

Baird Conference

November 10, 2016

Denise Johnson – Caterpillar Group President – Resource Industries
Amy Campbell – Caterpillar IR Director

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.

Information on non-GAAP financial measures is included in this presentation.

Discussion

• **3rd Quarter 2016 Results / 2016 Outlook**	Amy Campbell
• **Resource Industries**	Denise Johnson
• **Q&A**	

Full-Year Outlook for 2016

	Previous Outlook[1]	Current Outlook[2]
Sales and revenues	$40.0 to $40.5 billion	About $39 billion
Profit Per Share	$2.75	$2.35
Restructuring Costs	$700 million	$800 million
Profit Per Share Excluding Restructuring Costs	$3.55	$3.25

- Sales expectations lowered across our three large equipment segments (CI, RI, E&T) by similar amounts.
- Lower estimates for construction, particularly in North America, is negative for both Construction Industries and Resource Industries (large construction equipment).
- Energy & Transportation outlook is lower for transportation (mostly rail services), Oil and Gas (mostly service and overhaul) and Power Generation.
- Restructuring costs about $100 million higher … mostly related to additional asset write downs in the 3rd quarter in Resource Industries.
- With three quarters complete, the Outlook implies 4th Quarter sales and revenues of $10 billion and profit of $0.47 per share or $0.67 per share excluding restructuring costs.

[1] 2016 Outlook as of July 26, 2016. Profit per share at midpoint.
[2] 2016 current outlook as of October 25, 2016.
[1-2] 2016 Outlook does not include any impact from mark-to-market gains or losses resulting from pension and OPEB plan remeasurements. See slide 7 for more details.

Preliminary 2017[1] Sales and Revenues Outlook

Cautious about the first half of the year, with potential for improvement later in 2017 and beyond if commodity-related industries begin to recover

- We usually provide a preliminary view of the following year's sales and revenues with our 3rd Quarter financial release
- Still early, but at this point we are not expecting 2017 sales and revenues to be significantly different than 2016

Positive and Negative Factors We're Currently Watching

Positives

- Commodity prices … improvement could help RI, CI, and E&T
- Construction in China ... generally a positive, but dependent on continued government support for growth
- Construction sales in other developing countries are currently at very low levels
- Mining customers…CAPEX forecasts and sentiment

Concerns

- Commodity prices … better, but still not high enough to drive substantial sales increase
- Weakness in North American construction
- Economic growth in Europe, and the impact of Brexit on growth and business investment
- Power generation … particularly in oil producing regions
- Sales to marine, rail and industrial industries

[1] 2017 preliminary outlook as of October 25, 2016.

Discussion Points

- **Not much recent change in the industries we serve with the exception of North American Construction** – More stable commodity prices, but no significant rebound in order activity in mining or oil and gas yet … rail continues to be weak in North America.

- **Good operational performance continues** – Overall market position for machines was better in Q3 2016 than in Q3 2015 ... and continues to improve in China. Decremental operating profit pull through was better than our target range despite a difficult pricing environment and lower sales.

- **Cost reduction is substantial** – Period and variable costs were favorable over $650 million in Q3 2016 and are favorable nearly $1.8 billion year to date vs 2015.

- **We are on track with restructuring actions** – They've contributed substantially to cost reduction this year. All significant actions included in our restructuring announcement from September 2015 have been announced.

- **Strong balance sheet** – Important because our credit rating and maintaining the dividend are high priorities. The ME&T debt-to-capital ratio was about 37% at the end of the quarter and our enterprise cash balance was over $6 billion.

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 three quarters of 2016 and expect to incur additional restructuring costs in the fourth quarter 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:

	Third Quarter		2016 Outlook	
	2015	2016	Previous [1]	Current [2]
Profit per share	$0.94	$0.48	$2.75	$2.35
Per share restructuring costs[3]	$0.11	$0.37	$0.80	$0.90
Profit per share excluding restructuring costs	$1.05	$0.85	$3.55	$3.25

[1] 2016 Sales and Revenues Outlook in a range of $40.0-40.5 billion (as of July 26, 2016). Profit per share at midpoint.

[2] 2016 current outlook as of October 25, 2016. Sales and Revenues Outlook of about $39 billion.

