

WE HELP OUR CUSTOMERS **BUILD A BETTER, MORE SUSTAINABLE WORLD.**

# Fourth Quarter and Full Year 2023 Financial Review

February 5, 2024

**CATERPILLAR**<sup>®</sup>

## 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,” “forecast,” “target,” “guide,” “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) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; (vi) our ability to develop, produce and market quality products that meet our customers’ needs; (vii) the impact of the highly competitive environment in which we operate on our sales and pricing; (viii) information technology security threats and computer crime; (ix) inventory management decisions and sourcing practices of our dealers and our OEM customers; (x) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xi) union disputes or other employee relations issues; (xii) adverse effects of unexpected events; (xiii) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xiv) 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; (xv) our Financial Products segment’s risks associated with the financial services industry; (xvi) changes in interest rates or market liquidity conditions; (xvii) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xviii) currency fluctuations; (xix) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xx) increased pension plan funding obligations; (xxi) alleged or actual violations of trade or anti-corruption laws and regulations; (xxii) additional tax expense or exposure, including the impact of U.S. tax reform; (xxiii) significant legal proceedings, claims, lawsuits or government investigations; (xxiv) new regulations or changes in financial services regulations; (xxv) compliance with environmental laws and regulations; (xxvi) catastrophic events, including global pandemics such as the COVID-19 pandemic; and (xxvii) 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 can be found in our press release describing fourth-quarter 2023 financial results which is available on our website at [www.caterpillar.com/earnings](http://www.caterpillar.com/earnings).

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## Strong Performance

THANK YOU TO OUR  
GLOBAL TEAM  
**BEST YEAR<sup>1</sup> IN  
OUR 98-YEAR  
HISTORY**

**HEALTHY** DEMAND  
ACROSS MOST  
**END MARKETS**

EXECUTING OUR  
STRATEGY FOR  
LONG-TERM  
**PROFITABLE  
GROWTH**

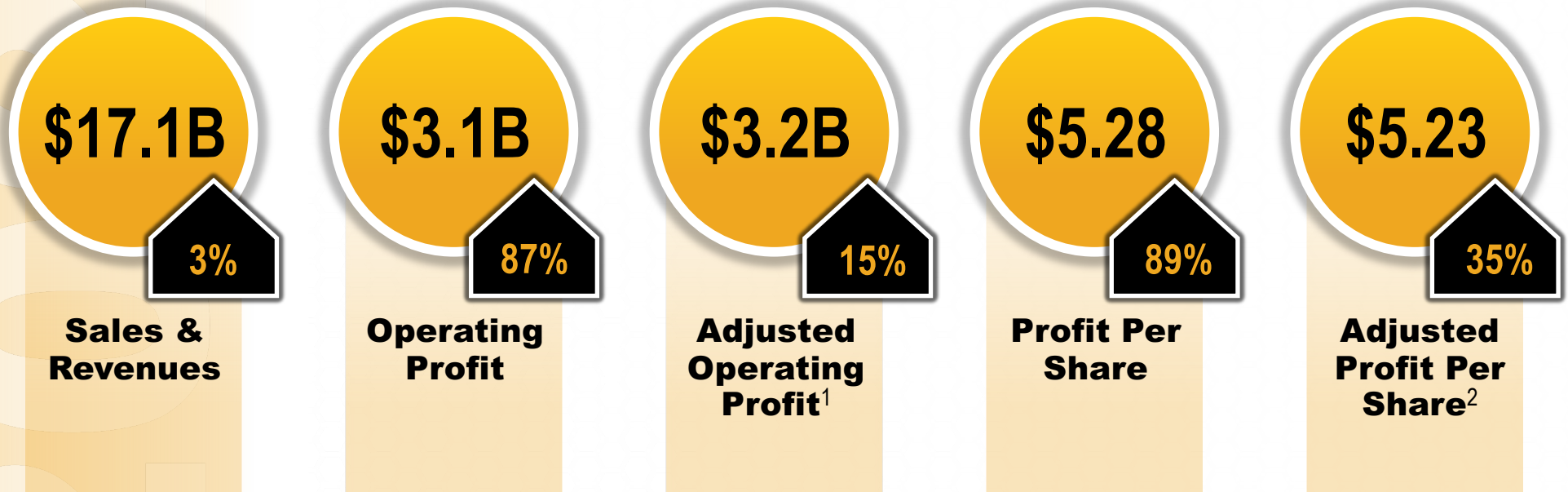
<sup>1</sup> Record full-year sales and revenues; adjusted profit per share; and ME&T free cash flow.

