



Fourth Quarter and Full Year 2018 Financial Review

January 28, 2019

OUR SOLUTIONS HELP OUR CUSTOMERS BUILD A BETTER WORLD.

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) 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) additional restructuring costs or a failure to realize anticipated savings or benefits from past or future cost reduction actions; (x) failure to realize all of the anticipated benefits from initiatives to increase our productivity, efficiency and cash flow and to reduce costs; (xi) inventory management decisions and sourcing practices of our dealers and our OEM customers; (xii) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xiii) union disputes or other employee relations issues; (xiv) adverse effects of unexpected events including natural disasters; (xv) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xvi) 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; (xvii) our Financial Products segment’s risks associated with the financial services industry; (xviii) changes in interest rates or market liquidity conditions; (xix) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xx) currency fluctuations; (xxi) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xxii) increased pension plan funding obligations; (xxiii) alleged or actual violations of trade or anti-corruption laws and regulations; (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.

See appendix for adjusted operating profit margin calculation and reconciliation to U.S. GAAP. A reconciliation of all other non-GAAP financial information referenced in this presentation can be found in our press release describing fourth-quarter and full-year 2018 financial results which is available on our website at www.caterpillar.com/earnings.

2018 Highlights

RETURNING CAPITAL TO SHAREHOLDERS

Increased dividend



25

consecutive years of higher dividends for shareholders



\$3.8B

shares repurchased

EXECUTING OUR STRATEGY



OPERATIONAL EXCELLENCE



Delivered record full-year profit per share



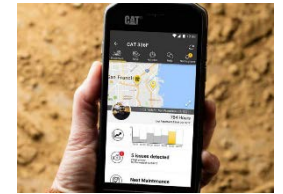
SERVICES



Services for global rail customers aided through two acquisitions



Autonomous technology deployed on competitive haul trucks



Launched equipment management app for customers



EXPANDED OFFERINGS



Electric Drive Dozers



Mini Hydraulic Excavators



Articulated Trucks

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2019 End Market Assumptions by Segment

Construction Industries



North America

- Strong U.S. economy
- Strength in pipelines and local infrastructure development

Latin America

- Recovery continues, but at low levels

EAME

- Steady demand but political and economic uncertainties

Asia/Pacific

- China industry about flat
- Growth outside of China

Resource Industries



- Commodity prices support reinvestment
- Miner capex budgets increasing
- Strong demand for heavy construction and quarry and aggregate machinery

Energy & Transportation



Oil & Gas

- Oil prices and takeaway constraints impacting well-servicing in near term
- Gas compression remains strong

Power Generation

- Positive momentum across portfolio

Industrial

- Strong U.S. economy; EAME headwinds

Transportation

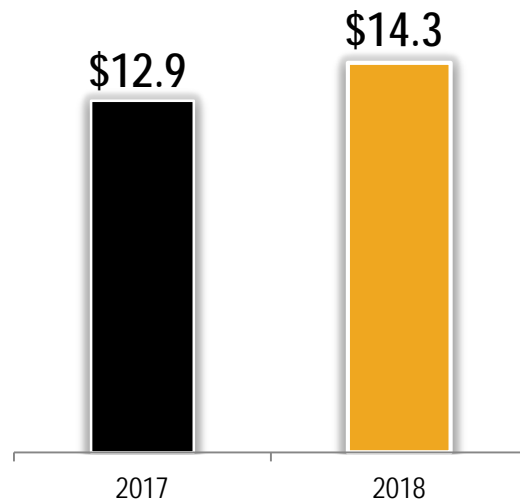
- Rail growth

2018 Financial Results

Fourth Quarter 2018 vs. Fourth Quarter 2017

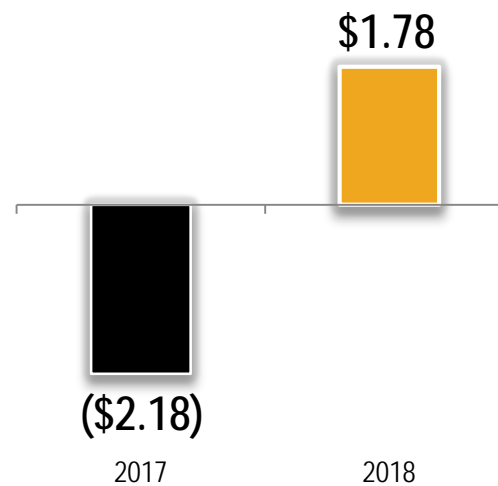
Sales and Revenues (in billions of dollars)

\$14.3



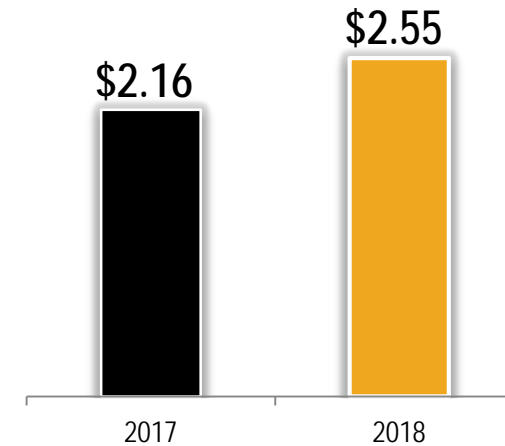
Profit Per Share (in dollars)