[1-2] 2016 Outlook does not include any impact from mark-to-market gains or losses resulting from pension and OPEB plan remeasurements which are likely to significantly impact full year 2016 results. While this year's impact could change significantly over the next quarter, based on interest rates (which are lower than year-end 2015) and investment returns as of the end of the third quarter, the year-end impact would be negative to profit after tax by approximately $2 billion or $3.50 per share. This adjustment will have no impact on 2016 cash flow, our pension funding obligations or benefits paid to plan participants.

[3] At statutory tax rates.

Discussion

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Resource Industries Has an Expansive Reach

Products, Parts, Services, and Support

Ultra Class



Material Handling

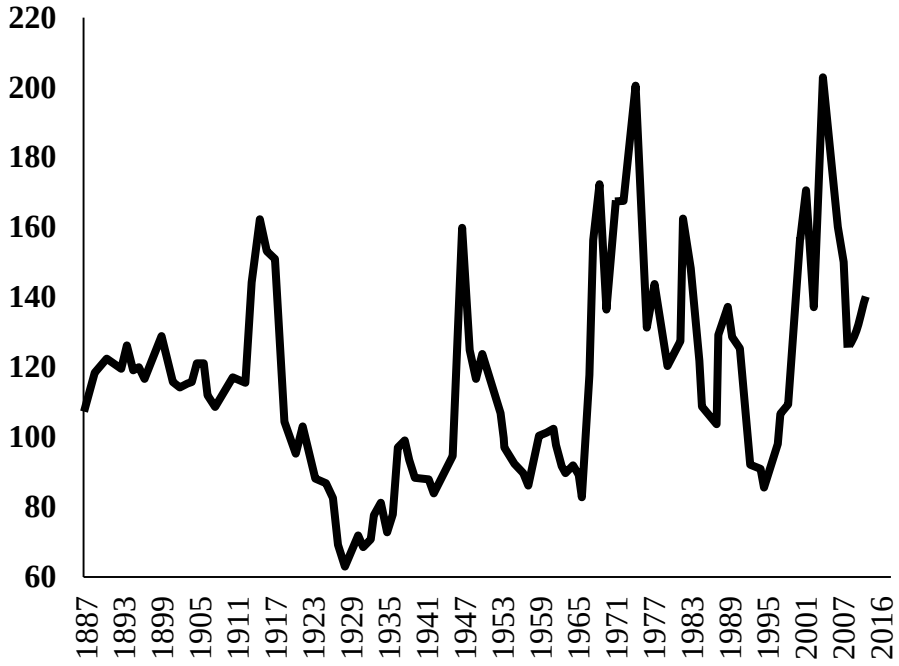


Underground

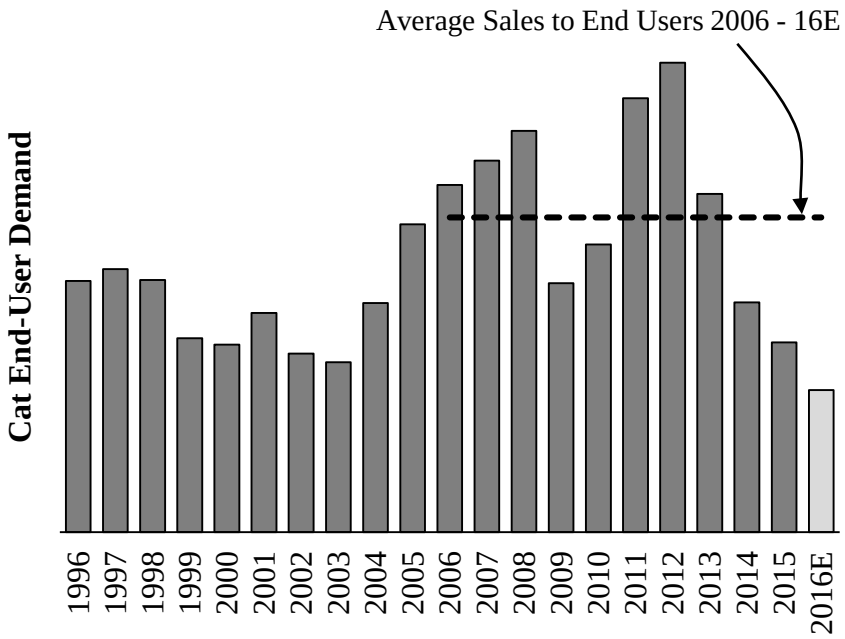


Commodity Decline Among the Fastest in Past 132 Years and Places Resource Industries at its Deepest Trough

