to know that we have got that discipline to execute the strategy very well.

And as everybody else have said before me, dealers are our greatest capability and strength. And now that we have completed the integration of Bucyrus, we're going to be able to fully leverage that to help deliver the strategy.

And the last point I want to make and it's a very simple one, today's profitable year, which we are, will be tomorrow's market share leader. We are today and we're going to continue to be that tomorrow because we're going to use that money to fund our products, pay our people well, make sure we have the best plants and return some of that money to you, our shareholders.

So with that as a quick overview, I want to introduce Jim Umpleby. He's going to talk about our Energy and Transportation Group.

Jim?

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

Well, good afternoon. It's good to be with all of you today. And I think most of you are aware our portion of the business has been called Power Systems for many, many years. Today we're formally announcing that we're changing the name of our segment from Power Systems to Energy and Transportation.

Caterpillar has made a number of acquisitions over the last few years, and we've invested significantly in product developments as well. Our new name better reflects the industries and the customers that we currently serve.

These are the major areas of Caterpillar's Energy and Transportation business.

Transportation, which is marine and rail.

Industrial, we sell reciprocating engines into a wide variety of industrial applications.

Oil and gas, we provide products and services across the exploration and production value chain.

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Power generation, our reciprocating engines and gas turbines provide prime and standby power to a wide variety of customers in many different parts of the world in many different industries.

Energy and Transportation has provided stability of earnings and diversity to Caterpillar's overall product portfolio. There is also good diversity within the Energy and Transportation segment. We are not dependent upon any single industry.

Within the sub-segments of Energy and Transportation, there is also good diversity as well. For example, in oil and gas, we provide products and services across a broad range of the exploration and production value chain. In oil and gas, we are not dependent upon any single product, application, or geographic area.

Our sales in energy and transportation have increased 30% between 2010 and 2013. And our business has performed well given the economic cycles of the last three years. We have improved our ROS every year since 2010. In 2013, despite about a 4.5% decline in sales, we achieved the same level of profitability that we did in 2012 through a combination of both cyclical and structural cost reduction.

I will briefly review each of our major markets starting with oil and gas. From 2000 to 2040, global energy demand is expected to increase 56%. Despite the rapid adoption of renewable in the United States and Western Europe, global energy demand in 2040 will be met primarily,80% by fossil fuels -- coal, oil and natural gas.

Caterpillar is well-positioned to benefit from increasing energy demand. Caterpillar has a long legacy as a leading provider of reciprocating engines, gas turbines, and centrifugal natural gas compressors to the oil and gas industry. Our products and services are used extensively around the world in both exploration and production and also natural gas transmission and natural gas pipelines.

Our reciprocating engines are used both offshore and onshore for the drilling of oil and natural gas. Our recently formed Black Horse joint venture with Ariel Corporation provides well-serviced pressure pumping products, providing our customers with a complete pressure-pumping solution sold and serviced through our CAT dealer network. Our solar gas turbines are an industry standard for offshore oil and gas production facilities.

Our oil and gas customers use recip engines and gas turbines for remote oil field power generation where reliable grid power is not available. Our reciprocating engines are also used extensively for gas gathering near the well head and solar gas turbines and solar centrifugal natural gas compressors are used in many of the large natural gas pipelines around the world.

Now, let us switch and talk about power generation.

Caterpillar has been a leading provider of reciprocating engines and gas turbines for both prime and standby power in a variety of industries for a number of years. One example is data centers which require reliable, clean power to support internet usage.

Caterpillar also sells in a number of growing industries such as healthcare and telecommunications. There are more than 450,000 Caterpillar generator sets operating around the world.

Caterpillar has been a leading manufacturer of natural gas powered engines and generator sets since 1947 and there were thousands of natural gas Caterpillar engines operating around the world. The acquisition of MWM, now called Caterpillar Energy Solutions, further expanded our capabilities in natural gas, and sustainable, alternative fuels.

There are thousands of megawatts being produced by Caterpillar engines and operating on landfills, digester and coal mine methane gas. MWM has the leading position in natural gas and sustainable biofuels is a great asset to Caterpillar.

