

Fourth-Quarter and Year-End 2017 Financial Review

January 25, 2018

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

CATERPILLAR®

Forward-Looking Statements

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 speak only as of the date they are made, 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) commodity price changes, material price increases, fluctuations in demand for our products or significant shortages of material; (iii) government monetary or fiscal policies; (iv) political and economic risks, commercial instability and events beyond our control in the countries in which we operate; (v) our ability to develop, produce and market quality products that meet our customers’ needs; (vi) the impact of the highly competitive environment in which we operate on our sales and pricing; (vii) information technology security threats and computer crime; (viii) additional restructuring costs or a failure to realize anticipated savings or benefits from past or future cost reduction actions; (ix) failure to realize all of the anticipated benefits from initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (x) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xi) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xii) union disputes or other employee relations issues; (xiii) adverse effects of unexpected events including natural disasters; (xiv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xv) 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; (xvi) our Financial Products segment’s risks associated with the financial services industry; (xvii) changes in interest rates or market liquidity conditions; (xviii) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xix) currency fluctuations; (xx) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xxi) increased pension plan funding obligations; (xxii) alleged or actual violations of trade or anti-corruption laws and regulations; (xxiii) international trade policies and their impact on demand for our products and our competitive position; (xxiv) additional tax expense or exposure, including the impact of U.S. tax reform; (xxv) significant legal proceedings, claims, lawsuits or government investigations; (xxvi) new regulations or changes in financial services regulations; (xxvii) compliance with environmental laws and regulations; and (xxviii) other factors described in more detail in Caterpillar’s Forms 10-Q, 10-K and other filings with the Securities and Exchange Commission.

A reconciliation of non-GAAP financial information referenced in this presentation can be found in our press release describing 2017 fourth-quarter and full-year financial results which is available on our website at www.caterpillar.com/earnings.

Agenda

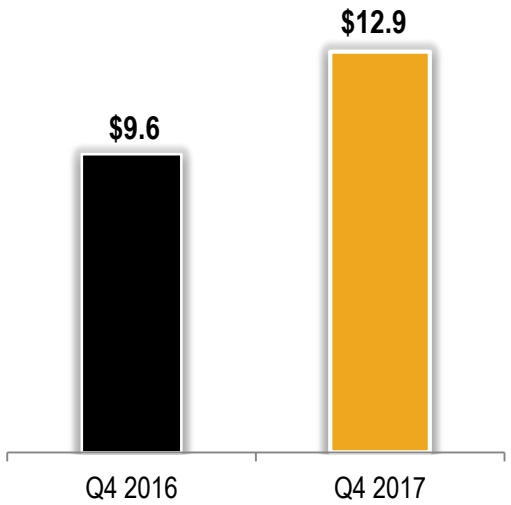
- Fourth-Quarter 2017 Results
- Full-Year 2017 Results
- 2018 Outlook
- Key Takeaways

Fourth-Quarter 2017 Financial Results

Sales and Revenues

(in billions of dollars)

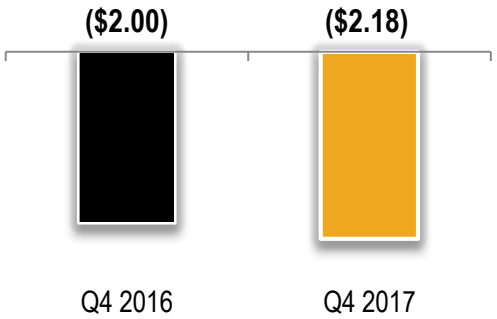
$12.9



Profit (Loss) Per Share

(in dollars)

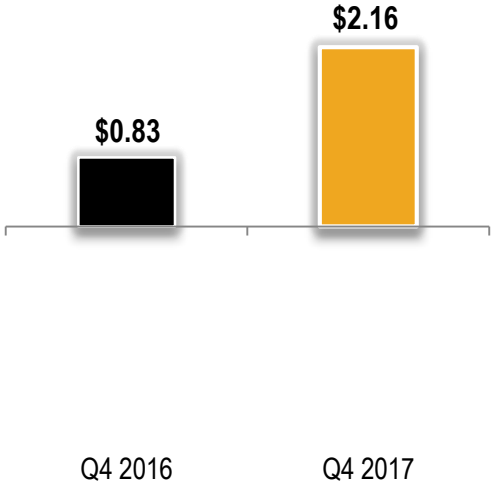
($2.18)