\$1.78



Adjusted Profit Per Share¹ (in dollars)

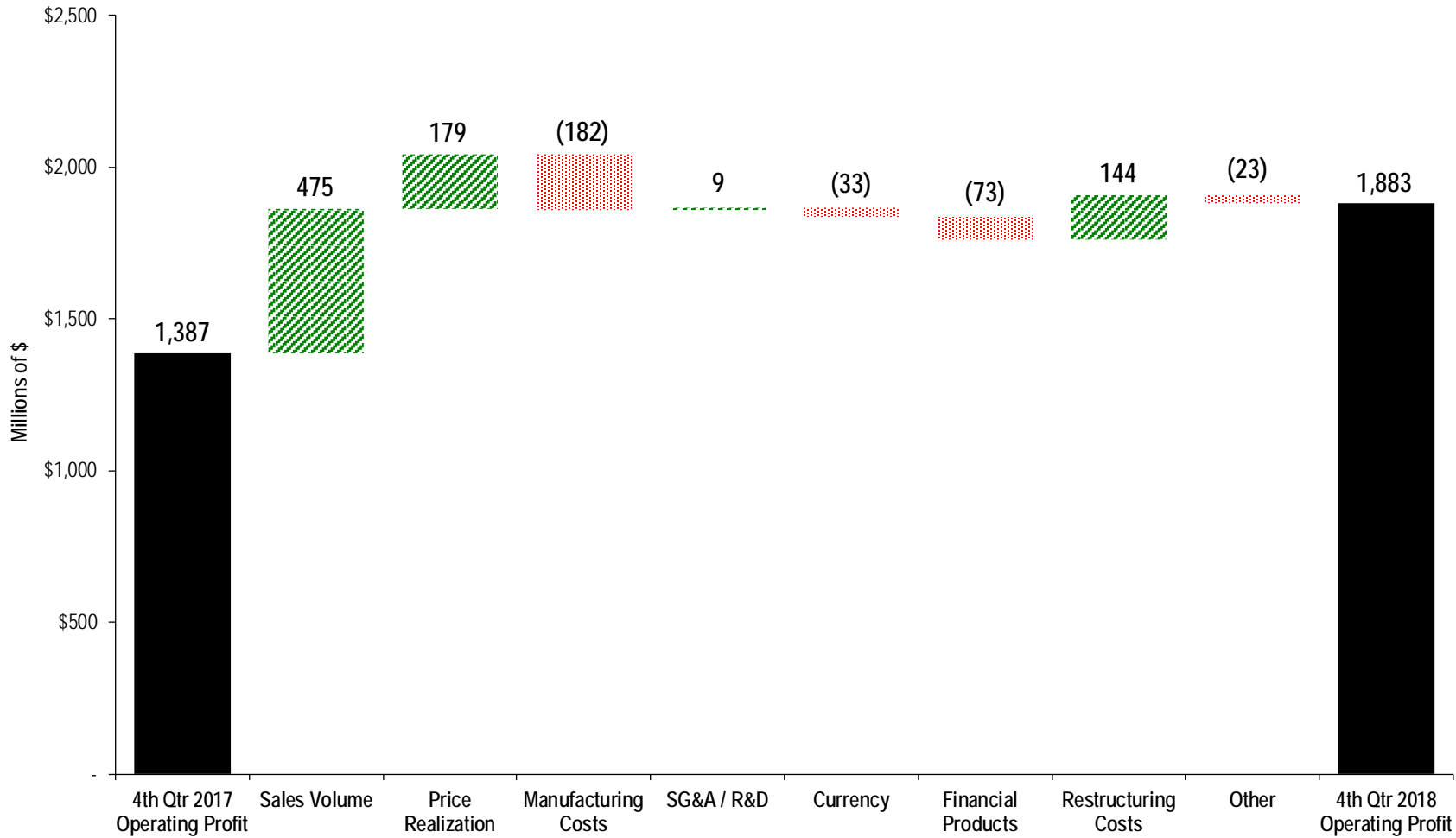
\$2.55



¹ Excludes restructuring costs, pension and OPEB mark-to-market losses, deferred tax valuation allowance adjustments and the impact of U.S. tax reform.

Consolidated Operating Profit

Fourth Quarter 2018 vs. Fourth Quarter 2017



4th Quarter Highlights

Operating profit up 36%

- Higher sales volume across the three primary segments
- Favorable price realization
- Higher manufacturing costs:
 - Higher material costs
 - Increased freight costs
- Lower profit from Financial Products
- Lower restructuring costs