Another great example of engines contributing in a sustainable manner is the conversion of coal mine methane gas into usable power.

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Another sustainable example is Solar gas turbines. There are dozens of Solar gas turbines installed in China producing electricity from coke oven gas which was previously vented to the atmosphere. It provides a double benefit. It prevents the coke oven gas from being released into the atmosphere and negates the need for that electricity to be produced in another way.

The photograph at the bottom of the slide shows our CM34 engine that's manufactured in Kiel, Germany. We're installing 12 of these engines in Kansas to produce 110 megawatts of power for our -- to back up a large wind turbine project in Kansas. These engines will provide reliable power, operates on natural gas for 200,000 Kansas residents.

Next, I'll briefly review our marine business. Caterpillar is a long-time supplier of engines for the marine industry. Just as is the case for the oil and gas within the marine industry, we don't have any single customer base that's quite diverse.

We serve the cargo, cruise and ferry, high performance and commercial workboat sectors. We see good stability there. When one segment is down, the other segments tend to make up for the slack and again, keep that business stable.

We completed the acquisition of Berg Propulsion last year and we're very excited about this acquisition. It gives us the ability to provide both propulsions and control system solutions for our customers. It really is transformational for our marine business as we're no longer confined to the engine room.

Our rail acquisitions have also helped Caterpillar diversify our business. We entered the rail business in 2006 with the acquisition of Progress Rail and our acquisition in 2010 of ElectroMotive Diesel or EMD now allows us to provide a wide range of products and services to the rail industry from freight and transit locomotives to freight car, signal and track services.

We've taken steps to improve the competitiveness of our products in EMD and we're pleased with the overall performance of our rail division.

Another major segment is that we sell engines into a wide variety of industrial applications including power generation, agriculture, construction and material handling. And, of course, we manufacture our Caterpillar engines that go into all the machines that you'll see in the show while you're visiting ConExpo.

The rapid increase in the supply of natural gas has created great opportunities for Caterpillar as well. The low gas prices in the United States has created a significant disparity between natural gas prices and oil prices on an energy equivalent basis.

This is creating demand from many customers for engines that burn some form of natural gas and what were previously diesel fuel applications. Caterpillar is very well positioned to provide market leadership in the area of natural gas engines.

Our dynamic gas blending solution for our dual fuel engines provide excellent, transient response capability as well as power density. The demand in our oil and gas sector for these engines has been tremendous.

We have shipped 100s of retrofit kits to our customers in oil and gas and we're seeing great results in the field.

One of our customers recently released a press release indicating that they saved $100,000 in fuel cost in 45 days of drilling using our dual fuel engines. Caterpillar's kit is differentiated from our third party competitors by both technical performance and also the ability to have a one-stop-shop through our dealer network for both the engines and the retrofit kit.

We're also working with customers to take advantage of the dual fuel opportunities in marine, rail and mining.

So in closing, energy and transportation brings diversity and stability of earnings to Caterpillar. Not only do we provide stability of earnings and diversity to the entire portfolio, there is excellent diversity across our segment and diversity with each of the sub-segments in energy and transportation.

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We believe that our new name represents what we now can do in a marketplace and our future is bright. Thank you very much.

QUESTIONS AND ANSWERS

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

We're now going to transition to the Q&A part of the presentation. I ask my colleagues to please join me.

Mike DeWalt - *Caterpillar Inc. - VP - Strategic Services Division*

Okay, we'll have Rich and Matt in the audience and we'll alternate between the two of them for questions. We'll start with Rich.

Ted Grace - *Susquehanna Financial Group - Analyst*

Hi. Ted Grace from Susquehanna. I was wondering -- you mentioned at the lean initiatives you're off to a very strong start. Can you talk about where you think you can get them, kind of what the benchmarks are that you're looking at and what's best in class and, you know, so that inventory turns or asset velocity kind of what the goals are over some reasonable timeframe?

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

David will...

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

Sure, I'll take that. When we look at the benchmarks and we look at several, there are two things to the whole story besides just individual, you know, turns. You know, we looked at companies that look through engineer end to end as I had talked about and that's what we're doing on our initiatives from an end to end benchmark.

