



First Quarter 2018 Financial Review

April 24, 2018

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 2018 first-quarter financial results which is available on our website at www.caterpillar.com/earnings.



Agenda

- **First Quarter 2018 Financial Results**
- **Full Year 2018 Outlook**
- **Cash Deployment Strategy**
- **Key Takeaways**

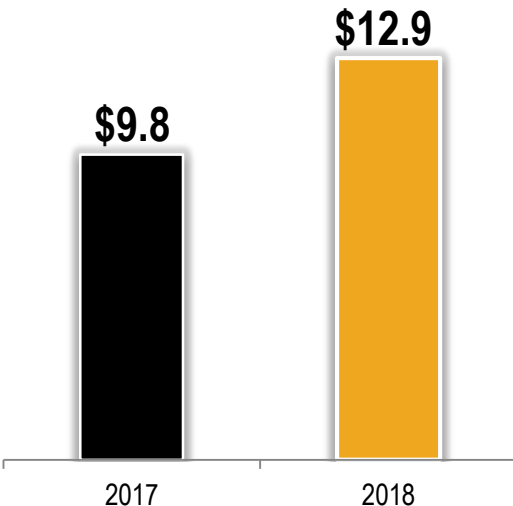
2018 Financial Results

First Quarter 2018 vs. First Quarter 2017

Sales and Revenues

(in billions of dollars)

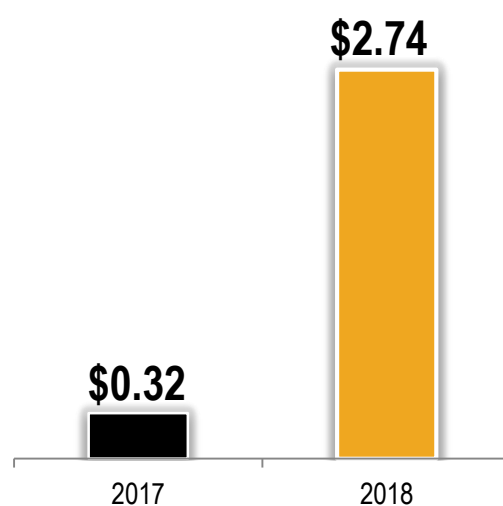
\$12.9



Profit Per Share

(in dollars)

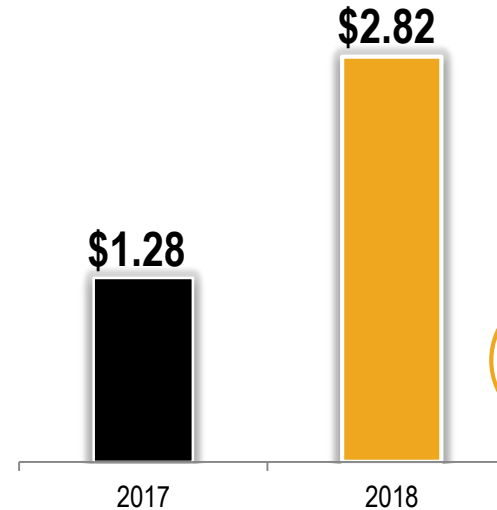
\$2.74



Adjusted Profit Per Share¹

(in dollars)

\$2.82



¹ Excludes restructuring costs

1st Quarter Highlights

Sales and Revenues

- Increased across all regions and most end markets
- About half of the increase in Construction Industries (primarily North America and China)
- Mining equipment sales improved
- North America onshore oil and gas strength continues