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# Key Takeaways

*Fourth Quarter 2023 vs. Fourth Quarter 2022*



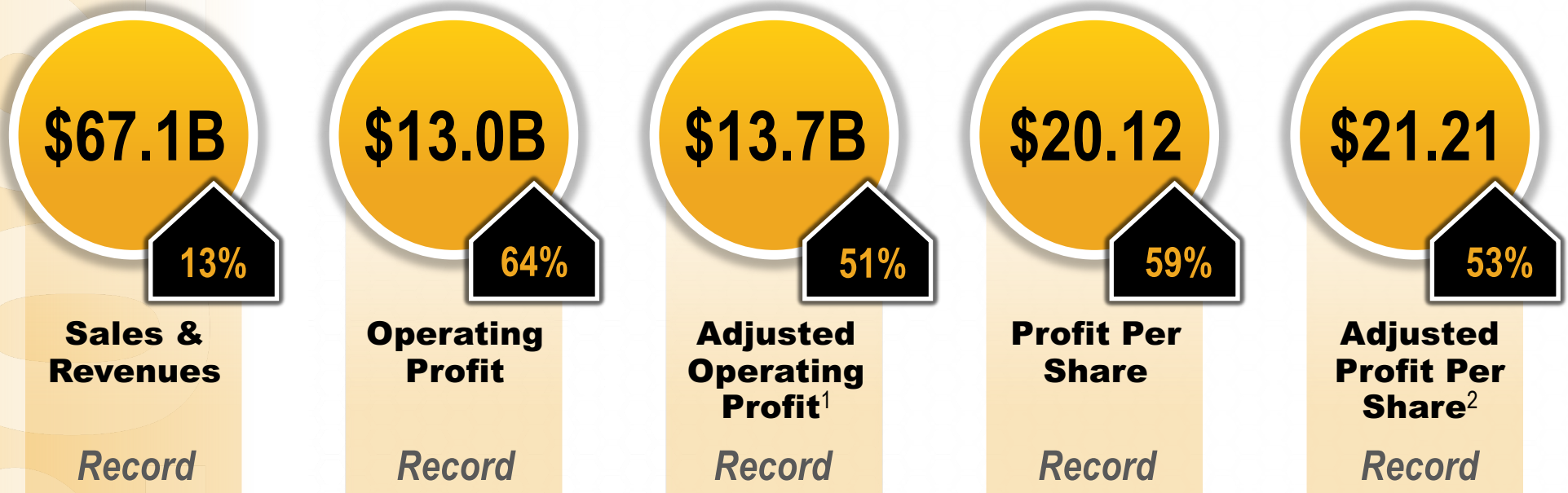
<sup>1</sup> Adjusted operating profit is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>2</sup> Fourth-quarter 2023 adjusted PPS excluded mark-to-market gains for remeasurement of pension and other postemployment benefit (OPEB) plans of \$0.14 per share, restructuring costs of \$0.13 per share and a benefit for certain deferred tax valuation allowance adjustments of \$0.04 per share. Fourth-quarter 2022 adjusted PPS excluded a goodwill impairment charge of \$1.71 per share, mark-to-market gains for remeasurement of pension and OPEB plans of \$0.93 per share and restructuring costs of \$0.29 per share.

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# Key Takeaways

Full Year 2023 vs. Full Year 2022



<sup>1</sup> Adjusted operating profit is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>2</sup> 2023 adjusted PPS excluded the impact of the divestiture of the company's Longwall business of \$1.14 per share and other restructuring costs of \$0.30. It also excluded a benefit for certain deferred tax valuation allowance adjustments of \$0.21 per share and mark-to-market gains for remeasurement of pension and other postemployment benefit (OPEB) plans of \$0.14 per share. 2022 adjusted PPS excluded a goodwill impairment charge of \$1.68 per share, mark-to-market gains for remeasurement of pension and OPEB plans of \$0.91 per share and restructuring costs of \$0.43 per share.

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# ME&T Free Cash Flow<sup>1</sup> and Capital Deployment

**\$10.0B**

**2023 ME&T  
Free Cash Flow<sup>1</sup>**

Full-year record ME&T Free Cash Flow<sup>1</sup>  
and above target range<sup>2</sup>

**\$7.5B**

**Returned to Shareholders  
in 2023**

Including \$5.0B in share  
repurchases and \$2.6B in dividends

**30  
Years**

**Dividend  
Aristocrat**

Paid higher annual dividends  
to shareholders for 30 consecutive years

<sup>1</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

<sup>2</sup> Target range based on Caterpillar Investor Day held in 2022. Caterpillar communicated an ME&T free cash flow target in the range of \$4B to \$8B annually.

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# End Market Commentary

4Q 2023 EARNINGS RELEASE



**CONSTRUCTION INDUSTRIES**



**RESOURCE INDUSTRIES**



**ENERGY & TRANSPORTATION**

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# Sustainability



## 420 XE Backhoe Loader

Lower fuel consumption and emissions



## Microsoft and Ballard Power Systems

Reliable and sustainable backup power for data centers

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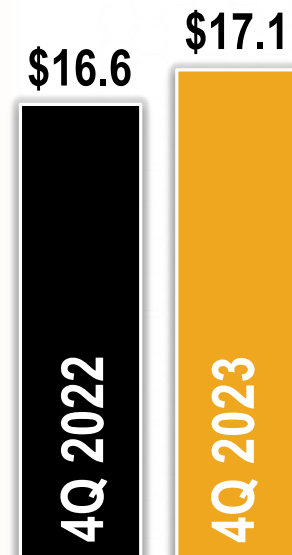


# Financial Results Summary

## Fourth Quarter 2023 vs. Fourth Quarter 2022

### SALES & REVENUES

(in billions of dollars)



### OPERATING PROFIT

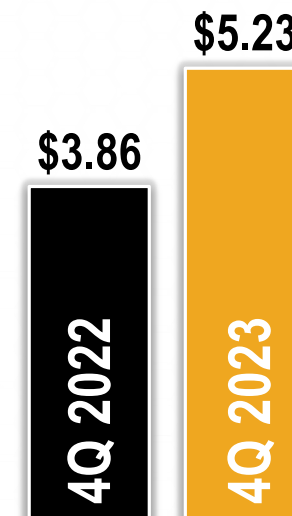
(in billions of dollars)



### ADJUSTED PROFIT

PER SHARE<sup>1</sup>

(in dollars)