Certainly, our turns, when we look at it, you know, we should easily start getting to the four-plus turns in Caterpillar and that should be -- that should be very reasonable as we go, and that's a huge -- it represents a huge significant bottom line increase for Caterpillar when we hit these minimum four turns as we start going with this initiative.

Ted Grace - *Susquehanna Financial Group - Analyst*

The keys will be in -- the internal keys for reaching that and the external keys in the supply chain, can you just walk through what that roadmap looks like?

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

Yes, some of the key initiatives as we walk through what obviously asset turnover would be our overall inventory turns within the businesses that will -- that would drive that as well.

From a supply chain perspective, we would take this, you know, again from customer requirements all the way back to the supply base. When we do that and we're seeing those significant results, our agility, flexibility, our response time has been such that will drive all the way through.

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One, increase WIP, I mean reduce WIP and more importantly for the industry we're in, our reaction time, all right? We talked about our breaking system. In the downturn, we'll be much more flexible being able to slow down and break but also to be able to accelerate up. And there is a number of things from our sales and operations planning process that we're doing to taking this back into our supply base for a built-in quality perspective. So flexibility will be key here and that will help drive those inventory turns through to the bottom line.

Ted Grace - *Susquehanna Financial Group - Analyst*

And the goal by 2015, do you have this place?

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

We're looking at this from really out through a 2018 cycle as I've worked with the -- with my business partners here. And as we do that, that's why you saw the $2 billion to $4 billion OPACC opportunity through 2018 as we're targeting this, and there will be a step function along the way.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Yes, just a little clarification on that, I expect that we'll see some of this improvement late '14 into '15 but the plan really cycles through '18, so we'll start to see chunks of this as I've been saying but it's going to take several years to get this fully in place from dealer end-to-end.

Ann Duignan - *JPMorgan Securities - Analyst*

Okay, hi, Ann Duignan, JPMorgan. Just a follow-up question on that theme. Can you talk about -- you know, you've come from the outside, you came from Harley Davidson and a little bit more maybe automotive mentality.

Can you talk about what your thinking is related to the lane strategy and whether you think that that will be around in 2018 or can Caterpillar really cover the distribution centers and go end to end as quickly as you think? Thanks.

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

Yes, great question. The clear answer is we -- you know, our lane strategies be here. They served us well. They've increased and gave us a step function on our strategy.

How we think about the lane strategy going forward may be different. For example, if you look at the lane differentiation, it's something that we're working hand in hand with the businesses on. So for those of you who don't know that, within our lanes, it's again about responsive time and flexibility to the customer.

You know, the way we use it today, we may not have a full machine stack in the lane. It may be a partial machine with an order coming through that allow us to very quickly finish that order within a lane therefore increasing then delivery speed to our customers.

So how we look at that is going to be a little bit different, a little bit more mature as we go forward but the lane strategy itself will be around within Caterpillar serves us well as a good diversification to our network.

David Bozeman - *Caterpillar Inc. - SVP - Caterpillar Enterprise System Group*

Stu, are there anything you would add to that?

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Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

No, I think that says it well. I think we'll continue innovating. In the last year, for example, last year, 28% of the machines we shipped went through lane 1. Today's we're about where we need to be with the current configurations. There's always more work to be done. We've got about a half a month of inventory worldwide in lanes.

Dealers have come to recognize that as a very good tool or there's some more work for you then to get our configurations right and to move towards some of the technology and innovations that Dave is talking about. But I think it's -- I think there's a very good role in our supply chain strategy for lane 1.

Nicole DeBlase - *Morgan Stanley - Analyst*

Yes, Nicole DeBlase from Morgan Stanley. You guys talked about spending $4 billion-plus per annum growth investments through 2018. I was just hoping you could talk about, you know, the priorities at the business level as well as how that might break down between organic versus inorganic investment?

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Brad, do you want to...

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

Yes, I can start and then maybe the units can talk about where they're investing.