Profit

- Record 1Q profit per share
- Adjusted profit per share more than doubled

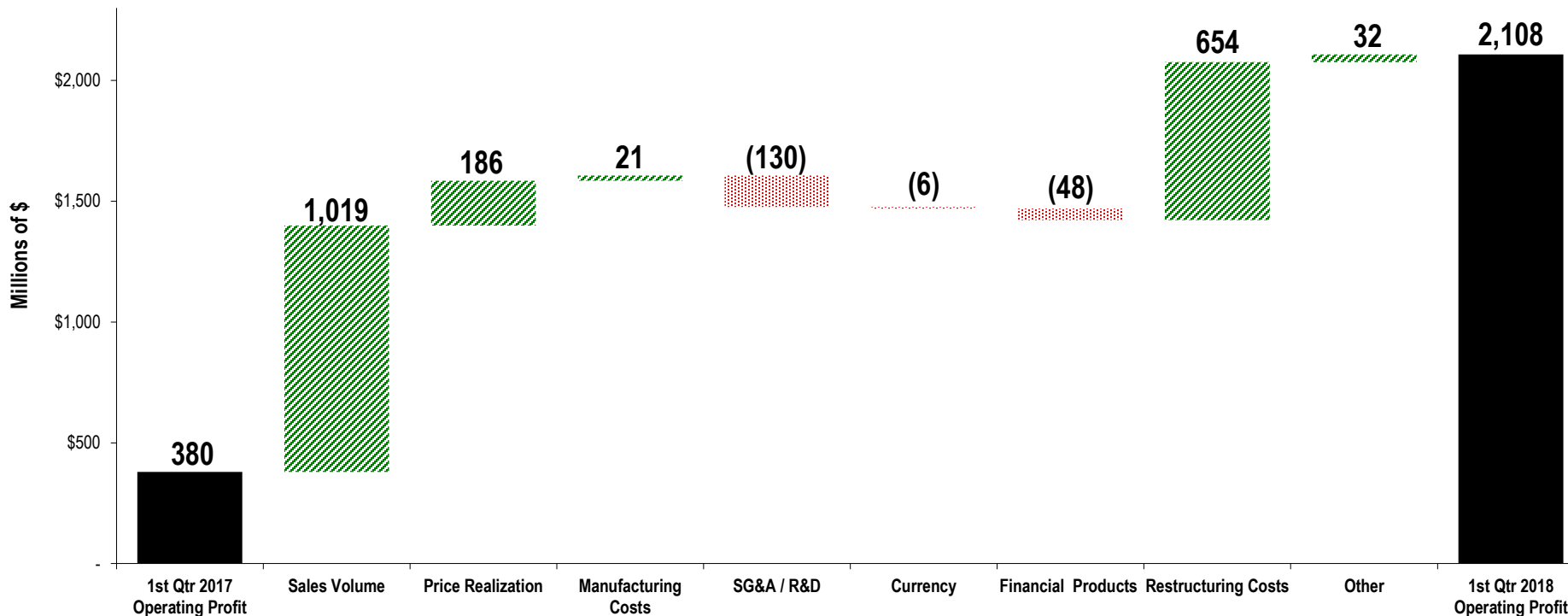
Strong Financial Position

- \$500M in common stock repurchased
- \$7.9B cash on hand



Consolidated Operating Profit

First Quarter 2018 vs. First Quarter 2017

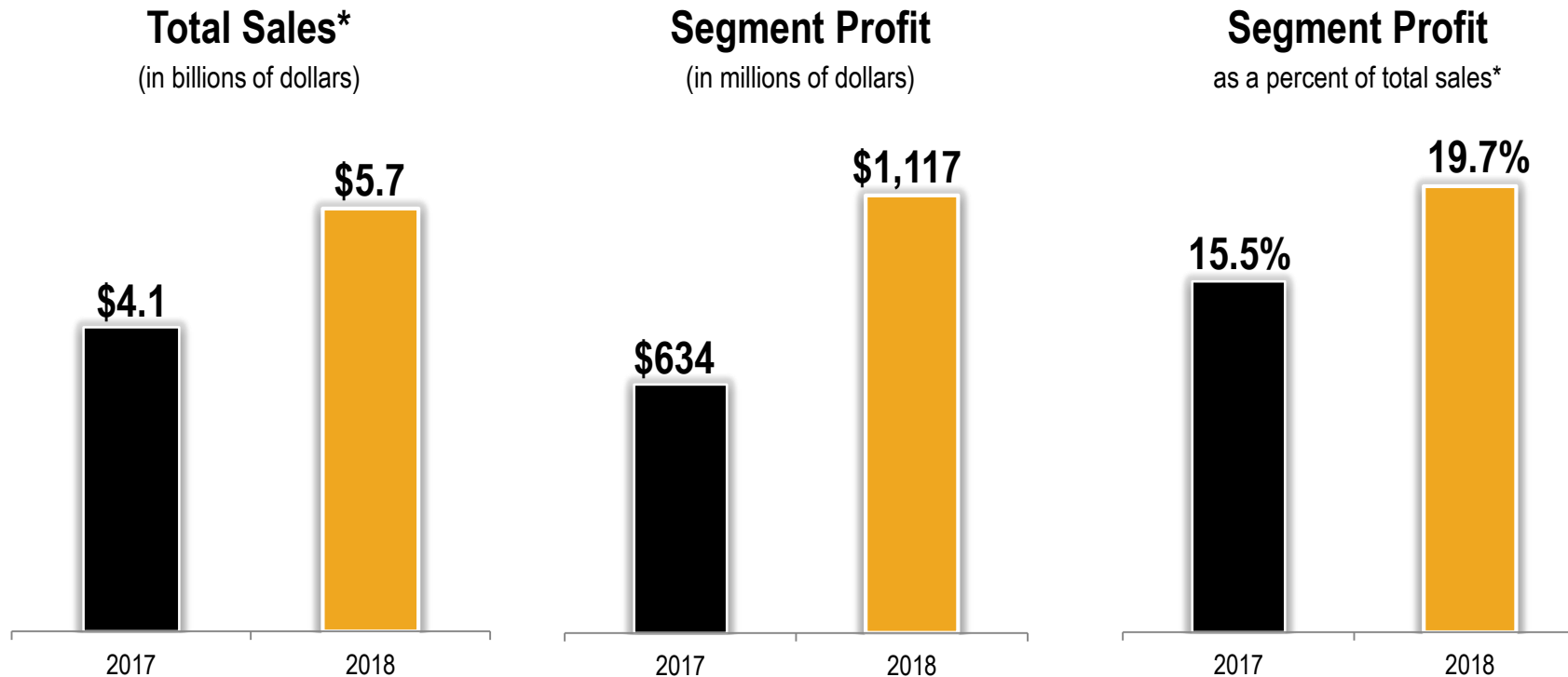


1st Quarter Highlights

- Higher sales volume across the three primary segments
- Favorable price realization
- Manufacturing costs about flat on 31% higher sales and revenues
- SG&A/R&D increase primarily due to short-term incentive compensation expense
- Lower restructuring costs, mostly due to closure of Gosselies, Belgium in 1Q 2017

Construction Industries