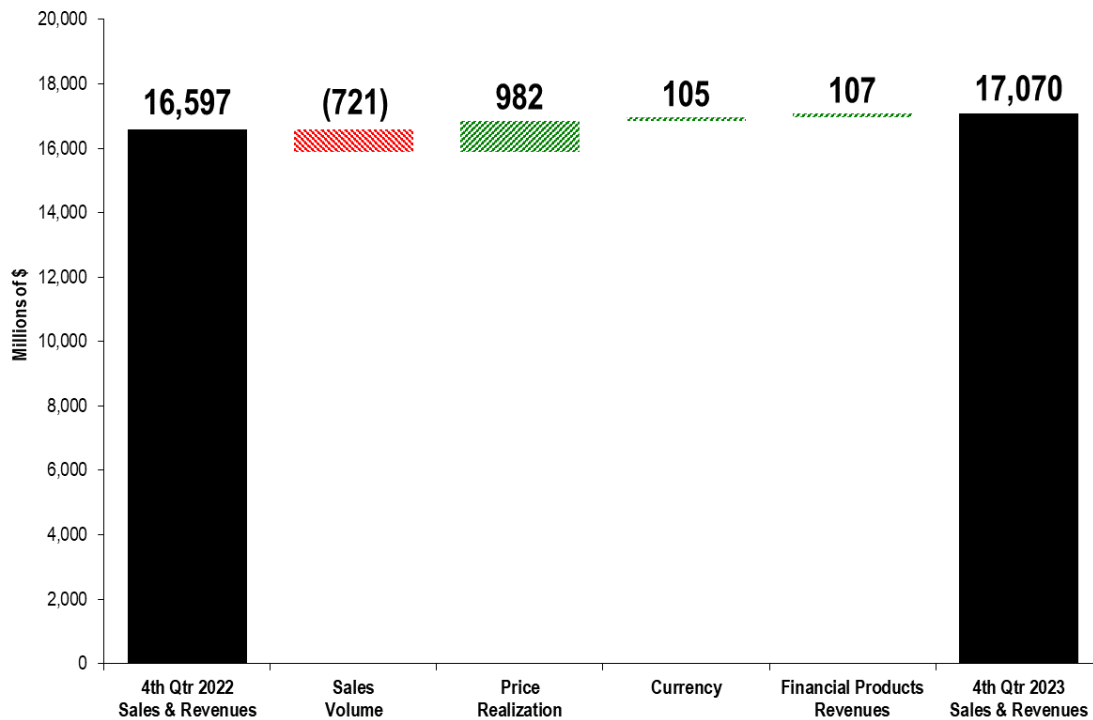


<sup>1</sup>Fourth-quarter 2023 adjusted PPS excluded mark-to-market gains for remeasurement of pension and other postemployment benefit (OPEB) plans of \$0.14 per share, restructuring costs of \$0.13 per share and a benefit for certain deferred tax valuation allowance adjustments of \$0.04 per share. Fourth-quarter 2022 adjusted PPS excluded a goodwill impairment charge of \$1.71 per share, mark-to-market gains for remeasurement of pension and OPEB plans of \$0.93 per share and restructuring costs of \$0.29 per share.

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# Consolidated Sales and Revenues

## Fourth Quarter 2023 vs. Fourth Quarter 2022



### 4<sup>th</sup> Quarter Highlights

#### Sales & Revenues Increased \$473M or 3%

- Favorable impact from price realization
- Partially offset by lower sales volume
- Dealer inventory<sup>1</sup> decreased \$0.9B overall in the fourth quarter of 2023:
  - Machine dealer inventory<sup>1</sup> decreased \$1.4B

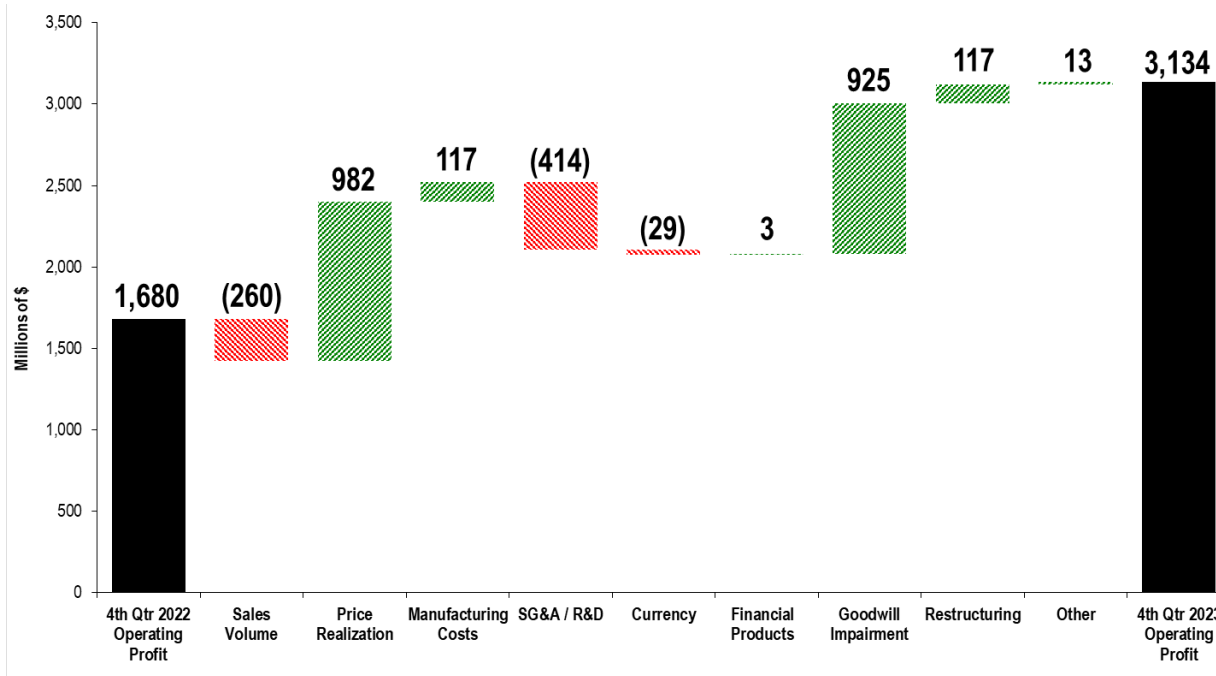
<sup>1</sup> Dealers are independent businesses and control their own inventory.