You know, what I mentioned is if you look at CapEx, R&D, and acquisitions and you kind of look out beyond 2013, say, 2014 through 2018, and you look at our cash projections, really not even building in all of David's improvements.

We see cash availability well in excess of $4 billion. So the point I was trying to make is we are going to have a very strong balance sheet and a lot of cash to invest. And with that, we're positive about our growth opportunities. We're really pushing -- we like a lot of things to be in the hopper.

You know, if we have everyone of our officers and everyone of our product groups actively looking to add value by any means whether by an acquisition around technology, around service, around of support, around maybe a part of value chain, if they don't have it, we think we can offer value as Jim has done with a few, we like that to be very active and we'll have the dollars to fund that.

And even with that, the fact that -- oh, we have a decent amount of capacity in place, tier 4, winding down a lot more R&D spend kind of available, so to speak, you know, we're pretty optimistic therefore around the stock repurchase capability heading through there.

But maybe each of the group presidents can talk to...

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Thank you, I'll just make a general statement on that.

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

Yes.

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Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

I think part of the question is rooted around how much can you expect inorganically. We're not in a mode of big major acquisitions at all. I would expect us to be kind of where we've been almost forever $500 to $1 billion and a half or a year maybe, you know, an exceptional year. I don't -- we don't have anything cooking right now that's extraordinary at all and I wouldn't see that coming.

And the fact that we were so fortunate on the timing on MWM, EMD and Bucyrus all in about the same year was the confluence I don't think we'll see again. That will be a long time. So most of our growth is going to come organically.

Stu has got $9 to $18 billion with dealer performance that we can get after. David has got $2 to $4 billion OPACC and -- before us. This is all before any top-line growth as well. So we got our hands full with plenty of opportunity internally and organically.

Joel Tiss - *Bank of Montreal - Analyst*

This is Joel Tiss from Bank of Montreal. I just wonder if you could give us a couple of numbers around what does best in class look like in terms of the OPACC. And then if there's any numbers you can give us, and maybe you don't have to give us the time, but just some sort of numbers on return on capital, operating margins, free cash flow, like where can you get to longer term?

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

Well, we debated how long it would be before we try to get a number out of us. You know, I think, you know, they're good questions. So let's talk about what we can't say and what we have said.

And that is where we sit right now looking forward to 2018, we're pretty positive about growth aspects across each of our businesses. So if -- you know, if you take a 7% kind of CAGR, you get 100 billion, you know, in 2018 and you can come off 2008 or you can come off 2012. You're going to get around the 100 billion at 7%. You're going to get around 120 billion at 9%.

So we're not going to give you an exact number but that's the range we're looking at and with some of the things Stu has going on, we feel positive about that. We're pretty confident around the pull through in terms of how we're managing and kind of the things that are going on in the units. So operationally, we like both of those things.

And when we deliver those things, we're going to have, you know, a good cash flow to invest. And as Doug mentioned, we don't have any big things on the horizon. We don't have anything we're planning and so I think what we're trying to say is as we look at that, I think that would be a positive sign relative to our cash we think would be available for stock repurchasing in that timeframe.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

And this is -- this is -- there's no signal here on the top-line target at all. If we get 3% GDP economic growth for six months, a year, 18 months, which we can't seem to put together lately, our business will grow top-line.

And if that happens through '18, we are very confident based on the performance we've just seen, our pull through, our rising earning percentage that we will achieve that easily. But if we do not get that top-line or we do not get that GDP economic growth as we saw in -- as we didn't see in really '11, '12 and '13 which caused us to miss our '15 goals we put out five years ago, all bets are off.

We've got to have that GDP growth to drive our business. And if we don't get that, we work at other things with our cost structure. So I want to be very, very clear on that top-line. It is not a goal of ours to get to a number out there. We will take full advantage of the economic growth that comes

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at us and we intend to deliver through our pull through, our OPACC returns based on that. That's very, very clear and that is the driver of this team before you here. It has been since 2010.

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

If you kind of look at the last comment on that chart I showed on what our sales have done, this team has committed to managing both sides of that. You know, if it goes up, we're committed to managing that, long-term growth rate is what we've talked about that it could well go down. And when it goes down, we're ready to manage that side as well. We've embraced the fact we need to manage this.

