

Jefferies Conference

August 11, 2016

Jim Umpleby – Caterpillar Group President – Energy & Transportation
Amy Campbell – Caterpillar IR Director

CATERPILLAR®

Forward-Looking Statements

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 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.

Information on non-GAAP financial measures is included at the end of this presentation.

Discussion

- **2nd Quarter 2016 Results / 2016 Outlook** — Amy Campbell
- **Energy & Transportation** — Jim Umpleby
- **Q&A**

Q2 2016 vs Q2 2015 Financial Results

Sales and Revenues and Profit Per Share excluding restructuring costs were lower than Q2 2015, but better than expected

	2nd Quarter		
	2015	2016	Change
Sales and Revenues (billions)	$12.3	$10.3	$(2.0)
Profit Per Share	$1.31	$0.93	$(0.38)
Restructuring Costs (millions)	$86	$139	$53
Profit Per Share Excluding Restructuring Costs	$1.40	$1.09	$(0.31)

Sales and Revenues Change

- $(1.0) billion Energy & Transportation
- $(0.6) billion Resource Industries
- $(0.4) billion Construction Industries

Primary Drivers of Profit Change

- Sales volume / mix unfavorable $905 million
- Price realization unfavorable $233 million
- Other income/expense favorable $156 million
  Change mainly due to absence of Q2 2015 FX losses / not much net FX impact in Q2 2016
- Period and variable costs favorable $670 million

2016 Cost Reduction

On track for over $2 billion
of period and variable cost reduction for the full year of 2016

(millions of dollars)	Cost Reduction versus Prior Year		
	1st Qtr	2nd Qtr	1st Half
Variable Cost Reduction	$ 107	$ 243	$ 350
Period Cost Reduction	367	427	794
Total	$ 474	$ 670	$ 1,144

Three Main Areas of 2016 Cost Reduction

Restructuring	Material Costs	Everything Else
• Combined and reduced functions – fewer people	• Design and sourcing-related cost reduction	• Less short-term incentive pay
• Reduction in manufacturing floor space and costs	• Commodity-related cost reduction	• All other cost reduction actions

Full-Year Outlook for 2016

- We are expecting sales and revenues near the bottom of the previous $40 to $42 billion outlook range … because economic risks have persisted, Brexit adds uncertainty
- Outlook for profit is about $2.75 per share
- Restructuring costs for 2016 are expected to be about $700 million, up from $550 million. More restructuring actions anticipated during the second half of the year
- Our profit outlook excluding restructuring costs is about $3.55 per share and in line with analyst consensus

Non-GAAP Financial Measures

The following definition is provided for "non-GAAP financial measures" in connection with Regulation G issued by the Securities and Exchange Commission. The non-GAAP financial measures we use have no standardized meaning prescribed by U.S. GAAP and therefore are unlikely to be comparable to the calculation of similar measures for other companies. Management does not intend these items to be considered in isolation or substituted for the related GAAP measure.

Profit Per Share Excluding Restructuring Costs

We incurred restructuring costs in 2015 and in the first and second quarters of 2016 and expect to incur additional restructuring costs in the second half of 2016. We believe it is important to separately quantify the profit per share impact of restructuring costs in order for our results and outlook to be meaningful to our readers as these costs are incurred in the current year to generate longer-term benefits. Reconciliation of profit per share excluding restructuring costs to the most directly comparable GAAP measure, diluted profit per share, are as follows:

	Second Quarter		First	2016 Full Year Outlook		Second
	2015	2016	Half 2016	Previous [1]	Current [2]	Half 2016 [3]
Profit (Loss) per share	$1.31	$0.93	$1.40	$3.00	$2.75	$1.35
Per share restructuring costs[4]	$0.09	$0.16	$0.33	$0.70	$0.80	$0.47
Profit per share excluding restructuring costs	$1.40	$1.09	$1.73	$3.70	$3.55	$1.82

[1] 2016 Sales and Revenues Outlook in a range of $40-42 billion (as of April 22, 2016). Profit per share at midpoint.

[2] 2016 Sales and Revenues Outlook in a range of $40.0-40.5 billion (as of July 26, 2016). Profit per share at midpoint.

[3] Derived from 2016 Outlook as of July 26, 2016.

[1-3] 2016 Outlook does not include any impact from mark-to-market gains or losses resulting from *pension and OPEB* plan remeasurements.

[4] At statutory tax rates, except 2016 Previous Outlook, which was at the estimated annual tax rate. At statutory tax rates, the 2016 Previous Outlook for per share restructuring costs was $0.62.

ENERGY & TRANSPORTATION



DIVERSE MARKETS, CUSTOMERS AND PRODUCTS

CONFIDENTIAL RED: DO NOT COPY OR DISTRIBUTE

E&T Q2 2016 vs Q2 2015 Financial Results

Q2 2015 benefited by strong oil & gas backlog. Comparisons will improve through remainder of 2016.