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# Consolidated Operating Profit

## Fourth Quarter 2023 vs. Fourth Quarter 2022



### 4<sup>th</sup> Quarter Highlights

#### Operating Profit Increased \$1.5B or 87%

- Favorable price realization, manufacturing costs and absence of 2022 goodwill impairment
- Partially offset by higher SG&A/R&D expenses

#### Operating Profit Margin of 18.4%

#### Adjusted Operating Profit Margin<sup>1</sup> of 18.9%

<sup>1</sup> Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

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# Construction Industries

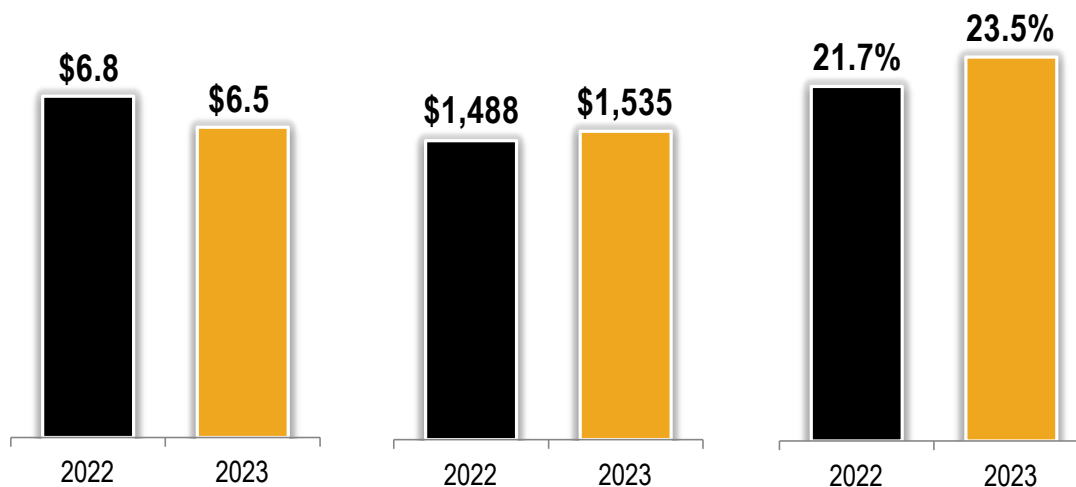
Fourth Quarter 2023 vs. Fourth Quarter 2022

## 4<sup>th</sup> Quarter Highlights

**Total Sales\***  
(in billions of dollars)

**Segment Profit**  
(in millions of dollars)

**Segment Profit**  
as a percent of total sales\*



\* Includes inter-segment sales.

### Total Sales Decreased by \$326M or 5%

- **North America** – Favorable price realization, partially offset by lower sales volume
- **Latin America** – Lower sales volume
- **EAME** – Lower sales volume, partially offset by favorable price realization and favorable currency impacts
- **Asia/Pacific** – Lower sales volume

### Segment Profit Increased \$47M or 3%

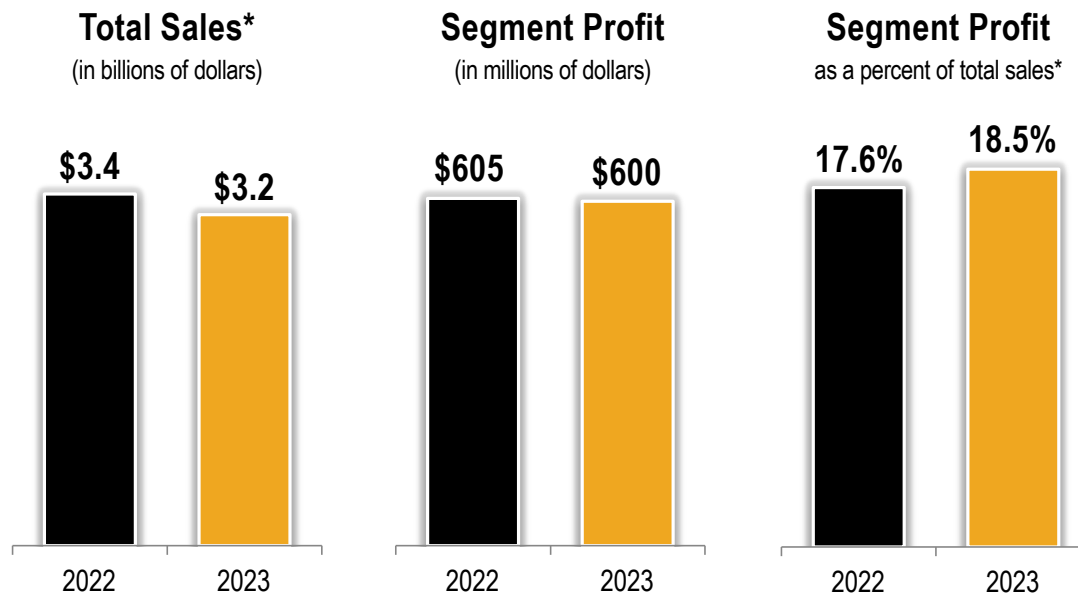
- Favorable price realization, partially offset by the profit impact from lower sales volume

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# Resource Industries

Fourth Quarter 2023 vs. Fourth Quarter 2022



\* Includes inter-segment sales.

## 4<sup>th</sup> Quarter Highlights

### Total Sales Decreased \$194M or 6%

- Lower sales volume, partially offset by favorable price realization

### Segment Profit Decreased \$5M or 1%

- Favorable price realization and manufacturing costs were offset by lower sales volume, higher SG&A/R&D expenses and currency impacts

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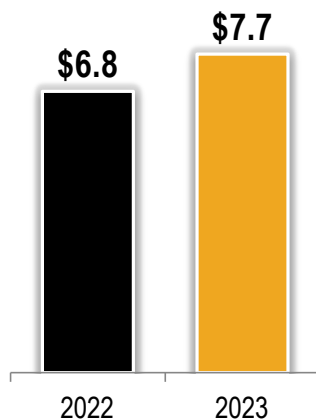
# Energy & Transportation

Fourth Quarter 2023 vs. Fourth Quarter 2022

## 4<sup>th</sup> Quarter Highlights

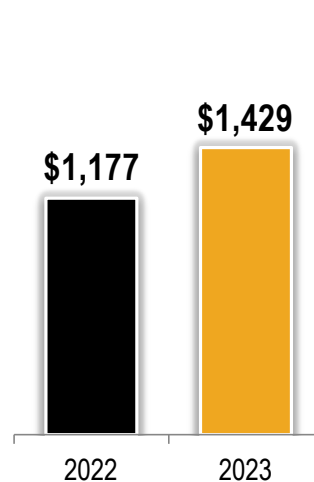
### Total Sales\*

(in billions of dollars)



### Segment Profit

(in millions of dollars)



### Segment Profit

as a percent of total sales\*



\* Includes inter-segment sales.