Steve Volkmann - *Jefferies & Company - Analyst*

Hi. It's Steve Volkmann with Jefferies. Just sort of a little follow-up, Doug. You mentioned I guess in the near term that you're not expecting any major acquisitions. But I'm guessing -- I'm wondering as you look out a little bit further how do you see the portfolio now? Are there still missing pieces that you'd like to fill in over the next five years or so or is this kind of what we're going to run with now for the foreseeable future?

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

I think it's mostly the latter. What we have, we like an awful lot. We -- if we see or when we see economic growth that is more akin to what would be normal and I'd say 3-1/2%, 3% to 4% maybe around the world, we'll have our hands full with the portfolio we have, we'll like it a lot.

There probably are a few areas that we've challenged ourselves that we'd like to grow in as well and I'd go back to. Unbelievably enough and these would be very small at this point in time but the industries we like are oil and gas, electric power and mining. Those that still holds up worse long term, those are great opportunities down the road.

Construction industries, all we've got to do is take our business model around the world and there's more than enough opportunity but there could be a few add-on products that would be very minor and would not move the needle necessarily based on all the other opportunities we have. So we really got to -- really concentrate on delivering what we've got before us which is more than enough opportunity for this team where I think all of you are shareholders.

David Raso - *ISI Group - Analyst*

Hi. David Raso. Question for Jim on power systems. Your margins are already pretty high. How do you think of those margins the next three to five years? Is it more of a top-line story and you're content to keep those margins? I mean is that the way to think about you're obviously at high levels so it's more about the top-line?

And then Ed, more of a short-term question, but construction industries, this year, you're guiding revenue is at 5%. But if you go into, say, end December of '12 into '13, the backlog that you have relative to your sales guidance, the backlog was only 10% to 15% of the sales guidance, currently the backlog as we estimate is over 25%, so why is there hesitation to raise your guidance on construction industry?

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

To answer your question on margins, we certainly don't anticipate any major change in the short term in terms of margins. We're aggressively tapping all of our leaders to work structural cost reduction which will certainly get accrued over time.

Obviously, it's also a function of mix depending on what comes at us and various industries, you know, in the coming months. So it's really a combination of us taking on cost and also mix.

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David Raso - *ISI Group - Analyst*

So a little more to top-line, 15, 16 and sort of a -- I mean it's a healthy number. I'm just trying to understand this is not necessarily you're trying to be a 20% business per se. This is more about harvesting growth opportunities and...

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

Right, what we're trying to do is grow our business, effectively manage our cost, maximize PINS or market share and take advantage of opportunities before us. So we're not driving of our cost-specific number per se.

Ed Rapp - *Caterpillar Inc. - Group President - Construction Industries & Growth Markets*

And David, on the construction side, you know, one of the things that's driving the change in backlog is, you know, I talked about the fact that we've burned off about $2.5 billion of systems inventory over that period of time.

So if you go back to the end of '12, you know, dealer inventory, pretty heavy, they knew our inventory is pretty heavy and I think it just drove the behavior that said there was no need to take that backlog up.

So some of it is that, you know, working off that excess inventory over that 12-month period of time. As we look to 2014, we do see, you know, some positive signs. You know, Doug talked a little bit about the U.S. looking better. We kind of laid out a view that we thought we'd see some, you know, slight improvement in China year-over-year. I think today, we will say that's still a good outlook.

Europe, we do think is going to bounce off the bottom so there is probably some upside opportunity there. And then I think the Latin America perhaps Africa, the Middle East will see some good businesses.

But there are other parts that are better that are going to be under pressure. I mean, you know, a lot of certainty in what happens in India. Some of the emerging markets with currency concerns there, uncertainty that exists, you know, in places like Russia and others.

So if I look at in total I think we're confident in terms of year-over-year growth and as we get further in the year, we'll be able to gauge, you know, is there upside opportunity to that or not.

Rob Wertheimer - *Vertical Research Partners - Analyst*

Hi, it's Rob Wertheimer from Vertical Research. I wanted to ask on the dealer side, the $9 to $18 billion opportunity is obviously very big and if everybody was above average, I guess then it would be great.