(in millions)	2nd Quarter		
	2015	2016	Change
Sales and Revenues	$4,708	$3,750	$(958)
Operating Profit	$942	$602	$(340)
Operating Profit %	17.2%	13.7%	-3.5%

Sales and Revenues Change

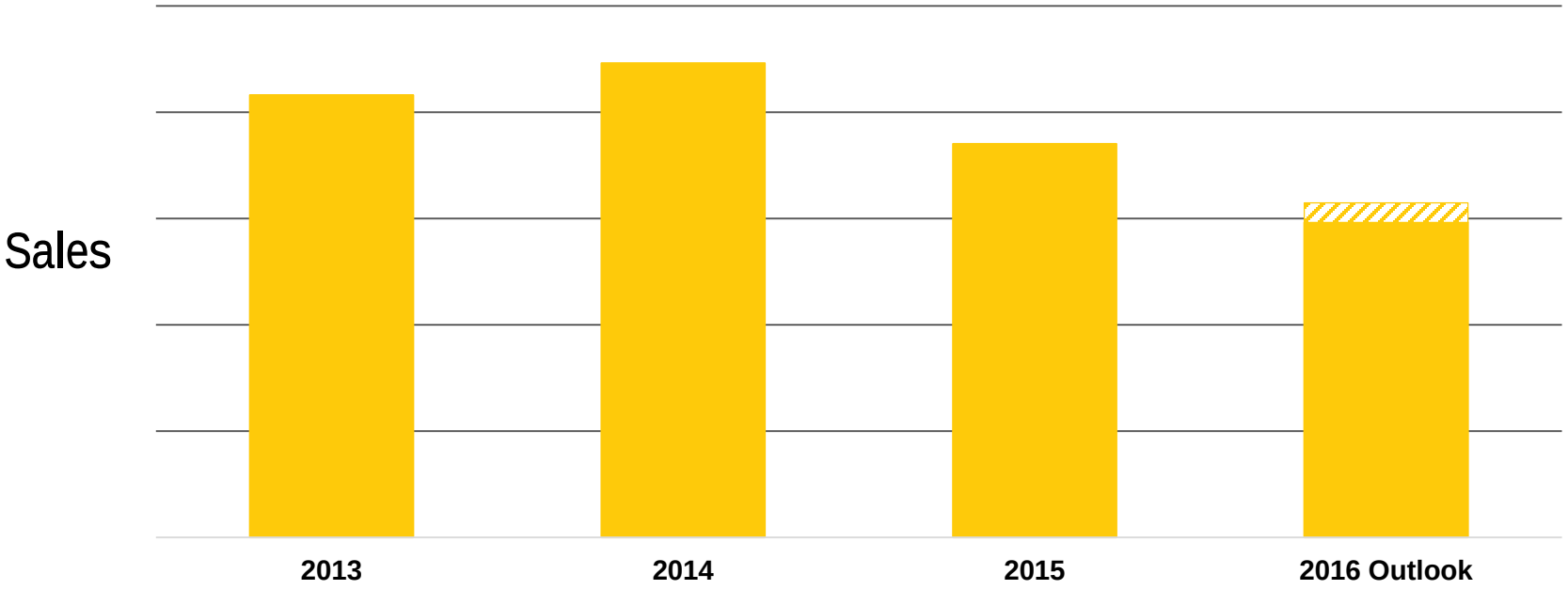
- Almost 80% of the decline was Oil & Gas and Transportation
- Competitive environment in Power Generation applications
- Midstream compression for turbines remains strong as NA pipeline capacity and investment continues

Primary Drivers of Profit Change

- Lower sales volume and unfavorable mix
- Favorable costs
  - Lower short-term incentive comp
  - Impact of restructuring and cost reduction actions
  - Lower material costs

E&T Full-Year Estimate for 2016

- Previous E&T sales estimate was down about 15% from 2015 ... Latest view is down 15% - 20%
- Declines from 2015 across all industries with the majority of the decline in Oil & Gas and Transportation











OIL & GAS

SOLUTIONS PROVIDER

- Reciprocating Engines
- Pumps & Transmissions
- Gas Turbines & Compressors

APPLICATIONS

- Offshore & Land Drilling
- Well Service
- Production
- Gas Compression

CAT

Solar® Turbines
A Caterpillar Company



POWER GENERATION

SOLUTIONS PROVIDER

- Generator Sets (10kW – 22 MW)
- Reciprocating Engines
- Gas Turbines

DIESEL & GAS

- Data Centers
- Telecommunications
- Hospitals
- Universities

MWM Energy. Efficiency. Environment.