### Total Sales Increased \$846M or 12%

- **Oil and Gas** – Increase in turbine and turbine-related services as well as reciprocating engines
- **Power Generation** – Increase in large reciprocating engines, primarily data center applications
- **Industrial** – Decrease in sales primarily in EAME, partially offset by increase in sales in Latin America and Asia/Pacific
- **Transportation** – Increase in rail services and marine, international locomotive deliveries also higher

### Segment Profit Increased \$252M or 21%

- Favorable price realization and higher sales volume
- Partially offset by higher SG&A/R&D expenses, currency impacts and unfavorable manufacturing costs

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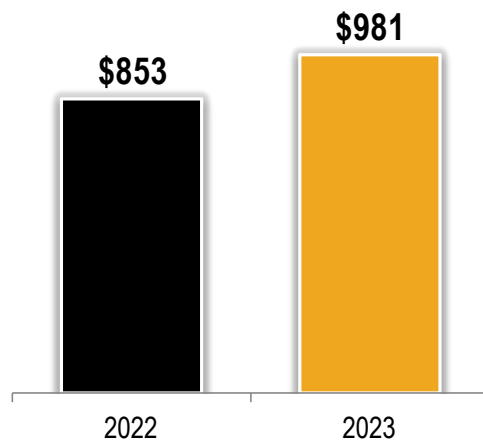


# Financial Products

*Fourth Quarter 2023 vs. Fourth Quarter 2022*

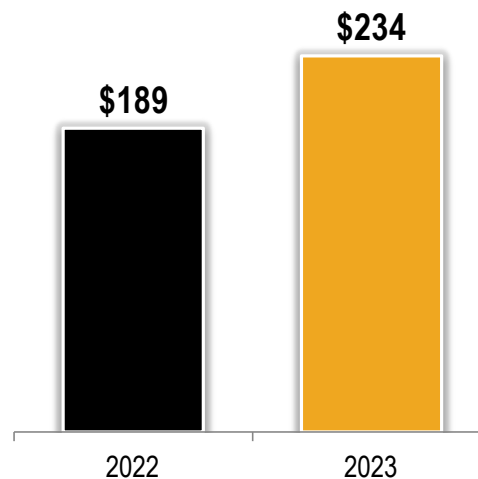
## Total Revenues\*

(in millions of dollars)



## Segment Profit

(in millions of dollars)



\* Includes inter-segment revenues.

## 4<sup>th</sup> Quarter Highlights

### Total Revenues Increased \$128M or 15%

- Higher average financing rates across all regions and higher average earning assets in North America

### Segment Profit Increased \$45M or 24%

- Increase mainly due to lower provision for credit losses at Cat Financial, higher average earning assets and higher net yield on average earning assets
- Partially offset by an increase in SG&A expenses

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# ME&T Free Cash Flow<sup>1</sup> and Capital Deployment

**\$3.2B**

**4Q 2023 ME&T  
Free Cash Flow<sup>1</sup>**

Increase of \$200M versus 4Q 2022

**\$3.4B**

**Returned to Shareholders  
in 4Q 2023**

Including \$2.8B in  
share repurchases

**\$7.0B**

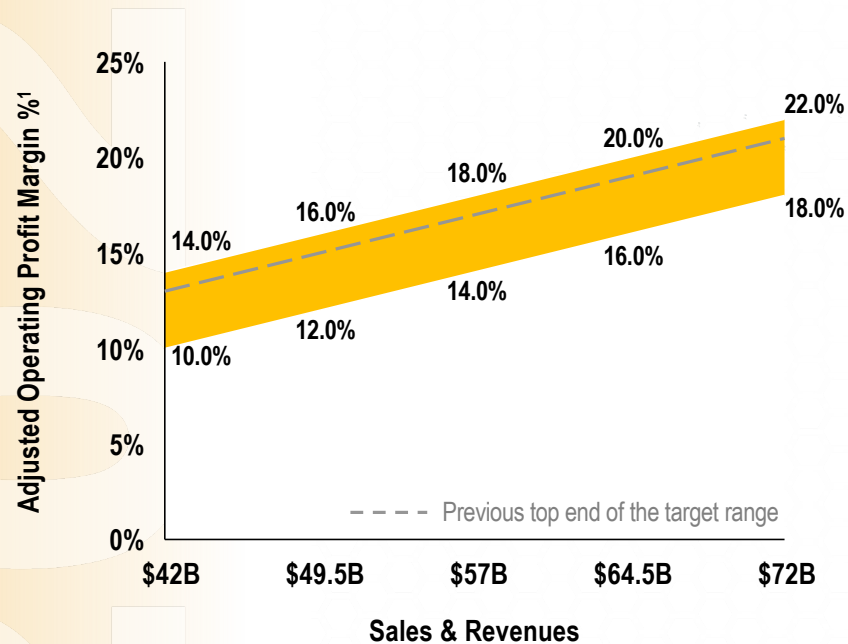
**Enterprise Cash  
Balance**

In addition, \$3.8B in liquid  
marketable securities

<sup>1</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.