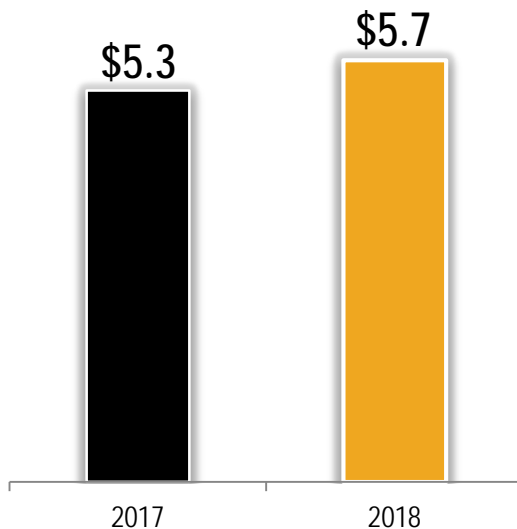
Construction Industries

Fourth Quarter 2018 vs. Fourth Quarter 2017

Investor Day
Segment
Margin Range
15%-17%

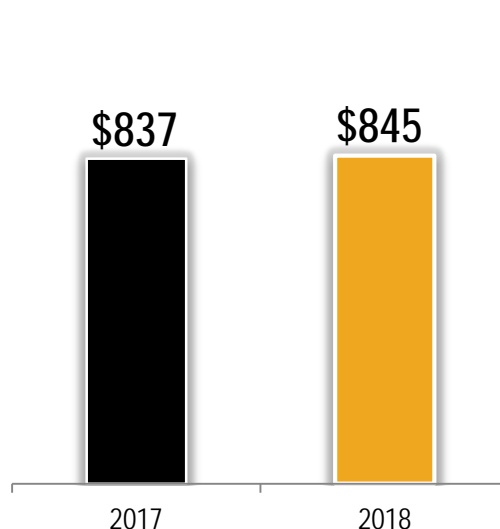
Total Sales*

(in billions of dollars)



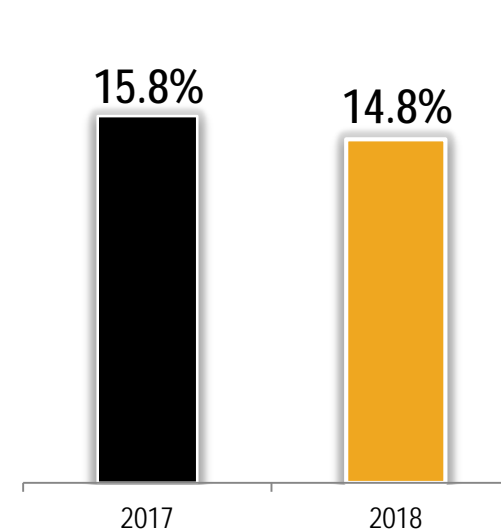
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Increase – \$410M (8%)

- **North America** – Higher demand for oil and gas, including pipelines, and non-residential construction activities
- **Asia/Pacific** – Lower demand in China, partially offset by other countries in the region
- **EAME** – Higher demand in Europe, partially offset by the Middle East
- **Latin America** – Construction activities remained at low levels

Segment Profit Increase – \$8M (1%)

- Favorable price realization
- Higher sales volume
- Higher material, labor and freight costs

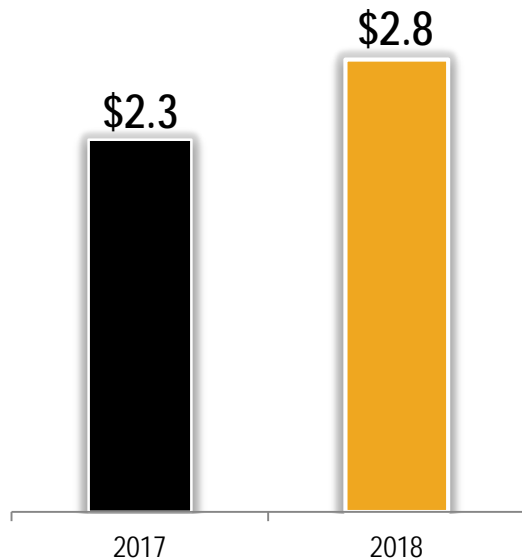
Resource Industries

Fourth Quarter 2018 vs. Fourth Quarter 2017

Investor Day
Segment
Margin Range
12%-16%

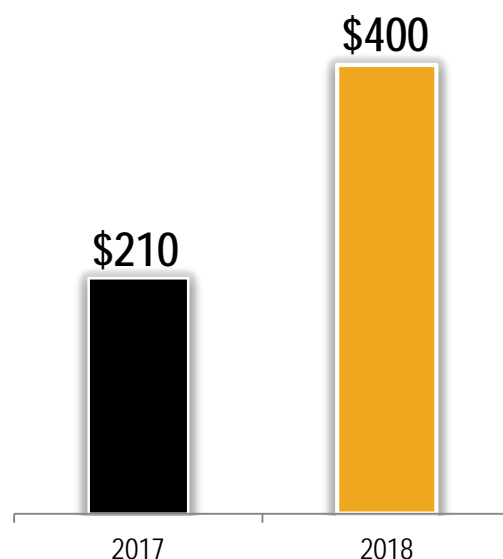
Total Sales*

(in billions of dollars)



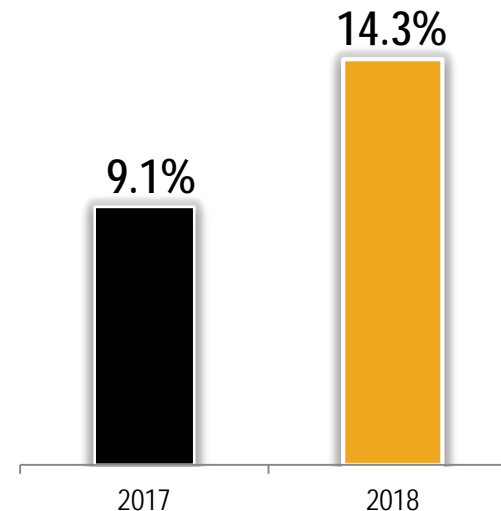
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Increase – \$489M (21%)