But how much of that do you think is actually addressable and realizable and if it's systems-related where you can actually see what the worse end of the dealers are not doing right and didn't get in there.

And then as a follow on, it sounds as though you were talking about really centralizing a lot of things that has been at dealers something as simple as an online, you know, parts market requires pricing and so forth. And the dealers fully brought in and, you know, pushed that through in two or three years or how long?

Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

Yes, it's a great question. I would say that -- well, first answer, one of the things that the organization we put in place three years ago a lot of us for the first time was really get a good perspective on overall dealer performance.

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Doug talked about the role of group presidents and it was my role and so the first time we were able to really line up side by side on what best in class really was. Prior to that time, we really didn't have good visibility to that.

So we have a pretty granular view today of performance in any part of the business, who's good, who's got areas -- opportunity to improve and what that means. And so I think in the very simple sense when we go to do an assessment of a dealer and look at their business and then match them up against like mix dealers or like industries or like customer base for some of the geography, we come up with a pretty granular assessment of what the opportunity lies in.

And secondly, I -- this is not about something -- it's not a centralization. Now, there are certain things that we can do with better integration with Cat and dealers. I mentioned product support, our parts distribution is one of them where the networks today are essentially separate.

You know, logistics 101 will tell you if you have one network versus two independent, that one is going to be more efficient. And this is not something that hasn't been done.

The other one is we've moved, you know, heavily into that direction and we've been piloting, for example, this whole idea of this concept in the country of Australia with four of our dealers there who are collaborating with us to see what would this look like if we ran it as one network. And then the returns are really easy to assess in terms of higher service to customers, lower inventory or combination of both.

So to answer your question, yes, I think we've got a very good view now as to what the possibilities are at the high level. What really matters now is to sit down with each individual dealer because all their territories are different and the industries are different.

Do an assessment to find out where do you stand vis-a-vis best practices and then understand what those gaps are and what these best practices that we can deploy over some period of time to create, you know, the progress and gain that we've described.

And frankly, I would tell you that there's virtually unanimous support from the dealer organization. We're not trying to centralize everything. We like the independent dealer model but there is some alignment, some integration that really makes sense for us and that's what this is all about.

Cliff Ransom - *Ransom Research - Analyst*

It's one of the problems of getting old, the bones don't move. It's Cliff Ransom from Ransom Research.

Dave, I'm tempted to ask this question of you but I'm going to deliberately address it to the rest of the panel. Can you talk please a little bit about the application of lean into what I call the transactional world, non-manufacturing, non-distribution world into new product development, HR, S&OP and in pushing lean into your dealers.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Brad...

Brad Halverson - *Caterpillar Inc. - Group President, CFO - Corporate Services*

You know, it's a good question. And what Dave is really talking about is changing our culture because Caterpillar since I've really been hired in is -- been one that's produced a quality output but we're much would rather fix the defect and create an entire organization around fixing a defect than we would to push it back to the source.

And so Julie Lagacy, the vice president of Finance, she's launched a few of these lean projects within our process including a closing process, you know, 70% reduction in defects half the cycle time.

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The fact is if you get really serious about your organization absolutely not allowing a defect to be treated without getting it back to the source and getting to the root cause, and if you're passionate about that at this level then our teams will be passionate about that and the efficiency around any of our process whether it's the office, NPI, you know, any of these things, there's going to be a tremendous amount of value. And that's the journey we're on and we're all pretty passionate about it. And we're seeing some early successes so we've got to stick with it.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

I'd like, you know, Stu to comment about CPS for dealers in the lean work going on there and some cases if you would...

Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

Yes, we've had -- you know, since the deployment of CPS, we had over the years some very good examples of how this works, you know, down stream into our dealer organization.

But I think probably the best examples are on the logistics space were we worked together using these principles to basically dramatically shorten the time when particularly large products like our large mining trucks shift ex-factory Decatur to a job site and have to be fully assembled on the job site.