First Quarter 2018 vs. First Quarter 2017



* Includes inter-segment sales

1st Quarter Highlights

Total Sales

- Favorable changes in dealer inventories as dealers built inventory for spring selling season
- Higher end-user demand across all regions
- Backlog increased on strong orders

Segment Profit

- Higher sales volume
- Favorable price realization
- Higher steel costs and short-term incentive compensation expense

Resource Industries

First Quarter 2018 vs. First Quarter 2017

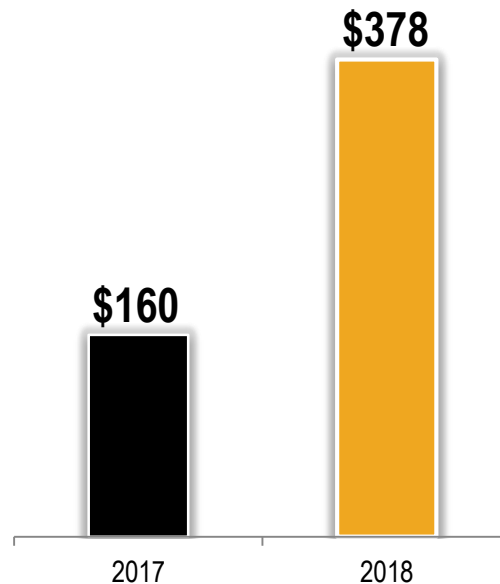
Total Sales*

(in billions of dollars)



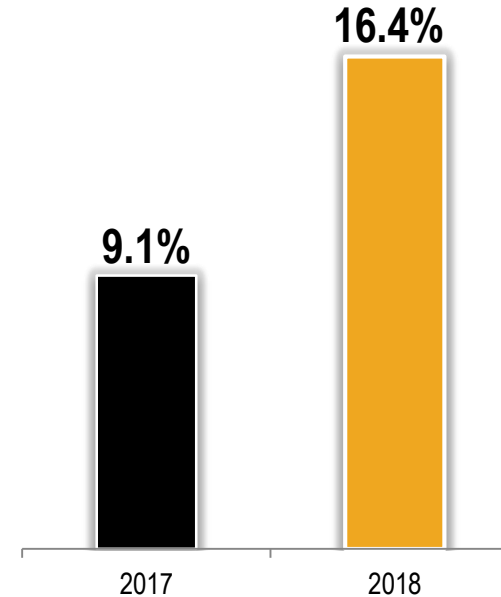
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales

1st Quarter Highlights

Total Sales

- Increased in all regions
- Mining equipment sales improved
- Aftermarket parts demand remains strong

Segment Profit

- Higher sales volume
- Favorable price realization and cost absorption
- Higher short-term incentive compensation expense

Energy & Transportation

First Quarter 2018 vs. First Quarter 2017

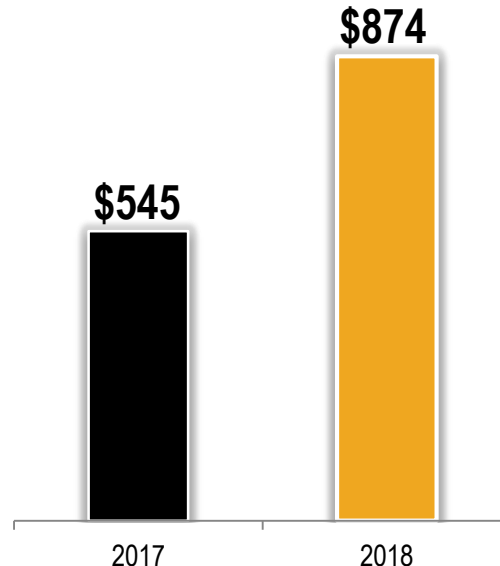
Total Sales*

(in billions of dollars)



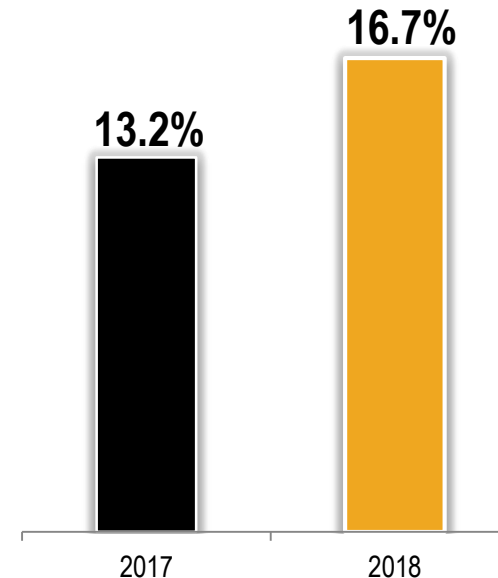
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales

1st Quarter Highlights

Total Sales

- Sales increased across all applications primarily due to:
 - **Oil and Gas** – strong North America onshore activity
 - **Power Generation** – up in all regions
 - **Industrial** – favorable global economic conditions
 - **Transportation** – higher rail traffic
 - **Inter-segment** – higher machine volume

Segment Profit

- Higher sales volume
- Favorable price realization
- Higher short-term incentive compensation expense and targeted investments

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

Full Year 2018 Outlook

	<u>Previous Outlook²</u>	<u>Current Outlook³</u>
Profit Per Share	\$7.75 – \$8.75	\$9.75 – \$10.75
Restructuring Costs	~\$400 million	~\$400 million
Adjusted Profit Per Share ¹	\$8.25 – \$9.25	\$10.25 – \$11.25

¹ Excludes restructuring costs

² As of January 25, 2018

³ As of April 24, 2018

2018 Outlook – Changes from Prior Outlook

- Higher sales volume primary driver of improved outlook
 - Improvements across all regions and most end markets
 - Increases across the three primary segments
- Continue to manage structural costs while making targeted investments to achieve long-term profitable growth
- Improved price realization, partially offset by higher material costs
- Short-term incentive compensation expense expected to be about \$1.4 billion

2018 Outlook – End Market Assumptions

Construction Industries

- North America – strength in building construction, infrastructure and pipeline activity
- Asia/Pacific – strength across the region primarily driven by China
- EAME – high business confidence and stability in oil producing countries
- Latin America – recovery that started in 2017 is expected to continue, region remains below historical levels