CAT

Solar Turbines A Caterpillar Company

FG WILSON



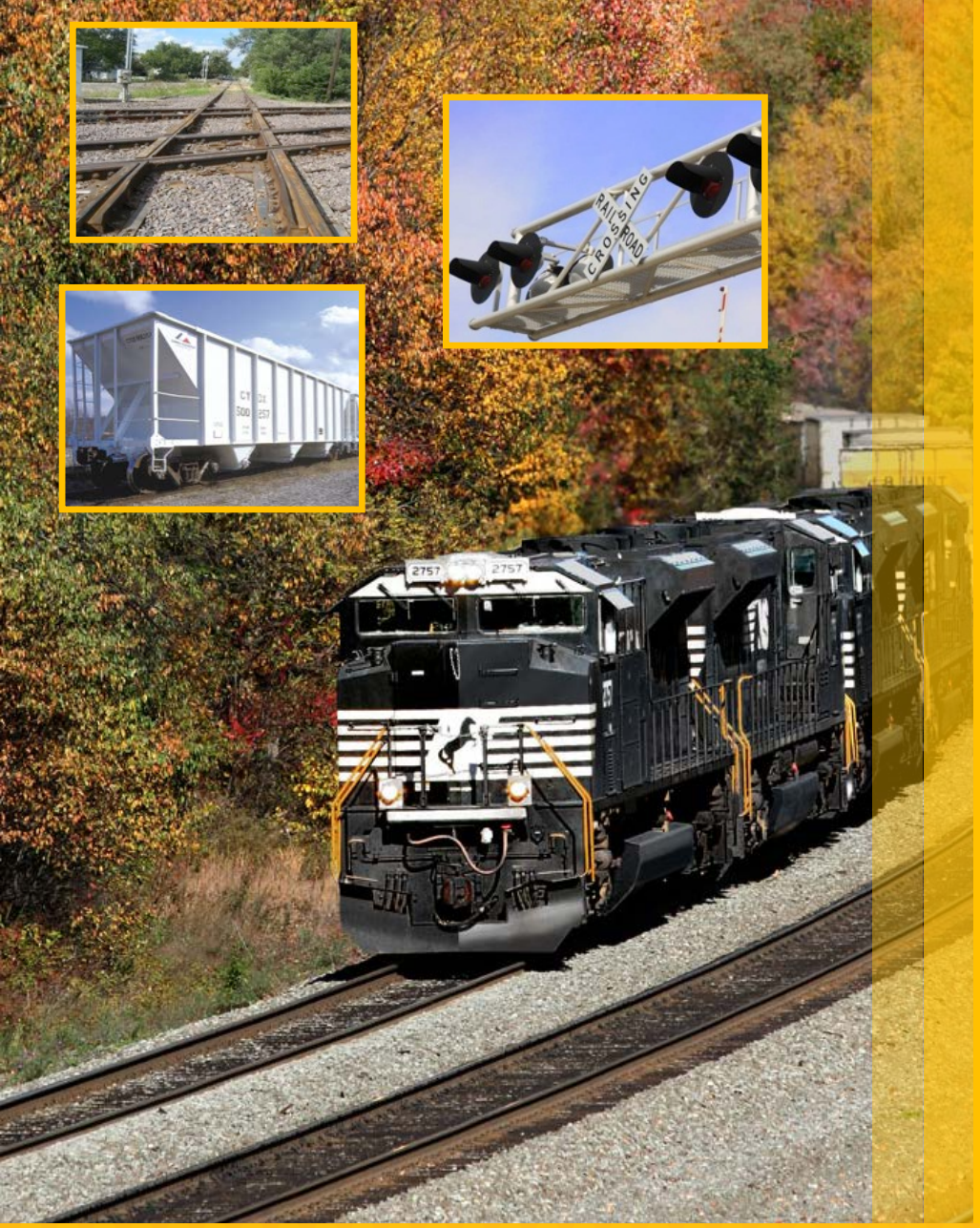
MARINE

SOLUTIONS PROVIDER

- Marine Engines
- Marine Auxiliary Units
- Cat Propulsion Systems (Berg)

APPLICATIONS

- Cargo
- Cruise and Ferry
- High Performance
- Commercial Workboat



RAIL

SOLUTIONS PROVIDER

- Freight and Transit Locomotives
- Freight Car, Signal and Track Services

PROGRESS RAIL SERVICES
A Caterpillar Company

ELECTRO-MOTIVE



INDUSTRIAL ENGINES

- Power Generation
- Agriculture
- Material Handling
- Construction

CAT

Perkins®

ENERGY & TRANSPORTATION

Power Generation



Industrial



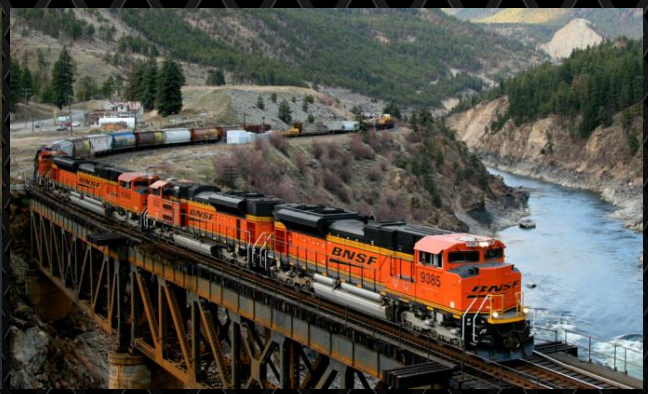




Oil & Gas



Marine



Rail


PEOPLE.
CUSTOMERS.
STOCKHOLDERS.
CATERPILLAR
D8T
CAT