Adjusted Profit Per Share[1]

(in dollars)

$2.16



Q4 Highlights

Sales

- Increased across all regions and the three primary segments
- **Largest increase in North America: Construction and on-shore oil & gas**
- Improved sales to users for new mining equipment
- China sales remain strong

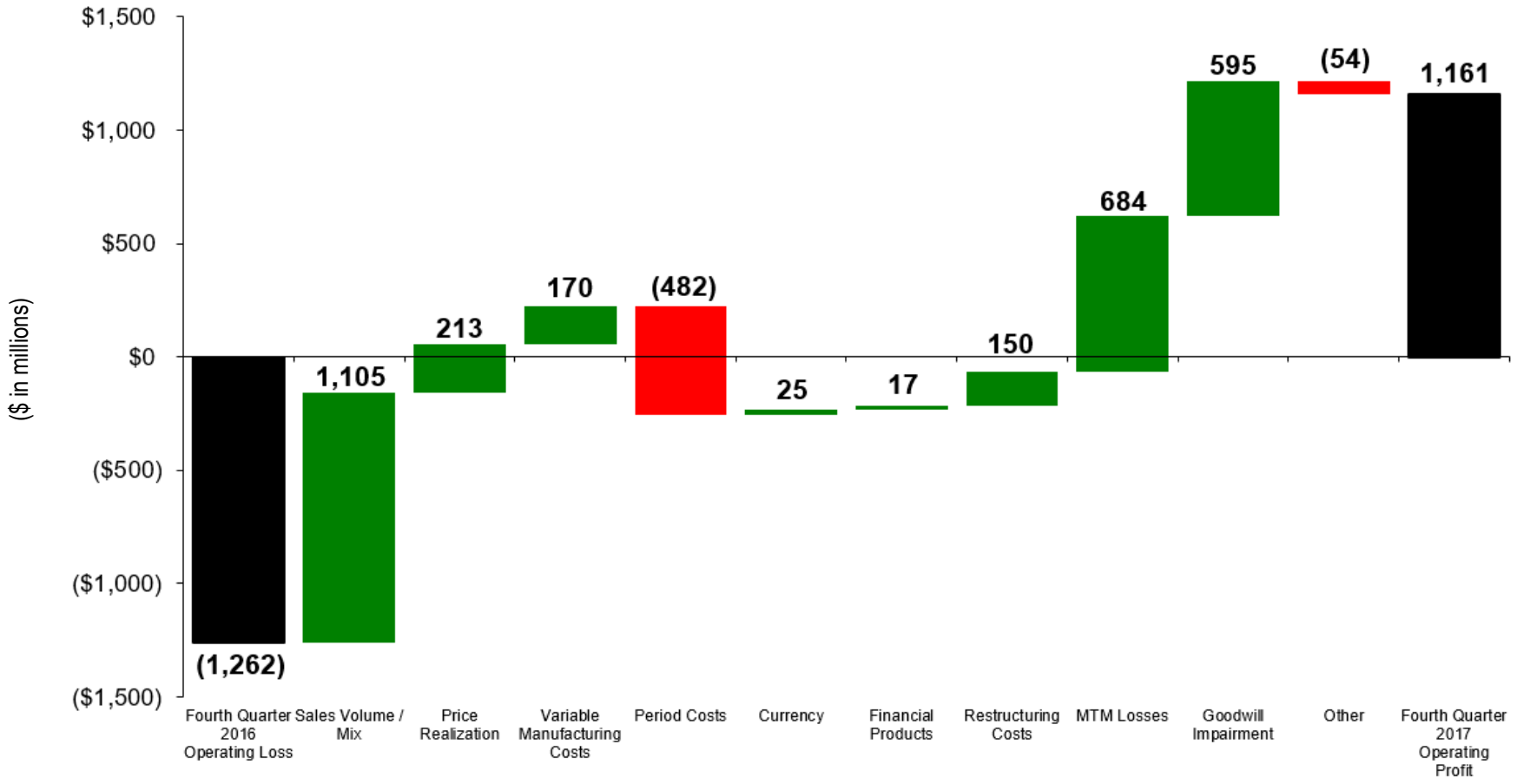
Adjustments

- U.S. tax reform
- Restructuring costs
- Mark-to-market losses
- State deferred tax allowance adjustments
- Goodwill impairment in Q4 2016

[1] 2017 and 2016 exclude restructuring costs and pension and OPEB mark-to-market losses. 2017 also excludes state deferred tax valuation allowance reversal and impact of U.S. tax reform. 2016 also excludes a goodwill impairment and state deferred tax valuation allowance.