We provided the same standard work rules used in our factories to dealers to allow them to dramatically reduce the time necessary to put a truck in service which, of course, is a huge savings, you know, in working capital. That's an example.

Stuart Levenick I just want to -- you mentioned product development and lean is our chief technology officer, Gwenne Henricks, is working very closely with Dave and his team and how we do that and it's really not two activities, it really merges into one.

And a simple example is engineering changes. We have way too many engineering changes and that is a defect that really disrupts the flow within the plant. And that's just a simple example that we need to address. So this is a very integrated approach not just within manufacturing, it's the total value chain including product development.

Ross Gilardi - *Bank of America Merrill Lynch - Analyst*

Good afternoon. I just had some more energy and transport questions. But your energy -- it's Ross Gilardi from Bank of America by the way. Your portfolio seemed to touch a lot of big trends going on in North America, you know, right now.

One is the opening of PEMEX, a Mexican oil and gas industry, the outside investment, you know, the other is just to build out a pipeline infrastructure, you know, to transport shale gas and the third I would think is rail safety and positive train control particularly after some of the the crude by rail, you know, accidents recently.

So could you touch on how some of those bigger picture trends impact your business and comment on your sort of degree of enthusiasm and how they might drive your growth over the next year or two?

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

Yes, I'd be happy to. You know, at Caterpillar, we believe we're very well positioned to take advantage of those macro trends, that's why we believe that our growth opportunities are very strong.

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Take them one at a time, in Mexico, you know, we've been a strong supplier in our solar gas turbines and also our recip engines, the PEMEX for many years and we're very, very excited about the opportunity presented by the new energy law in Mexico. We think that when [IOCs] and [NOCs] as well come into Mexico that we'll create tremendous incremental opportunities for us over the long term.

In terms of natural gas pipelines in the U.S. and moving shale gas, we've already really taken advantage of that and seen a lot of business there. You know, with the shale gas boom, gas has now had to -- been moved from non-traditional areas to where the gas is consumed.

And in our Solar gas turbine business and compressor business, we've taken advantage of that. So again, we're already enjoying the fruits of many of those trends that you mentioned and we think there's growth opportunities moving forward.

Jamie Cook - *Credit Suisse Securities - Analyst*

Hi, Jamie Cook, Credit Suisse. A couple of questions, Doug, you know, you were the person that really started to focus on OPACC for Caterpillar, you know, a couple of years ago. Can you talk about what percent of your -- percentage of your business today are still not meeting the return hurdles that you would like and would you consider divesting them?

And also another question related to that, you talked about OPACC first but you don't really gave us what you expect here, the returns you expect based on where we are in the cycle. So would you give us more clarity on that sort of like what Deere does maybe not today over time?

And then my last question relates to guide. And Steve just because you're here. You did talk embedded in cash guidance this year. We need the mining orders to pick up. Can you just sort of talk about your comfort level there? Thank you.

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Thank you. I'll talk about OPACC for just a minute. For the most part, we do not have any stand-alone OPACC challenge to businesses identifiable as a business. We do have within each of the groups either a geographic piece, a product family piece, possibly a technology piece that's OPACC challenge that we're working on.

So today, I would not -- I have no expectation that there's any of our identifiable P&Ls that is not -- is divestible for that reason, but we've got a lot of efforts on raising OPACC within each of these businesses.

Where we are in the cycle is a great question and I would say it varies by business and by where we are in the cycle. Obviously, there are still pieces of mining that are very good. Most of mining is challenged right now in OPACC.

But we -- where we are in the curve is I think you can just trace our results and where we're -- where we -- where we go. The correlation between the cash flow PPS and OPACC is fairly high and we don't publish a lot of OPACC breakdowns for you.

But suffice it to say, if one of our businesses is returning competitive levels of returns to the best of the competition, we're very happy with that OPACC. So I think you can take the P&Ls as we published them basically the four of them. And if it was not where it is against the next best competitor, that's where we're going to be focusing on.

It's a little broad answer but we don't get down into that granularity externally or even at this level but at the outset, Ed knows, Stu -- every one of these guys know that the best competitor is who we're trying to be. And that I hope will help a little bit on that.