# Increasing Adjusted Operating Profit Margin<sup>1</sup> Target Range



- Progressive adjusted operating profit margin<sup>1</sup> target range
- Increasing top end of the target range by 100 bps relative to corresponding level of sales and revenues
- Sales and revenues range unchanged from \$42B to \$72B
- Adjusted operating profit margin<sup>1</sup> target range increasing to:
  - 10-14% at \$42B of sales and revenues
  - 18-22% at \$72B of sales and revenues

<sup>1</sup> Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

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# Raising ME&T Free Cash Flow<sup>1</sup> Target Range

|                                  | Previous Target   | New Target |
|----------------------------------|---|------------|
| ME&T Free Cash Flow <sup>1</sup> | \$4-8B  | \$5-10B    |
| Capital Allocation               | Return substantially all ME&T free cash flow <sup>1</sup> to shareholders over time |            |
|                                  | Strong balance sheet and liquidity  |            |

<sup>1</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

## Key Thoughts for Full-Year 2024

- Anticipate 2024 full-year sales and revenues to be broadly similar to 2023
- Do not expect a significant change in machine dealer inventory<sup>1</sup> by the end of 2024, as compared to a build in 2023
- Expect 2024 full-year adjusted operating profit margin<sup>2</sup> to be in the top half of the updated target range<sup>3</sup> relative to the expected corresponding level of sales and revenues
- Expect price realization to modestly exceed manufacturing costs for the full year
- Expect 2024 full-year ME&T free cash flow<sup>4</sup> to be in the top half of the updated target range<sup>3</sup>
- Anticipate another year of services<sup>5</sup> growth as we continue to target \$28B by 2026



<sup>1</sup> Dealers are independent businesses and control their own inventory.

<sup>2</sup> Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

<sup>3</sup> Target ranges based on 4Q 2023 Caterpillar earnings call and included on slides 17 and 18.

Caterpillar communicated an updated adjusted operating profit margin target range relative to the corresponding level of sales and revenues and an ME&T free cash flow target range of \$5B to \$10B annually.

<sup>4</sup> ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

<sup>5</sup> ME&T Services Revenues include, but are not limited to, aftermarket parts and other service-related revenues and exclude most Financial Products' revenues, discontinued products and captive dealer services.

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## Key Thoughts for First-Quarter 2024

- Expect first-quarter 2024 sales and revenues to be broadly similar to the first quarter of 2023
- Anticipate favorable price realization and slightly lower machine dealer inventory<sup>1</sup> build versus the first quarter of 2023
- Expect first-quarter 2024 adjusted operating profit margin<sup>2</sup> to be broadly similar to the first quarter of 2023

<sup>1</sup> Dealers are independent businesses and control their own inventory.

<sup>2</sup> Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

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## Key Takeaways

**2023 PERFORMANCE  
BEST YEAR<sup>1</sup>  
IN OUR  
98-YEAR HISTORY**

**REVISED TARGET  
RANGES<sup>2</sup>  
INCREASED ADJ. OPERATING  
PROFIT MARGIN<sup>3</sup>  
RAISED ME&T FREE CASH  
FLOW<sup>4</sup>**

**EXECUTING OUR  
STRATEGY  
FOR LONG-TERM  
PROFITABLE GROWTH**

<sup>1</sup>Record full-year sales and revenues; adjusted profit per share; and ME&T free cash flow.

<sup>2</sup>Target ranges based on 4Q 2023 Caterpillar earnings call and included on slides 17 and 18.

Caterpillar communicated an updated adjusted operating profit margin target range relative to the corresponding level of sales and revenues and an ME&T free cash flow target range of \$5B to \$10B annually.

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<sup>4</sup>ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

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# Q&A

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## 2024 Caterpillar Earnings Call Schedule

| Earnings Quarter             | Release Date                | Call Time         |
|------------------------------|-----------------------------|-------------------|
| 1 <sup>st</sup> Quarter 2024 | Thursday, April 25, 2024    | 8:30 a.m. Eastern |
| 2 <sup>nd</sup> Quarter 2024 | Tuesday, August 6, 2024     | 8:30 a.m. Eastern |
| 3 <sup>rd</sup> Quarter 2024 | Wednesday, October 30, 2024 | 8:30 a.m. Eastern |

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## Dealer Inventories<sup>1</sup>

<sup>1</sup> Dealers are independent businesses and control their own inventory.  
Note: Amounts may not add due to rounding.

Decreased  
**\$0.9B**  
4Q 2023  
vs. 3Q 2023

Increased  
**\$0.7B**  
4Q 2022  
vs. 3Q 2022

Unfavorable  
**\$1.6B**  
4Q 2023  
Impact on Total Sales

## Order Backlog

Decreased  
**\$0.6B**  
4Q 2023  
vs. 3Q 2023

Decreased  
**\$2.6B**  
3Q 2023  
vs. 2Q 2023

Decreased  
**\$3.0B**  
4Q 2023  
vs. 4Q 2022

## ME&T Services<sup>2</sup>

**\$14B**  
2016 Baseline

**\$22B**  
2022

**\$23B**  
2023

<sup>2</sup> ME&T Services Revenues include, but are not limited to, aftermarket parts and other service-related revenues and exclude most Financial Products' revenues, discontinued products and captive dealer services.

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# Non-GAAP Financial Measures

(Dollars in millions except per share data)

