

Year-end 2015 Financial Review

January 28, 2016

CATERPILLAR®

Forward Looking Statements

Certain statements in this presentation relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believe,” “estimate,” “will be,” “will,” “would,” “expect,” “anticipate,” “plan,” “project,” “intend,” “could,” “should” or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance, and we do not undertake to update our forward-looking statements.

Caterpillar’s actual results may differ materially from those described or implied in our forward-looking statements based on a number of factors, including, but not limited to: (i) global and regional economic conditions and economic conditions in the industries we serve; (ii) government monetary or fiscal policies and infrastructure spending; (iii) commodity price changes, component price increases, fluctuations in demand for our products or significant shortages of component products; (iv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (v) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (vi) failure to maintain our credit ratings and potential resulting increases to our cost of borrowing and adverse effects on our cost of funds, liquidity, competitive position and access to capital markets; (vii) our Financial Products segment’s risks associated with the financial services industry; (viii) changes in interest rates or market liquidity conditions; (ix) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (x) new regulations or changes in financial services regulations; (xi) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xii) international trade policies and their impact on demand for our products and our competitive position; (xiii) our ability to develop, produce and market quality products that meet our customers’ needs; (xiv) the impact of the highly competitive environment in which we operate on our sales and pricing; (xv) failure to realize all of the anticipated benefits from initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (xvi) additional restructuring costs or a failure to realize anticipated savings or benefits from past or future cost reduction actions; (xvii) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xviii) compliance with environmental laws and regulations; (xix) alleged or actual violations of trade or anti-corruption laws and regulations; (xx) additional tax expense or exposure; (xxi) currency fluctuations; (xxii) our or Cat Financial’s compliance with financial covenants; (xxiii) increased pension plan funding obligations; (xxiv) union disputes or other employee relations issues; (xxv) significant legal proceedings, claims, lawsuits or government investigations; (xxvi) changes in accounting standards; (xxvii) failure or breach of IT security; (xxviii) adverse effects of unexpected events including natural disasters; and (xxix) other factors described in more detail under “Item 1A. Risk Factors” in our Form 10-K filed with the SEC on February 17, 2015 for the year ended December 31, 2014.

Our 2015 third-quarter and fourth-quarter earnings releases each contain a reconciliation of Non-GAAP financial information referenced in this presentation which can be found on our website at www.caterpillar.com/earnings.

Discussion

• **4th Quarter and Full Year 2015 Results / 2016 Outlook**	Mike DeWalt
• **Important Discussion Points**	Doug Oberhelman
• **Q&A**	Doug Oberhelman Brad Halverson Mike DeWalt

4th Quarter 2015 vs 4th Quarter 2014 Financial Results

	4th Quarter		
	2014	2015	Change
Sales and Revenues (Billions)	$14.2	$11.0	$(3.2)
Profit Per Share	$1.23	$(0.15)	$(1.38)
Restructuring Costs (Millions)	$97	$682	$585
Profit Per Share Excluding Restructuring Costs	$1.35	$0.74	$(0.61)

Sales and Revenues – $1.8 billion decline in E&T, $0.8 billion CI, $0.5 billion RI

Primary Profit Drivers

- Sales volume impact unfavorable $940 million
- Restructuring costs unfavorable $585 million
- Price realization unfavorable $124 million
- Costs (Manufacturing, SG&A, R&D) favorable $461 million
- Taxes favorable

Full Year 2015 vs. 2014 Financial Results

	2014	2015	Change
Sales and Revenues (Billions)	$55.2	$47.0	$(8.2)
Profit Per Share	$5.88	$3.50	$(2.38)
Restructuring Costs (Millions)	$441	$908	$467
Profit Per Share Excluding Restructuring Costs	$6.38	$4.64	$(1.74)

Sales and Revenues – $3.8 billion decline in E&T, $2.8 billion CI, $1.4 billion RI

Primary Profit Drivers

- Sales volume impact unfavorable $2.3 billion
- Restructuring costs unfavorable $467 million
- Costs (Manufacturing, SG&A, R&D) favorable $520 million … that's net of about $350 million of unfavorable cost absorption because inventory declined about $2.1 billion more in 2015 than it declined in 2014
- Share count (impacted by share repurchases in 2014 and 2015) was favorable to profit per share by $0.16. Overall tax had little impact on the change in profit per share.

Full Year 2015 vs. Original & Latest Outlook

	Full Year			Actual vs Outlook	
	Jan 2015 Outlook	Oct 2015 Outlook	2015 Actual	Jan Outlook	Oct Outlook
Sales and Revenues (Billions)	$50.0	$48.0	$47.0	$(3.0)	$(1.0)
Profit Per Share	$4.60	$3.70	$3.50	$(1.10)	$(0.20)
Restructuring Costs (Millions)	$150	$800	$908	$758	$108
Profit Per Share Excluding Restructuring Costs	$4.75	$4.60	$4.64	$(0.11)	$0.04

2015 vs. Original January Outlook

- Sales and revenues $3 billion lower
- Lower sales volume was partially offset by cost reduction
- Share count (impacted by repurchases) was favorable $0.06 per share
- Taxes were $0.12 per share favorable

2015 vs. October Outlook

- Sales and revenues were lower, but the impact was roughly offset by lower costs
- R&D tax credit favorable, but largely offset by legal related charges
- Restructuring costs higher

Outlook for 2016

Sales and Revenues Outlook

- 2016 is expected to be in a range of **$40 to $44 billion** – mid-point about $42 billion
- At the mid-point, that is a decline of slightly over 10% from 2015 sales and revenues
- Energy & Transportation down 10% to 15%, Construction Industries down 5% to 10%, Resource Industries down 15% to 20%

Profit Outlook

	At the mid-point of the sales and revenues range		
	2016 Outlook	**Restructuring Costs**	**Outlook Excluding Restructuring Costs**
Profit per share excluding change in accounting principle	$3.00	$0.50	$3.50
Change in accounting principle related to pension and OPEB costs *	$0.50		$0.50
Profit per share	$3.50	$0.50	$4.00

* See Q&A 10 in the year-end earnings release for more information on this change and a change in accounting estimate for pension and OPEB costs

8 Important Discussion Points

1. **2015 was a tough year** – however, profit per share excluding restructuring costs was close to our outlook from January 2015 ($0.11 per share), despite $3 billion of lower sales.

2. **Good operational performance continues** – better safety, improved market position for machines for the 5th year in a row, quality at high levels.

3. **Strong balance sheet and solid operating cash flow** – important because our credit rating and maintaining the dividend are high priorities.

4. **Cat Financial well managed** – portfolio metrics near historic averages, year-end 2015 past dues slightly better than year-end 2014.

5. **2016 looks like another tough year** – outlook does not anticipate improvement in the world economy or recovery in commodities.

6. **We do not view our inventory or dealer inventory as excessive** – we are, however, planning some decline in 2016 in our inventory as a result of lower sales and our continued work on Lean.

7. **Substantially lower costs in 2016** – expect $900 million lower period costs – largely from restructuring actions previously announced. Variable costs favorable $350 million.

8. **Digital, Innovation and R&D** – we are continuing to invest for the future