Steve Wunning - *Caterpillar Inc. - Group President - Resource Industries*

On mining orders, I wish we had more, there's no doubt about that. But we guided Resource Industries to be down about 10% year-over-year.

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Our parts sales are basically flat. We think there might be some upside with parts sales.

If you recall though in the last year, we burned off a lot of dealer inventory. We're essentially in a steady state now. When we get the order from a customer, that's a shipment from our factory.

So that's also playing into this, is that we're now in equilibrium that we do have excess capacity with our customers that they've got some machines that are parked that we can meet our guidance at a pretty low order level for our machines. And so it doesn't need to have a huge uptick in end-user demand by any means to deliver on what we're saying we can do.

Andy Kaplowitz - *Barclays Capital - Analyst*

Andy Kaplowitz with Barclays. Doug, can you talk about -- we know the 7 to 9% is not a target or a goal but can you talk about what you can control in that number? In other words, you know, you've talked about 3% to 4% margin growth.

The rest of that, you know, was a combination of PINS growth and pricing. Can you increase PINS as you want and still push price because price has been pretty difficult over the last couple of years?

And then Jim, just a question on oil and gas, you know, mining has been -- customers have colluded, you know, over time to, you know, lower CapEx, maybe collude is not the right word, but, you know...

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

Interesting term you use.

Andy Kaplowitz - *Barclays Capital - Analyst*

Not the right word. But in the oil and gas, you know, the concern is that as production increases that, you know, customers could get together and, you know, be -- get more conservative as well. So, you know, how much do you worry about that?

Douglas Oberhelman - *Caterpillar Inc. - Chairman, CEO*

I'll start with the 7 to 9% in a further explanation on our pricing philosophy from 2010 and it's really been one of inflation or less. In fact, in '13, we saw virtually no price realization. In '12, we saw about two and a half percent price realization. We saw a significant PINS gains.

We will continue that as long as we're able to fund that through cost reduction which we basically didn't want to commit. What we made in 2010 here was that PINS gains would not come out of shareholder returns. It would come out of cost reduction. I think we've proven we've been able to do that.

There are still opportunities to get after that. The OPACC that Dave was talking about -- talked about was $2 to $4 billion and a piece of this gain we can see out of the market for increased distribution would plow right back into PINS.

I -- we are so committed to PINS and our business model that drives this company and has driven it for 90 years. We've got to make sure we never take our eye off the ball.

If we can get more price, we will, but there is no -- there is no price out there to get. So we've been funding that through essentially cost reduction and we've had a lot of cost reduction and there are still some of that out there to go.

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We have some upside in margin I think in some of the businesses. Again, this is going to be our internal efficiency through lean. We'd applied some of that probably to market share as well. And that's I think how I would answer that one.

Ed Rapp - *Caterpillar Inc. - Group President - Construction Industries & Growth Markets*

(Inaudible). There have been a lot of cases in terms of driving higher shares. It's not question of just price, it's participation.

You know, our closure rates -- when we're in on a deal, we've got a good chance to close it. You know, we bring a lot of value in the products or dealer support and everything.

So don't just think price when you think higher share. Think participation and then with the products and services there, I think we bring good closure rate which gives us job that we need to drive higher share.

Stuart Levenick - *Caterpillar Inc. - Group President - Customer & Dealer Support*

(Inaudible) it's not necessarily physical, it's also mechanical, it's digital. So, you know, increasingly being aggressive and innovative in the digital space to allow us to, you know, very sophisticated lead generation and those types of things raises that participation rate.

James Umpleby - *Caterpillar Inc. - President, Energy & Transportation Group*

To answer the second part of your question, we're not overly concerned about reduction in CapEx by the IOCs and there certainly has been some press about that over the last two weeks. 80% of the world reserves is still controlled by NOCs and the diversity of our business is such that we aren't overly concerned about that.

Mike DeWalt - *Caterpillar Inc. - VP - Strategic Services Division*

Okay. We -- we're already about 20 minutes over and we're steadily losing people so I think it's time that we close down and send you all on your way and thank you very much for attending today. Enjoy the show.

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