|  | Operating Profit | Operating Profit Margin | Profit Before Taxes | Provision (Benefit) for Income Taxes | Effective Tax Rate | Profit           | Profit per Share |
|--|------------------|-------------------------|---------------------|--------------------------------------|--------------------|------------------|------------------|
| <b>Three Months Ended December 31, 2023 - U.S. GAAP</b>  | <b>\$ 3,134</b>  | <b>18.4 %</b>           | <b>\$ 3,249</b>     | <b>\$ 587</b>                        | <b>18.1 %</b>      | <b>\$ 2,676</b>  | <b>\$ 5.28</b>   |
| Restructuring costs                                      | 92               | 0.5 %                   | 92                  | 27                                   | 29.3 %             | 65               | 0.13             |
| Pension/OPEB mark-to-market (gains) losses               | —                | — %                     | (97)                | (26)                                 | 26.8 %             | (71)             | (0.14)           |
| Deferred tax valuation allowance adjustments             | —                | — %                     | —                   | 18                                   | — %                | (18)             | (0.04)           |
| <b>Three Months Ended December 31, 2023 - Adjusted</b>   | <b>\$ 3,226</b>  | <b>18.9 %</b>           | <b>\$ 3,244</b>     | <b>\$ 606</b>                        | <b>18.7 %</b>      | <b>\$ 2,652</b>  | <b>\$ 5.23</b>   |
| <b>Three Months Ended December 31, 2022 - U.S. GAAP</b>  | <b>\$ 1,680</b>  | <b>10.1 %</b>           | <b>\$ 2,099</b>     | <b>\$ 644</b>                        | <b>30.7 %</b>      | <b>\$ 1,454</b>  | <b>\$ 2.79</b>   |
| Goodwill impairment                                      | 925              | 5.6 %                   | 925                 | 36                                   | 3.9 %              | 889              | 1.71             |
| Restructuring costs                                      | 209              | 1.3 %                   | 209                 | 59                                   | 28.2 %             | 150              | 0.29             |
| Pension/OPEB mark-to-market (gains) losses               | —                | — %                     | (606)               | (124)                                | 20.5 %             | (482)            | (0.93)           |
| <b>Three Months Ended December 31, 2022 - Adjusted</b>   | <b>\$ 2,814</b>  | <b>17.0 %</b>           | <b>\$ 2,627</b>     | <b>\$ 615</b>                        | <b>23.4 %</b>      | <b>\$ 2,011</b>  | <b>\$ 3.86</b>   |
| <b>Twelve Months Ended December 31, 2023 - U.S. GAAP</b> | <b>\$ 12,966</b> | <b>19.3 %</b>           | <b>\$ 13,050</b>    | <b>\$ 2,781</b>                      | <b>21.3 %</b>      | <b>\$ 10,335</b> | <b>\$ 20.12</b>  |
| Restructuring costs - Longwall divestiture               | 586              | 0.9 %                   | 586                 | —                                    | — %                | 586              | 1.14             |
| Other restructuring costs                                | 194              | 0.3 %                   | 194                 | 48                                   | 25.0 %             | 146              | 0.30             |
| Pension/OPEB mark-to-market (gains) losses               | —                | — %                     | (97)                | (26)                                 | 26.8 %             | (71)             | (0.14)           |
| Deferred tax valuation allowance adjustments             | —                | — %                     | —                   | \$ 106                               | — %                | (106)            | (0.21)           |
| <b>Twelve Months Ended December 31, 2023 - Adjusted</b>  | <b>\$ 13,746</b> | <b>20.5 %</b>           | <b>\$ 13,733</b>    | <b>\$ 2,909</b>                      | <b>21.2 %</b>      | <b>\$ 10,890</b> | <b>\$ 21.21</b>  |
| <b>Twelve Months Ended December 31, 2022 - U.S. GAAP</b> | <b>\$ 7,904</b>  | <b>13.3 %</b>           | <b>\$ 8,752</b>     | <b>\$ 2,067</b>                      | <b>23.6 %</b>      | <b>\$ 6,705</b>  | <b>\$ 12.64</b>  |
| Goodwill impairment                                      | 925              | 1.6 %                   | 925                 | 36                                   | 3.9 %              | 889              | 1.68             |
| Restructuring costs                                      | 299              | 0.5 %                   | 299                 | 72                                   | 24.0 %             | 227              | 0.43             |
| Pension/OPEB mark-to-market (gains) losses               | —                | — %                     | (606)               | (124)                                | 20.5 %             | (482)            | (0.91)           |
| <b>Twelve Months Ended December 31, 2022 - Adjusted</b>  | <b>\$ 9,128</b>  | <b>15.4 %</b>           | <b>\$ 9,370</b>     | <b>\$ 2,051</b>                      | <b>21.9 %</b>      | <b>\$ 7,339</b>  | <b>\$ 13.84</b>  |

Note: Amounts may not add due to rounding.

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# Reconciliation to U.S. GAAP

## Reconciliation of ME&T Cash Flow from Operations to ME&T Free Cash Flow

(USD in billions)

|   | 4Q 2022 | 4Q 2023 | 2022   | 2023    |
|---|---------|---------|--------|---------|
| ME&T cash flow from operations                | \$ 3.2  | \$ 3.7  | \$ 6.4 | \$ 11.7 |
| ME&T capital expenditures                     | (0.4)   | (0.6)   | (1.3)  | (1.7)   |
| Payments made related to settlements with IRS | 0.3     | -       | 0.7    | -       |
| ME&T free cash flow                           | \$ 3.0  | \$ 3.2  | \$ 5.8 | \$ 10.0 |

Note: Amounts may not add due to rounding.