Consolidated Operating Profit (Loss)

Fourth-Quarter 2017 vs. Fourth-Quarter 2016



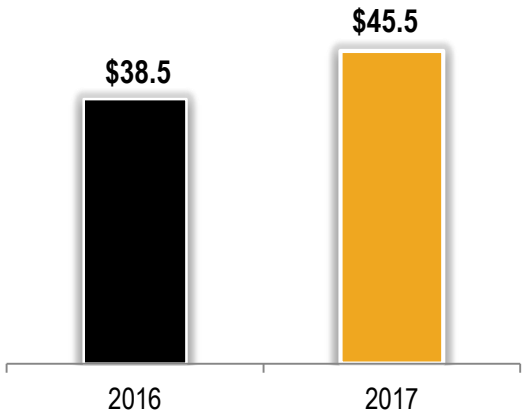
Q4 Highlights

- Higher sales volume
- Favorable price realization
- Period costs increased, largely due to higher short-term incentive compensation expense
- Lower mark-to-market losses
- Absence of goodwill impairment

Full-Year 2017 Financial Results

Sales and Revenues
(in billions of dollars)

$45.5



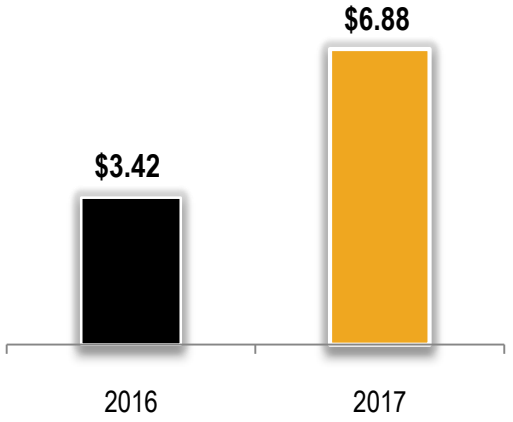
Profit (Loss) Per Share
(in dollars)

$1.26



Adjusted Profit Per Share[1]
(in dollars)

$6.88



Full-Year Highlights

Sales

- Increased across all regions and three primary segments
- **About half of sales increase in Construction Industries**
- Mining parts and new equipment sales improved
- Strong North America on-shore oil & gas