- Mining companies increased capital investments in mining machinery
- Higher heavy construction equipment, including quarry and aggregate

Segment Profit Increase – \$190M (90%)

- Higher sales volume
- Favorable price realization
- Higher material and freight costs

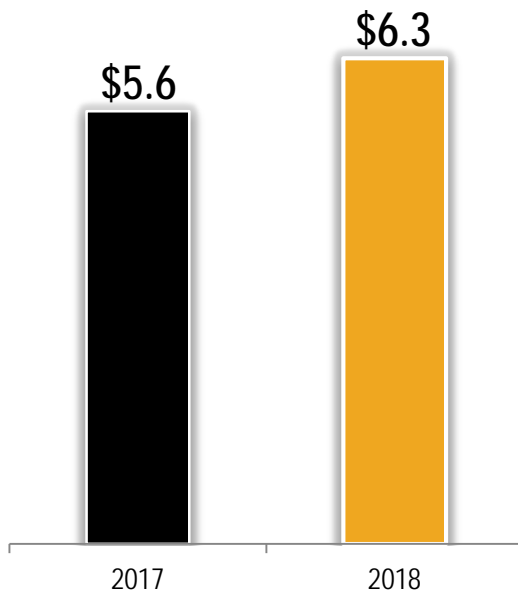
Energy & Transportation

Fourth Quarter 2018 vs. Fourth Quarter 2017

Investor Day
Segment
Margin Range
16%-18%

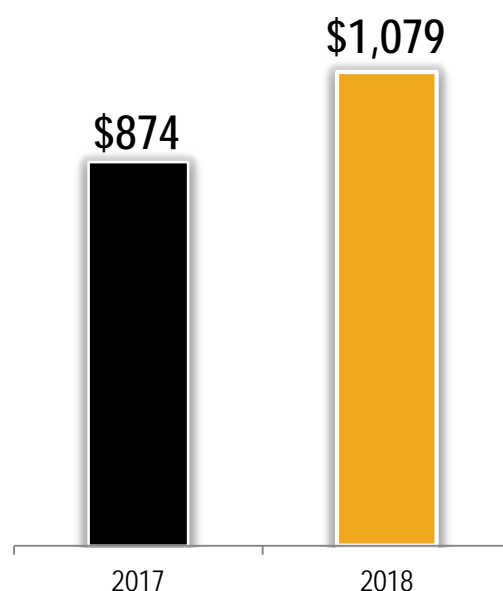
Total Sales*

(in billions of dollars)



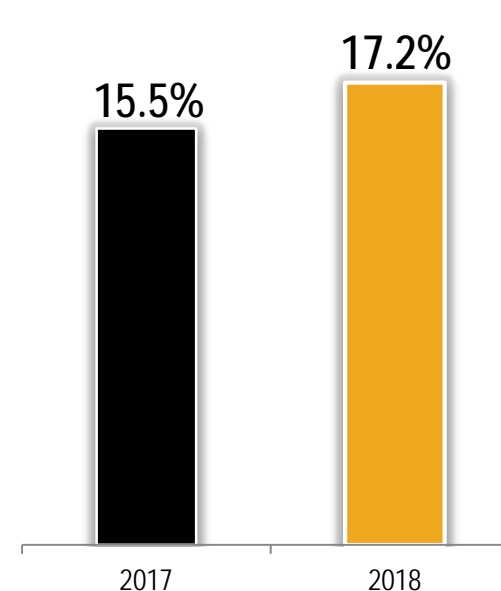
Segment Profit

(in millions of dollars)



Segment Profit

as a percent of total sales*



* Includes inter-segment sales.

4th Quarter Highlights

Total Sales Increase – \$647M (11%)

- **Oil and Gas** – strong North America onshore activity
- **Power Generation** – higher in all regions led by North America and EAME
- **Industrial** – about flat
- **Transportation** – higher due to rail services acquisitions

Segment Profit Increase – \$205M (23%)

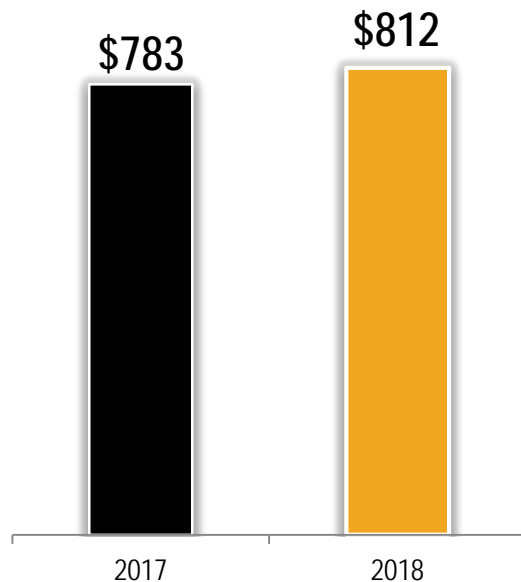
- Higher sales volume
- Higher manufacturing costs