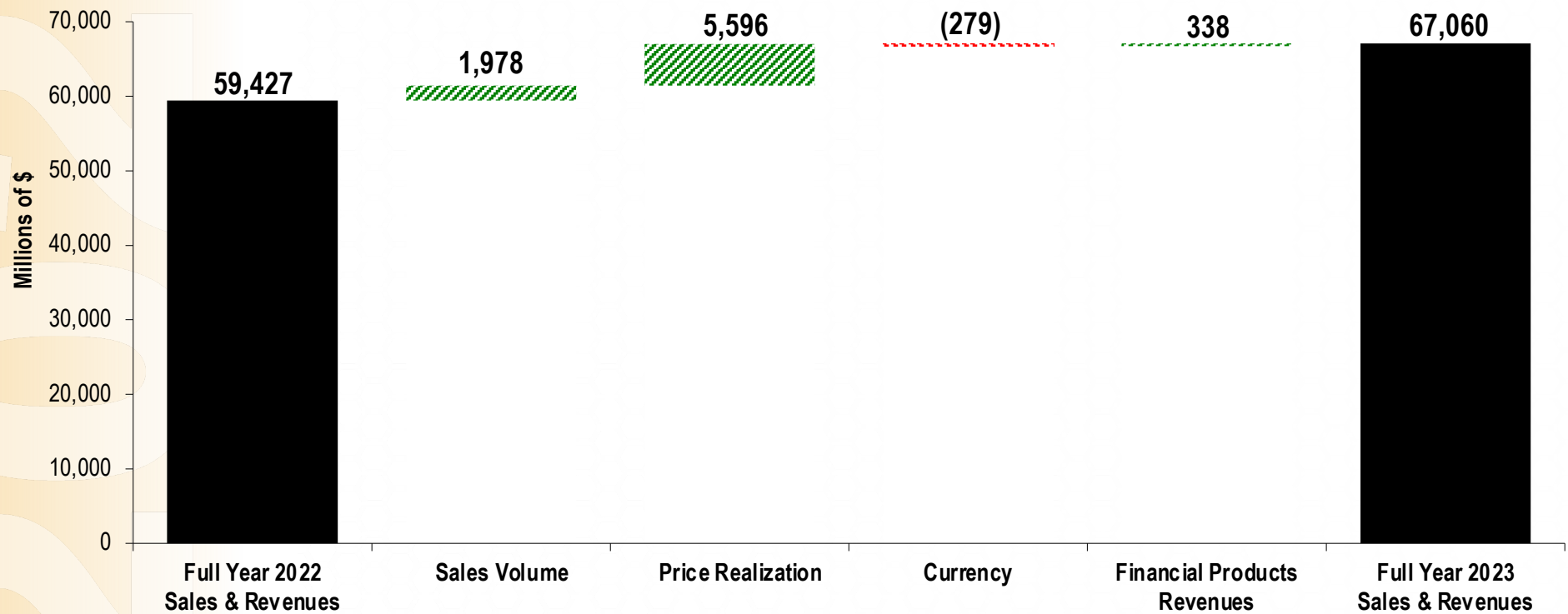
Note: See reconciliation of ME&T cash flow from operations to consolidated net cash provided by operating activities in the Supplemental Data for Statement of Cash Flow contained in our quarter 10-Q filing.

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# Consolidated Full Year Sales and Revenues

## Full Year 2023 vs. Full Year 2022

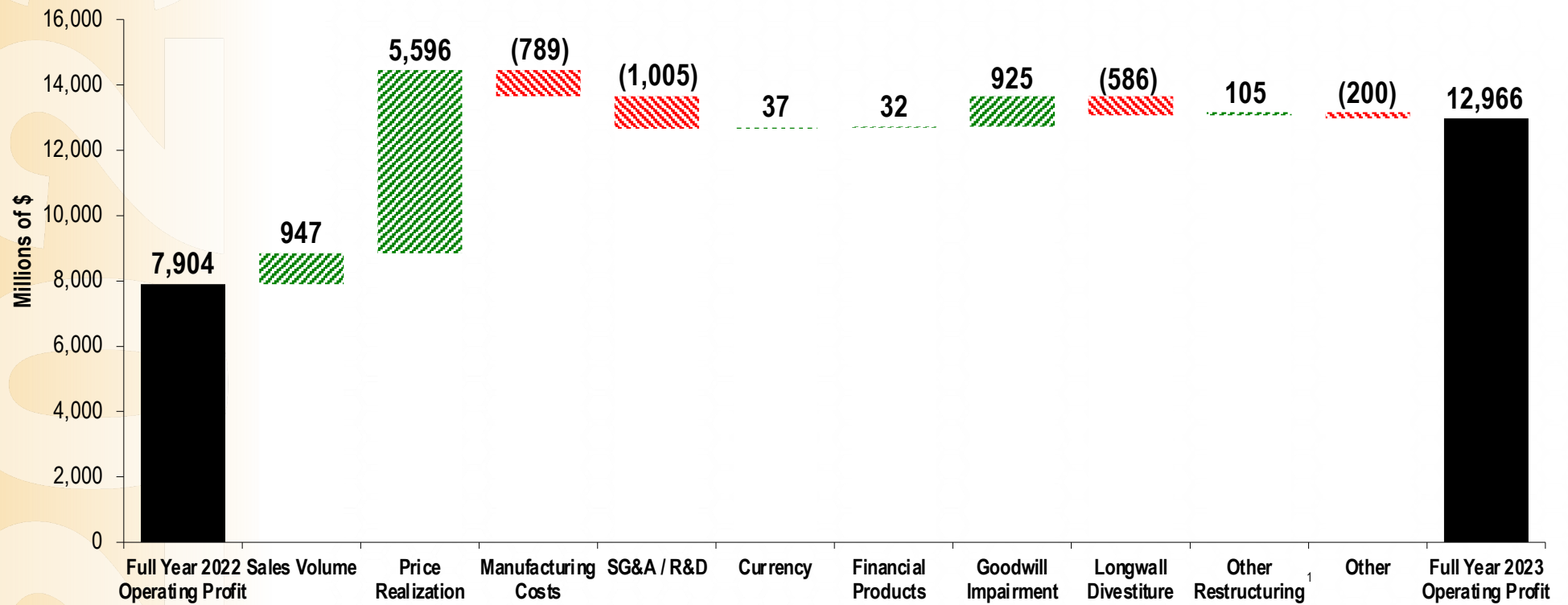


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# Consolidated Full Year Operating Profit

## Full Year 2023 vs. Full Year 2022



<sup>1</sup> Includes restructuring costs for both ME&T and Financial Products

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## Additional Key Thoughts for Full-Year 2024

- Capital expenditures expected range of \$2B to \$2.5B
- Short-term incentive compensation expense anticipated to be about \$1.2B in 2024 compared to about \$1.7B in 2023
- Expected short-term incentive compensation expense benefit is anticipated to be offset by increases in SG&A and R&D expenses as we continue to invest in strategic initiatives aimed at future long-term profitable growth
- Restructuring expenses expected between \$300M to \$450M
- Global annual effective tax rate expected between 22.5% to 23.5%