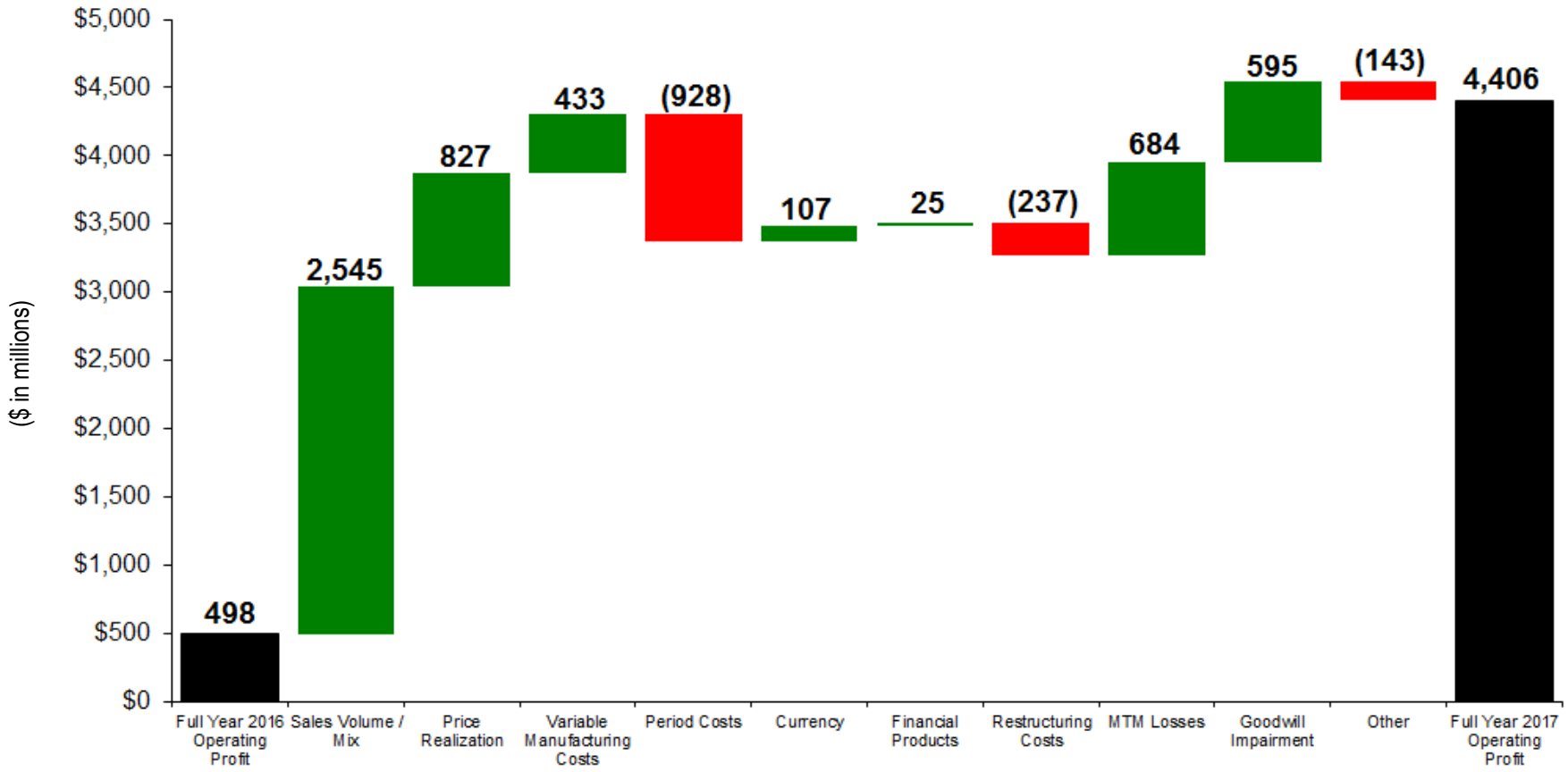
Adjustments

- U.S. tax reform
- Restructuring costs
- Mark-to-market losses
- State deferred tax allowance adjustments
- Gain on sale of equity investment in Q2 2017
- Goodwill impairment in Q4 2016

[1] 2017 and 2016 exclude restructuring costs and pension and OPEB mark-to-market losses. 2017 also excludes state deferred tax valuation allowance reversal, a gain on the sale of an equity investment and impact of U.S. tax reform. 2016 also excludes a goodwill impairment and state deferred tax valuation allowance.

Consolidated Operating Profit

Full-Year 2017 vs. Full-Year 2016



Full-Year Highlights

- Higher sales volume
- Favorable price realization and variable manufacturing costs
- Period costs increased, largely due to higher short-term incentive compensation expense
- Lower mark-to-market losses
- Absence of goodwill impairment

Impact of U.S. Tax Reform

2017

- $2.4 Billion Provisional Charge
  - Write down net deferred tax assets
  - Mandatory deemed repatriation of non-U.S. earnings

Long Term

- Positive for Caterpillar
- A more level playing field with non-U.S. competitors
- Greater flexibility to access non-U.S. cash
- Lower U.S. corporate tax rate



2018 Outlook

	2017 Actual	2018 Outlook[2]
Profit Per Share	$1.26	$7.75 – $8.75
Restructuring Costs	$1.3 billion	$400 million
Adjusted Profit Per Share[1]	$6.88	$8.25 – $9.25

[1] 2017 excludes restructuring costs, pension and OPEB mark-to-market losses, state deferred tax valuation allowance reversal, a gain on the sale of an equity investment and impact of U.S. tax reform. 2018 excludes restructuring costs.
[2] As of January 25, 2018.