Commodity Dollar Index



Cat Mining Machine End User Demand



Commodity Dollar Index source is "The Economist"

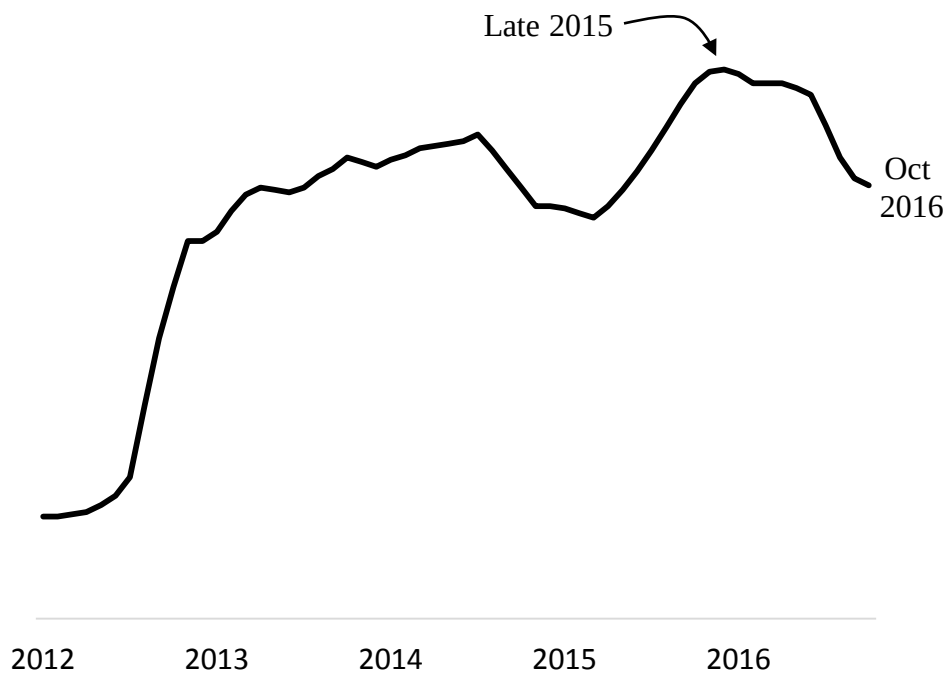
What Have We Done to Mitigate the Sales Drop?

Since 2012 Resource Industries has…

- **Closed or announced the exit of 17 manufacturing facilities**
- **Downsized 5 other facilities**
- **Reduced its headcount – Accounting for almost half of the overall Caterpillar reductions of 34,000**
- **Lowered the breakeven point every year**

Large Mining Trucks are Going Back to Work

Cat Large Mining Truck Parked Fleet %



- Parked fleet of Caterpillar machines peaked in 2015
- Since then, there has been a steady decrease in the percentage of the truck population considered “parked”
- Trucks are being put back to work
- Those trucks should need parts

The Portfolio is Positioned for Growth with New Technologies and New Products



- Autonomous Capabilities
- Hard Rock Cutting
- New Products







Autonomous Capabilities

- **Tremendous customer pull to improve safety and productivity**
- **“Command for Hauling is 20 percent more productive than a manned fleet of trucks of the same type”**
  Customer quote
- **Can retrofit trucks or provide on new units**
- **Applications for drills, tractors and underground vehicles**

Hard Rock Cutting


Making hard-rock history

Mining Magazine July/August 2016





- **Strong customer interest for continuous mining systems**
- **Rock Straight System**
- **First commercial continuous mining and hauling system for underground hard rock applications**
- **Disrupt old drill and blast by using our patent protected activated undercutting technology**



New Products

- **Hydraulic Mining Shovels**
  - **6015B**
  - **6020B**
- **Large Mining Trucks**
  - **794AC**
- **Surface Rock Drills**
  - **MD6420C**
- **Articulated Truck**
  - **745C**

State of the Mining Business

- **Customers have expressed increased optimism**
- **Machine replacements should be needed assuming no increase in commodity production levels**
- **New machine introductions being favorably received by the marketplace**
- **Increasingly, technology is becoming a differentiator among OEMs…. and also a revenue growth driver**



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