Financial Products Segment

Fourth Quarter 2018 vs. Fourth Quarter 2017

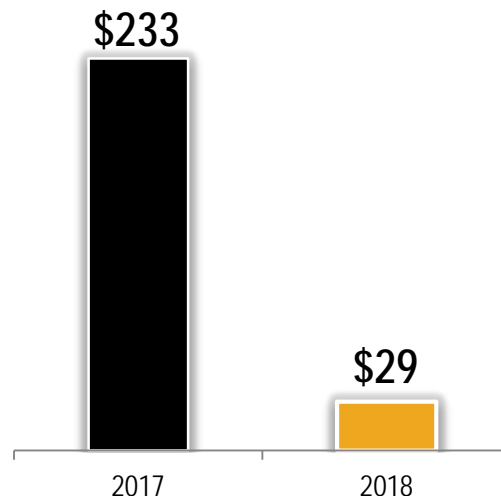
Total Revenues

(in millions of dollars)



Segment Profit

(in millions of dollars)



4th Quarter Highlights

Revenues

- Higher average financing rates and average earning assets
- Unfavorable impact from returned and repossessed equipment in Europe and Latin America

Segment Profits

- Unfavorable impact from equity securities in Insurance Services
- Increase in allowance rate and write-offs mostly due to the Cat Power Finance portfolio

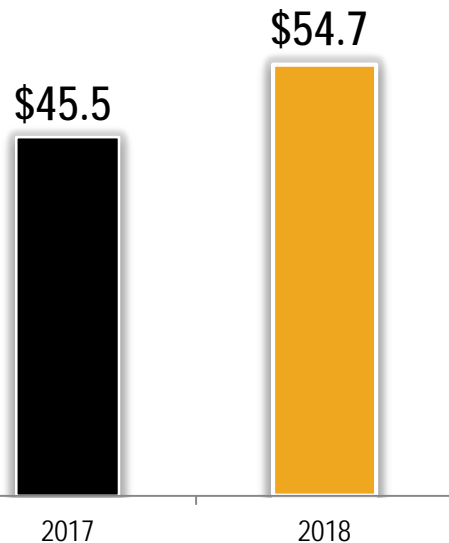
2018 Financial Results

Full Year 2018 vs. Full Year 2017

Sales and Revenues

(in billions of dollars)

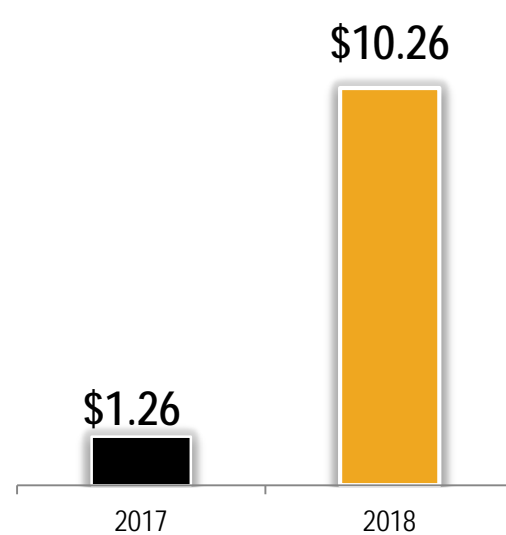
\$54.7



Profit Per Share

(in dollars)

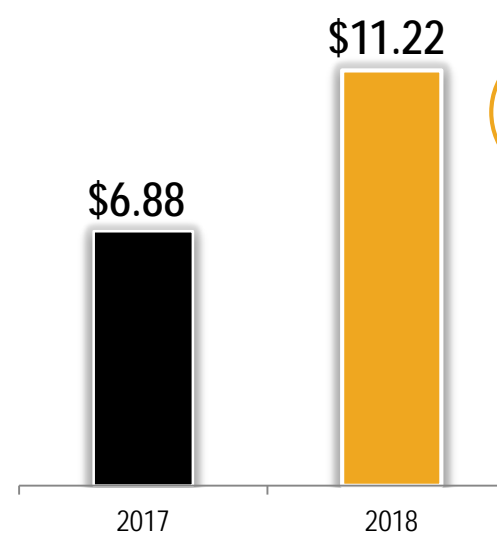
\$10.26



Adjusted Profit Per Share¹

(in dollars)