Resource Industries

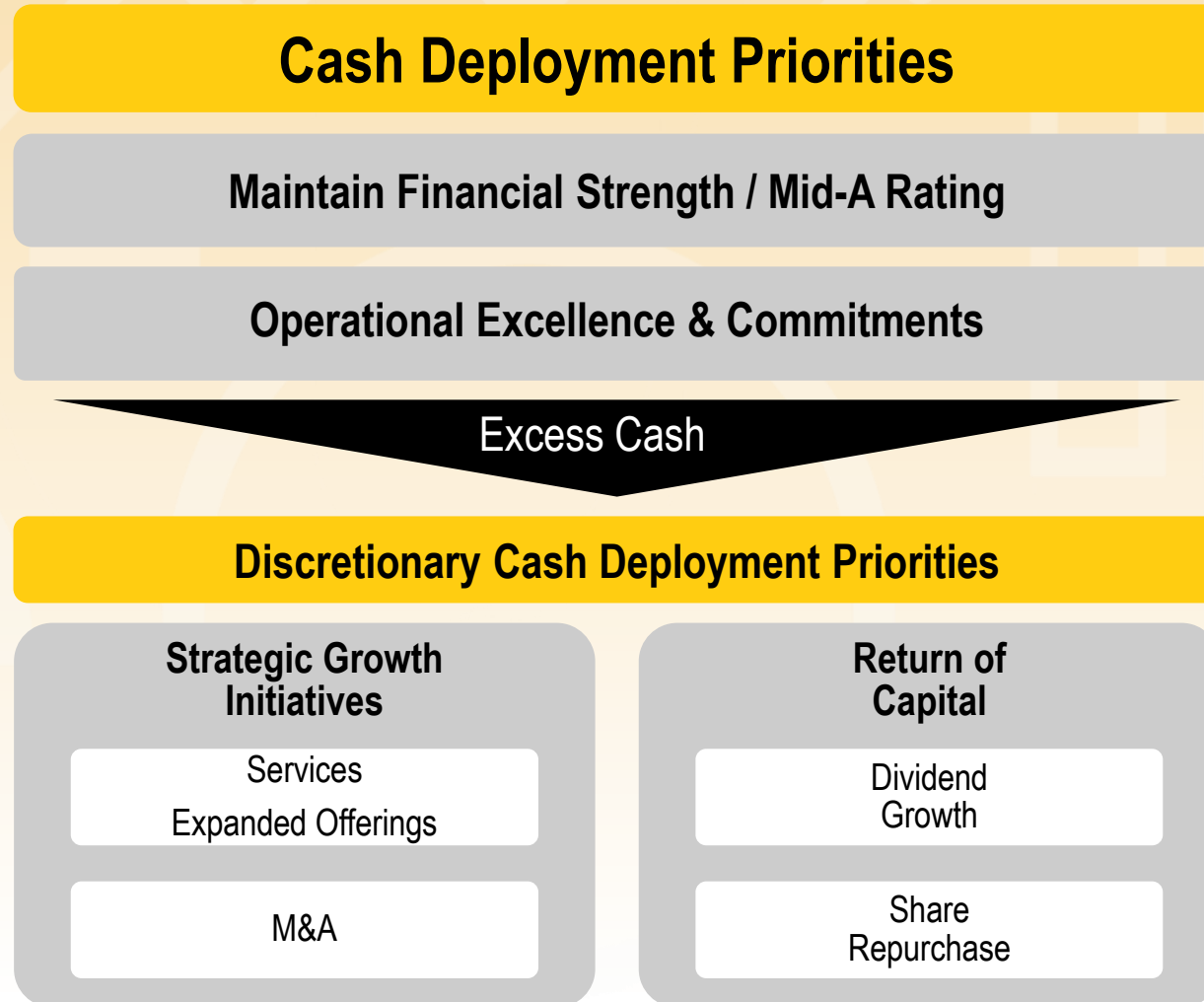
- Favorable commodity price levels driving higher production, declining parked fleets and higher machine utilization
- Improving miner profitability expected to drive higher equipment sales
- Strong global economic conditions supporting higher sales to heavy construction and quarry and aggregate customers
- Mining industry recovery continues

Energy & Transportation

- Oil and Gas – strength in well servicing and gas compression in North America; drilling and offshore weak
- Power Generation – up after a multi-year downturn, industry remains at low levels
- Industrial – expected to be up primarily due to projected demand in EAME
- Transportation – increase primarily from growth in rail services; locomotive and marine challenges continue

Cash Deployment Strategy

Disciplined, balanced capital allocation aligned with enterprise focus on profitable growth



Key Takeaways



**Record
first-quarter
profit per share**



**Robust global
economic conditions**



**Strong
balance sheet**



**Continued cost discipline and
strong operating margins**



**Executing our strategy and investing
for long-term profitable growth**

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Q&A

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