

First-Quarter 2016 Financial Review

April 22, 2016

CATERPILLAR®

Forward-Looking Statements

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Certain statements in this financial review 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 16, 2016 for the year ended December 31, 2015.

Our first quarter financial results 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

• **1st Quarter 2016 Results / 2016 Outlook**	Mike DeWalt
• **Important Discussion Points**	Doug Oberhelman
• **Q&A**	Doug Oberhelman Brad Halverson Mike DeWalt

Q1 2016 vs Q1 2015 Financial Results

Q1 2016 Sales and Revenues and Profit Per Share excluding restructuring costs were lower than Q1 2015, but were about as expected

	1st Quarter		
	2015	2016	Change
Sales and Revenues (billions)	$12.7	$9.5	$(3.2)
Profit Per Share	$2.03	$0.46	$(1.57)
Restructuring Costs (millions)	$35	$161	$126
Profit Per Share Excluding Restructuring Costs	$2.07	$0.67	$(1.40)

Sales and Revenues Change

- $(1.6) billion Energy & Transportation
- $(1.0) billion Construction Industries
- $(0.5) billion Resource Industries

Primary Drivers of Profit Change

- Sales volume unfavorable $1.3 billion
- Price realization unfavorable $234 million
- Other income/expense unfavorable $194 million *(absence of $120 million gain from Q1 2015 related to logistics business sale and negative currency translation)*
- Restructuring costs unfavorable $126 million
- Period & variable costs favorable $474 million

Sales & Revenues Change Q1 2016 vs Q1 2015

(billions of dollars)	1st Quarter 2015	2016	Change
Energy & Transportation	$4.915	$3.278	$(1.637)
Construction Industries	5.014	4.043	(0.971)
Resource Industries	1.971	1.449	(0.522)
Financial Products & Other	0.802	0.691	(0.111)
Consolidated	$12.702	$9.461	$(3.241)

Oil & Gas and Transportation made up over 80% of the decline – strong oil & gas backlog last year, big quarter for locomotive sales in Q1 last year. Industry weakness in Q1 2016

Smaller impact of dealer inventory changes caused about half the decline in sales

About a third of decline was end-user demand mostly North America and Latin America … Asia up slightly, EAME down slightly

Price Realization negative $172 million

Most of the decline was from lower end-user demand – continued weakness in mining

Price Realization negative $38 million

Full-Year Outlook for 2016

	Previous Outlook	Current Outlook
Sales and Revenues	$40 to $44 Billion	$40 to $42 Billion
At the Midpoint of the Sales and Revenues Range		
Profit Per Share	$3.50	$3.00
Restructuring Costs (millions)	$400	$550
Profit Per Share Excluding Restructuring Costs	$4.00	$3.70

Profit decline primarily driven by lower sales

Full-Year Outlook for 2016 – Outlook Midpoint down $1B

Construction Industries

- No change in volume : China better / Latin America weaker than expected. Sentiment better, but too soon to change the outlook

Resource Industries

- Demand for the year a little weaker than expected … even though it's already very low. Recent improvement in commodity prices are positive for our customers, but haven't driven increased demand for equipment
- Represents about a quarter of the decline in the outlook

Energy & Transportation

- Most significant reason for the decline in the midpoint of the outlook – mostly transportation related. Rail industry looks like it will be weaker than expected with rail customers having a relatively high level of locomotives currently idled. Marine also weaker, particularly for workboats that service offshore oil platforms. On-highway vocational trucks down as a result of our decision to end production

Price Realization

- Previously expected unfavorable price realization of about 0.5 percent for the year, now expect about 1 percent. Mostly impacts Construction Industries and Resource Industries

7 Important Discussion Points

1. **Not much change to our expectations for 2016 sales** – seeing some positives … China construction equipment, sentiment around construction in general and small uptick in commodities in Q1. However, no recovery in mining or oil & gas in sight for this year and rail customers are having a tough 2016

2. **Good operational performance continues** – overall market position for our machines in Q1 was better than this point last year ... and continues to improve in China

3. **On track implementing restructuring actions we announced last September** – contributed to $367 million of lower period costs in Q1

4. **Strong balance sheet** – important because our credit rating and maintaining the dividend are high priorities

5. **Cat Financial well managed** – portfolio metrics near historic averages, Q1 2016 past dues better than Q1 2015

6. **Focused on the future** – investing in R&D for our products, Lean and Across the Table with dealers

7. **Digital Strategy** – exciting for our future. We're developing the architecture and apps with our partners to help customers be more productive and manage their fleets and jobsites ... was a major Caterpillar focus at the bauma trade show in Munich last week