\$11.22



Full Year Highlights

Sales and Revenues up 20%

- Increased across the three primary segments

Profit

- Record profit per share

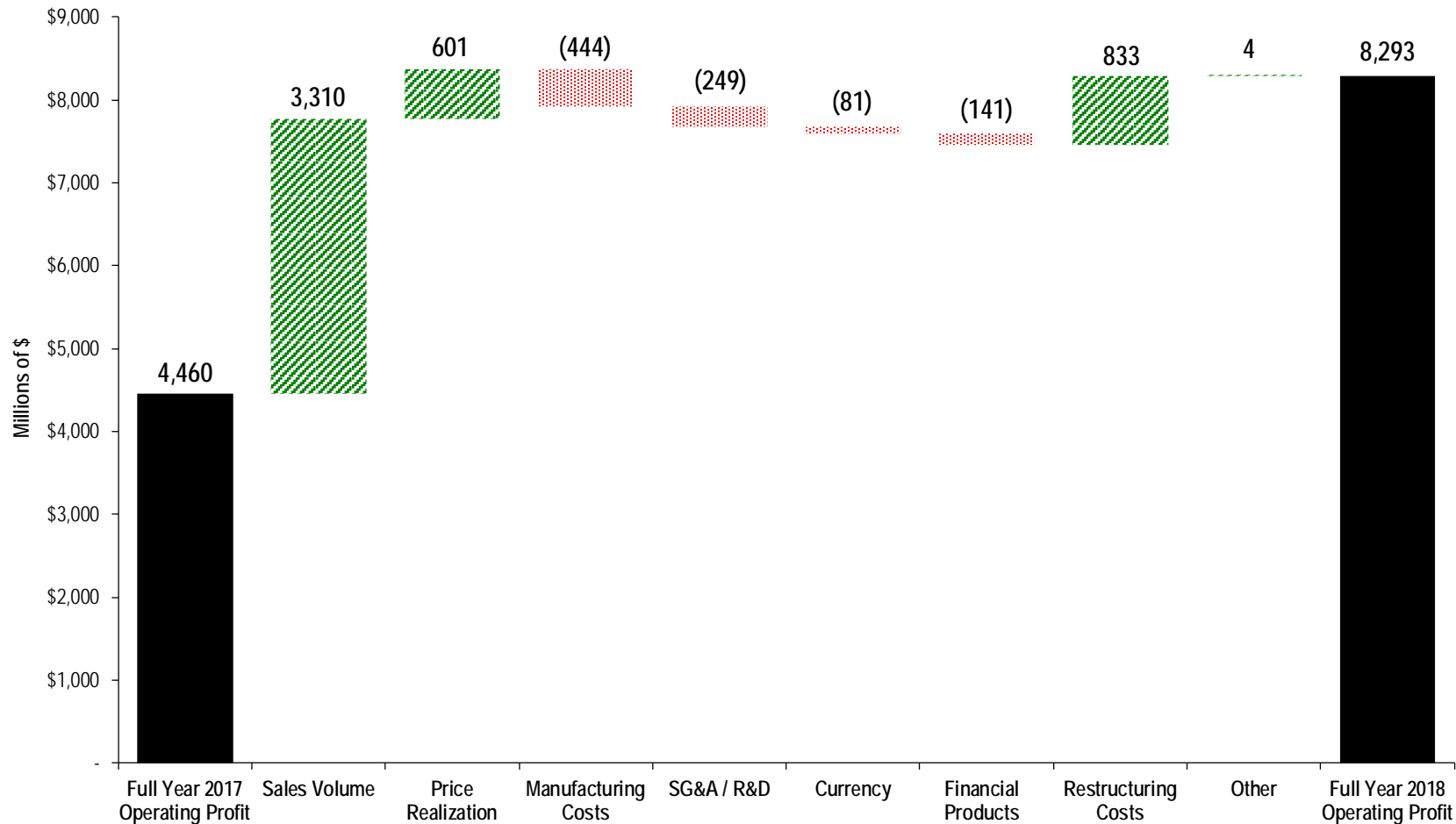
Financial Position

- \$7.9B enterprise cash on hand

¹ Excludes restructuring costs, pension and OPEB mark-to-market losses, deferred tax valuation allowance adjustments and the impact of U.S. tax reform. For 2017, also excludes a gain on the sale of an equity investment.

