

Bank of America - ML Global Industrials Conference

Caterpillar Investor Relations – Rich Moore

March 17, 2015

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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.

Highlights

2014 Performance

- Strong operational performance in 2014
  - Improved machine market share, quality and safety performance
  - On slightly lower sales and revenues, **PPS in 2014 was $5.88, up from $5.75 in 2013** (excluding restructuring charges, PPS in 2014 was $6.38, up from $5.97 in 2013)
  - ME&T operating cash flow for 2014 was $7.5 billion
- Operating segments
  - Record sales and profit for **Energy & Transportation**
  - Increased sales and profit for **Construction Industries**
  - Mining equipment sales remained depressed for **Resource Industries**
- Cash deployment in 2014
  - Raised the dividend 17%
  - Repurchased $4.2 billion of Caterpillar stock

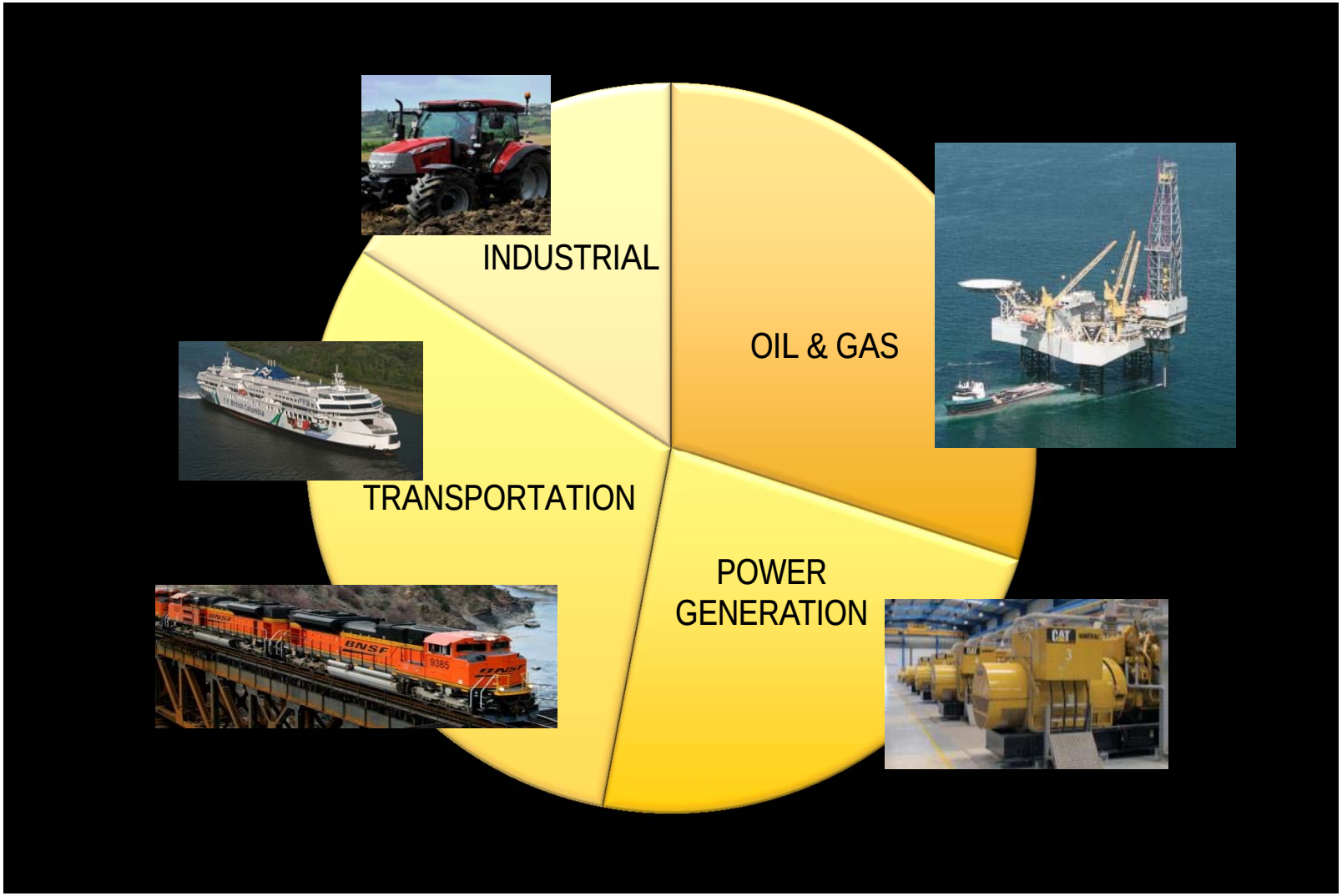
2015 Outlook **(Outlook as of January 27, 2015)**

- Sales and revenues about $50 billion
  - Growth in world economy expected to improve modestly, however, continued weakness in commodity prices – particularly oil, copper, coal and iron ore.
    - Sales and revenue decreases due to direct and indirect impacts of oil/gas price decline, **plus:**
    - Decreases in mining, stronger dollar, decreased locomotive sales, lower China construction industry and industrial engines
  - By segment, Construction Industries down between 5%-10%; Resource Industries about 10%; Energy & Transportation down 10%-15%
- PPS $4.60 ($4.75 excluding restructuring costs)
  - Decremental operating margin rate of 25%-30%
  - Lower incentive compensation expense, improved variable costs, lower restructuring costs, positive currency effects and slightly improved price realization

  offset by:

  - Higher R&D expense, unfavorable period cost absorption and product mix, higher pension and tax rate

Energy & Transportation – 2014 External Revenues





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