2018 Assumptions – Construction Industries

North America
- Improvement in residential, non-residential and infrastructure

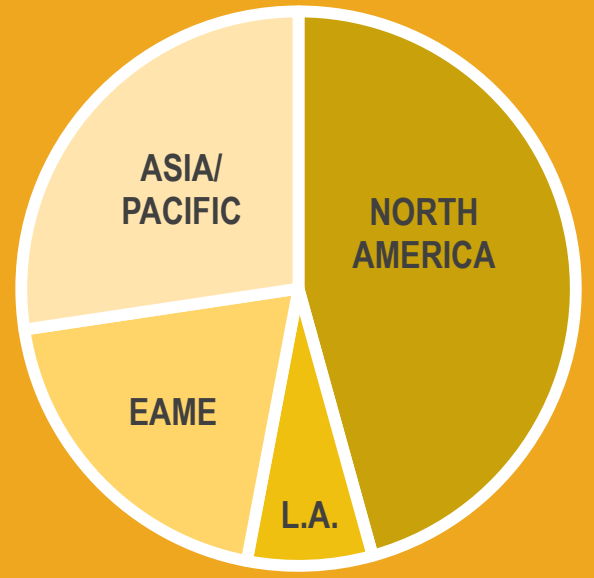
Latin America
- Up from a very low base

EAME
- Europe up on business confidence and robust growth
- AME & CIS – improved oil and commodity prices should be a positive

Asia/Pacific
- Expect China to be strong in 1st half, gradual tightening to impact 2nd half
- Good construction activity in the rest of the region



2017 Sales by Region



2018 Assumptions – Resource Industries

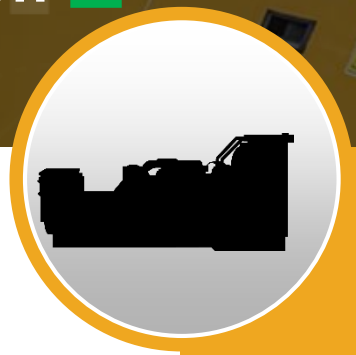


- Most miners have returned to profitability
- Commodity prices generally above investment thresholds
- Machine utilization increasing
- Parked fleet declining, and rebuilds should continue
- Mining capital expenditures expected to increase
- Strong global construction activity a positive for heavy construction equipment

2017 Sales by Region



2018 Assumptions – Energy & Transportation



Oil & Gas

- Strong gas compression and well servicing activity in North America
- North America drilling demand likely to remain weak

Power Generation

- Up after a multi-year downturn

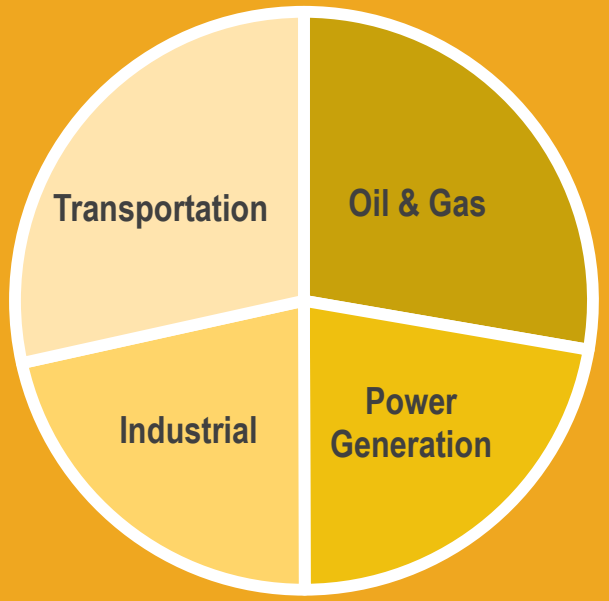
Industrial

- Expect sales to be about flat

Transportation

- Recent acquisitions in rail services will add to sales
- North American freight locomotives and marine applications are expected to remain weak

2017 Sales by Application



Additional Assumptions Included in 2018 Outlook

- Higher sales across the three primary segments
- Increase in period costs due to wage inflation and targeted investments
- Short-term incentive compensation expense of about $900 million
- Slightly favorable price realization, mostly offset by higher material costs
- Absence of about $100 million gain on sale of securities in Financial Products segment
- $400 million in restructuring costs
- 24% tax rate, including impact of U.S. tax reform
- No assumption for share buyback included in the outlook

Key Takeaways

Great quarter and great year

Good cost control and strong margins

Strong balance sheet

Improving economic conditions across many end markets



Continue to execute our strategy and invest for long-term profitable growth

Q&A