Consolidated Operating Profit

Full Year 2018 vs. Full Year 2017

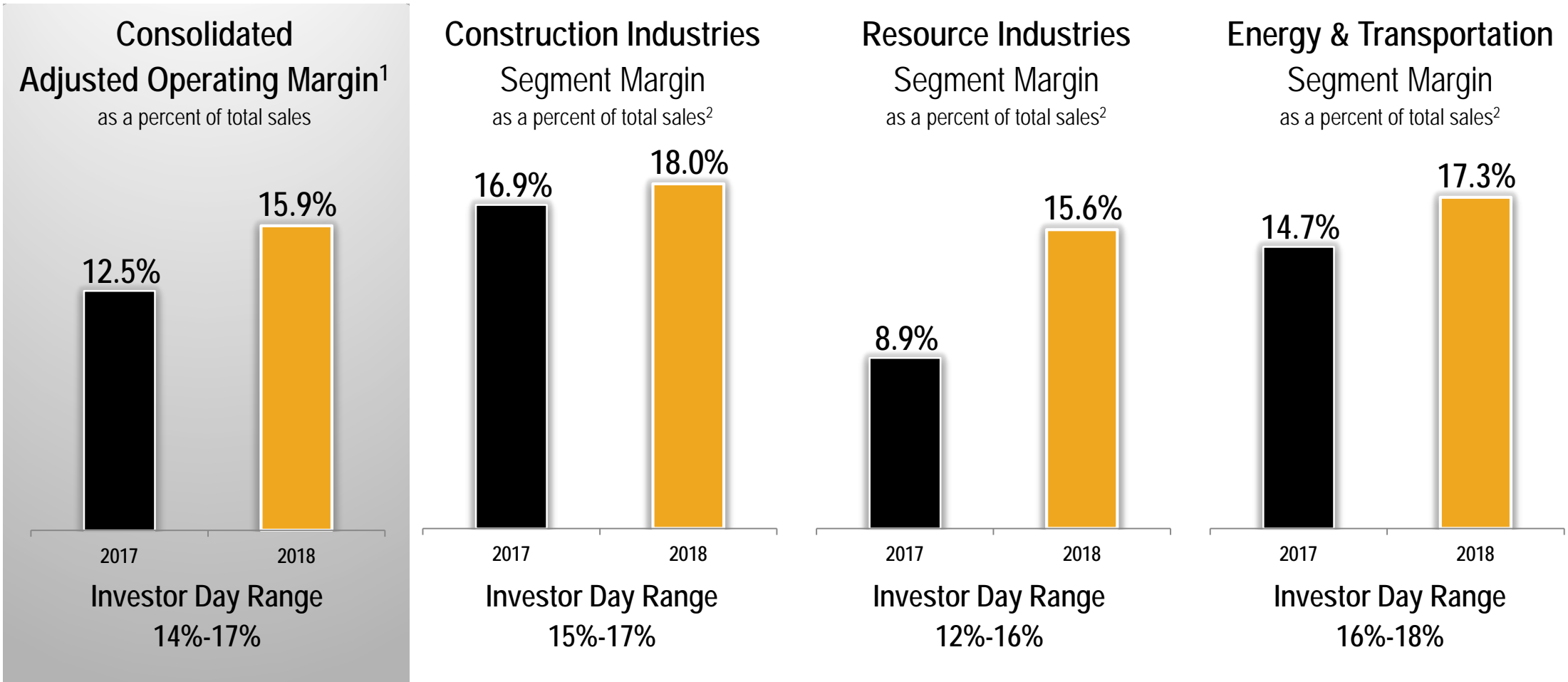


Full Year Highlights

Operating profit up 86%

- Higher sales volume across the three primary segments and all geographic regions
- Favorable price realization
- Higher manufacturing costs:
 - Higher material costs
 - Increased freight costs
- Increased SG&A/R&D expenses
- Lower profit from Financial Products
- Lower restructuring costs

Full Year Consolidated and Segment Margins



¹ Excludes restructuring costs.

² Includes inter-segment sales.

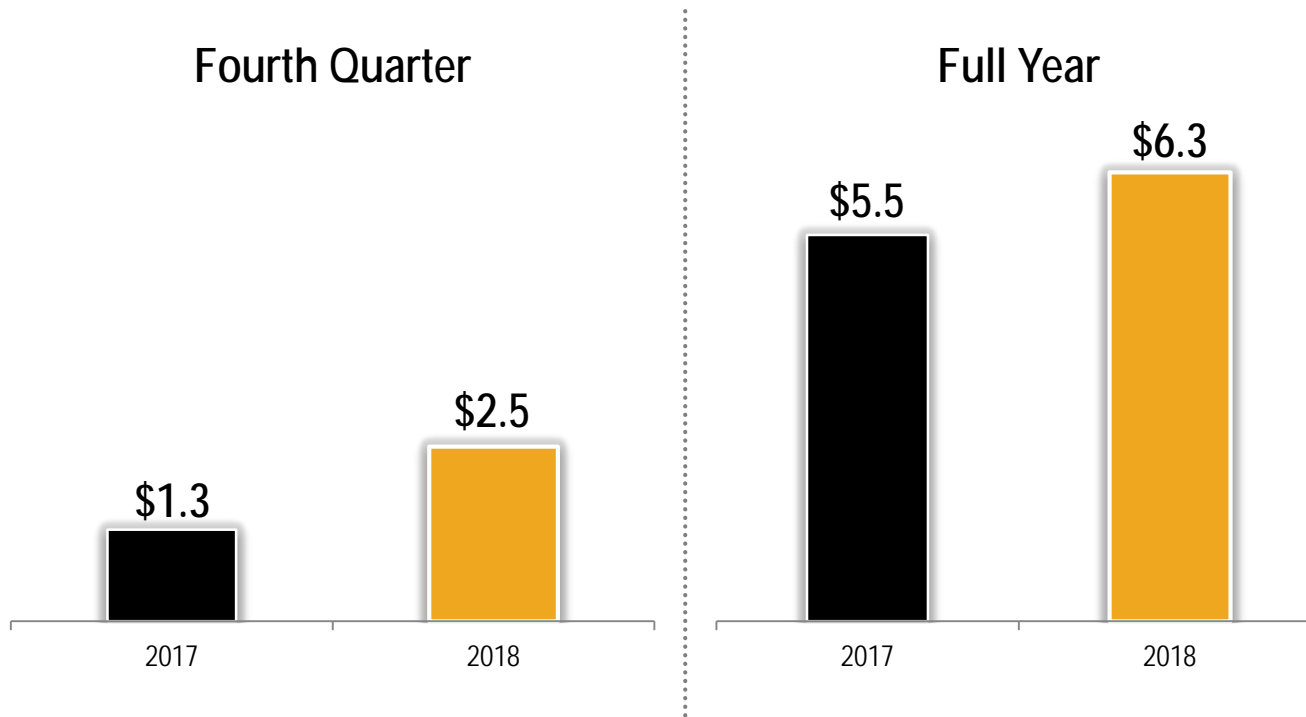
Cash Flow and Capital Deployment

ME&T Operating Cash Flow

(in billions of dollars)

Fourth Quarter

Full Year



2018 Highlights

Capital Returned to Shareholders

- Shares repurchased: \$1.8B in 4Q; \$3.8B in 2018
- Dividend Payments: \$0.5B in 4Q; \$2.0B in 2018
- Raised dividend per share 10% in 2018
- 25th consecutive year of higher dividends

Other Uses of Cash

- \$1.0B discretionary pension contribution in 2018

Full Year 2019 Outlook and Assumptions

	2018 Actual	2019 Outlook ²
Profit Per Share	\$10.26	\$11.75 - \$12.75
Adjusted Profit Per Share ¹	\$11.22	

¹ Adjusted Profit for 2018 excludes restructuring costs, pension and OPEB mark-to-market losses, deferred tax valuation allowance adjustments and the impact of U.S. tax reform.

² As of January 28, 2019.

Tailwinds

- Lower short-term incentive compensation expense
- Favorable price realization
- Financial Products profit
- Share repurchase

Headwinds

- Higher costs
- Tax rate 26%
- Normalized level of restructuring costs
(Excluded from 2018 adjusted PPS)

Key Takeaways



Record full-year profit per share



Returned \$5.8B of capital to shareholders



Strong financial position



2019 profit outlook range of \$11.75 to \$12.75 per share

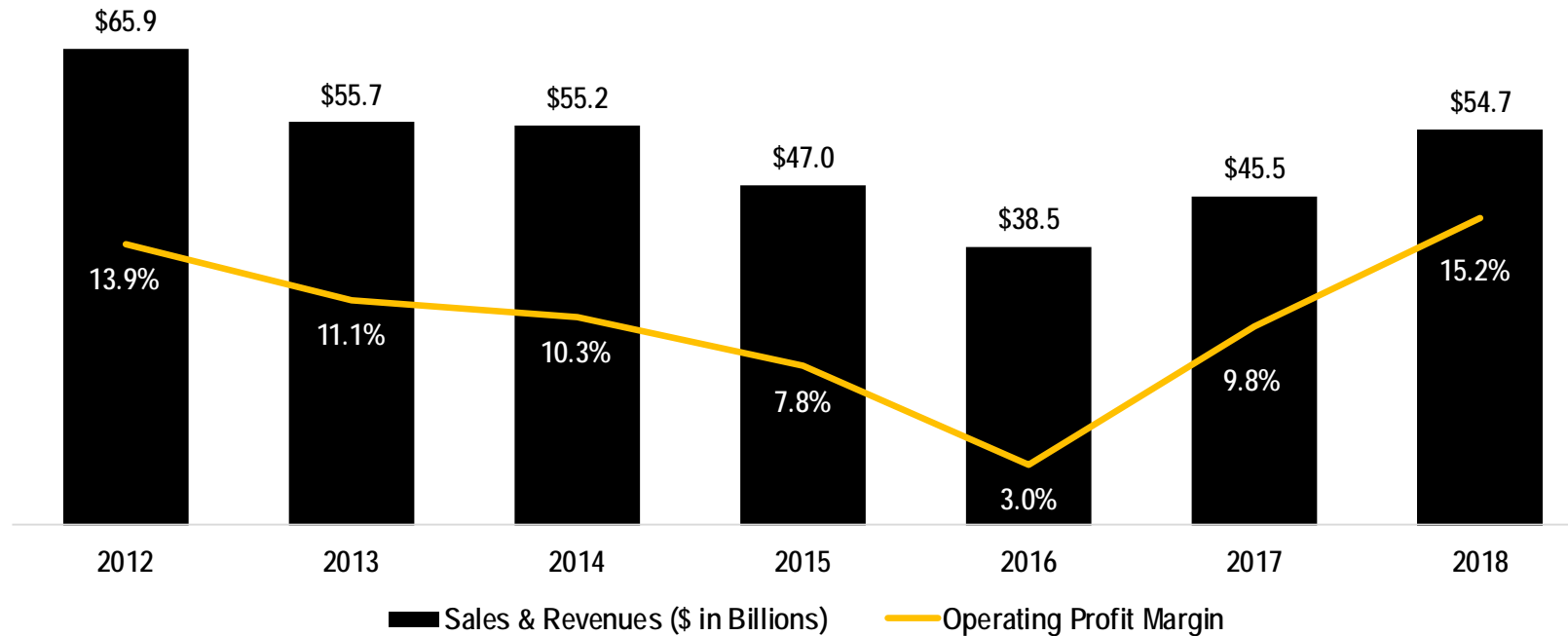


Executing our strategy and investing for long-term profitable growth

Q & A

Appendix

Caterpillar Inc. – Appendix of Reconciliation to US GAAP



	2012	2013	2014	2015	2016	2017	2018	4Q 2018
Operating margin %	13.9%	11.1%	10.3%	7.8%	3.0%	9.8%	15.2%	13.1%
Operating margin % restructuring costs	-	0.4%	0.8%	1.8%	2.6%	2.7%	0.7%	0.7%
Operating margin % goodwill impairment	-	-	-	-	1.6%	-	-	-
Adjusted operating margin %	13.9%	11.5%	11.1%	9.6%	7.2%	12.5%	15.9%	13.8%