

CATERPILLAR INC.

Fourth-Quarter and Full-Year 2019 Financial Results

Below are key highlights from Caterpillar Inc.'s Fourth-Quarter and Full-Year 2019 earnings results. For full financial results, please refer to the press release on Caterpillar's [Investor Relations site](http://www.caterpillar.com/investors). (<http://www.caterpillar.com/investors>)

2019 FOURTH-QUARTER AND FULL-YEAR FINANCIAL RESULTS:

(\$ in billions except per share data)	FOURTH-QUARTER		FULL-YEAR	
	2019	2018	2019	2018
Sales and Revenues	\$13.1	\$14.3	\$53.8	\$54.7
Profit Per Share	\$ 1.97	\$ 1.78	\$10.74	\$10.26
Adjusted Profit Per Share¹	\$ 2.63	\$ 2.55	\$11.06	\$11.22

¹ Adjusted PPS for 2019 excludes pension and OPEB mark-to-market losses and a discrete tax benefit in the first quarter related to U.S. tax reform. Adjusted PPS for 2018 excludes pension and OPEB mark-to-market losses, restructuring costs, the impact of U.S. tax reform and certain deferred tax valuation allowance adjustments.

FOURTH-QUARTER AND FULL-YEAR:

- Fourth-quarter sales and revenues down 8%; full-year sales and revenues decreased 2%
- Strong operating cash flow; ended the year with \$8.3 billion of enterprise cash
- Returned \$1.3 billion to shareholders in the fourth quarter through dividends and share repurchases; returned about \$6.2 billion in 2019

Comments on the Fourth-Quarter and Full-Year from Caterpillar Chairman & CEO Jim Umpleby:

"In the fourth quarter, strong cost control more than offset lower-than-expected end-user demand. Our margin performance reflected our diligent focus on maintaining a flexible and competitive cost structure.

While sales declined modestly in 2019, we delivered an operating margin and free cash flow consistent with our long-term targets and continued to invest in services and expanded offerings. The team's focus on executing our strategy for profitable growth also allowed us to increase our dividend by 20% and return more than \$6 billion in capital to shareholders through dividends and share repurchases."

2020 OUTLOOK:

	2019	2020 ²
Profit Per Share	\$10.74	
Adjusted Profit Per Share¹	\$11.06	\$8.50 – \$10.00

¹ Adjusted PPS for 2019 excludes pension and OPEB mark-to-market losses and a discrete tax benefit in the first quarter related to U.S. tax reform.

² As of January 31, 2020.

Comments on the Outlook from Jim Umpleby:

"We expect continued global economic uncertainty to pressure sales to users in 2020 and cause dealers to further reduce inventories. We have improved our lead times and remain prepared to respond quickly to any positive or negative changes in customer demand. We will continue to invest in services and expanded offerings to advance our strategy for long term profitable growth, while achieving our Investor Day targets."

FOURTH-QUARTER NEWS & NOTES (Click each story to learn more)

Our Strategy at Work



PURPOSE



Caterpillar Celebrates 90 Years on the New York Stock Exchange

Photo Credit: NYSE



Caterpillar Hosts US VP Mike Pence as the Company Plays a Role in the Passage of USMCA

Learn why Free Trade is important to our business

FULL-YEAR 2019 (Click each story to learn more)



PROFITABLE GROWTH



OPERATIONAL EXCELLENCE



Best Safety Performance on Record

Progress Rail's First Responders Put Training into Action



SERVICES



Cat Customer FMG Reaches **1 Billion** Tonnes Hauled Thanks to Cat's Autonomous Technology



EXPANDED OFFERINGS

Caterpillar Launches 11 GC Models to Date

See our latest products and services on display at major trade shows throughout the year.



FORWARD-LOOKING STATEMENTS

Certain statements in this press release 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," "forecast," "target," "guide," "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) inventory management decisions and sourcing practices of our dealers and our OEM customers; (x) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xi) union disputes or other employee relations issues; (xii) adverse effects of unexpected events including natural disasters; (xiii) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xiv) 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; (xv) our Financial Products segment's risks associated with the financial services industry; (xvi) changes in interest rates or market liquidity conditions; (xvii) an increase in delinquencies, repossessions or net losses of Cat Financial's customers; (xviii) currency fluctuations; (xix) our or Cat Financial's compliance with financial and other restrictive covenants in debt agreements; (xx) increased pension plan funding obligations; (xxi) alleged or actual violations of trade or anti-corruption laws and regulations; (xxii) additional tax expense or exposure, including the impact of U.S. tax reform; (xxiii) significant legal proceedings, claims, lawsuits or government investigations; (xxiv) new regulations or changes in financial services regulations; (xxv) compliance with environmental laws and regulations; and (xxvi) other factors described in more detail in Caterpillar's Forms 10-Q, 10-K and other filings with the Securities and Exchange Commission.

NON-GAAP FINANCIAL MEASURES

The following definitions are provided for the non-GAAP financial measures. These non-GAAP financial measures 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 as a substitute for the related GAAP measures.

ADJUSTED PROFIT PER SHARE

The company believes it is important to separately quantify the profit impact of three significant items in order for the company's results to be meaningful to readers. These items consist of (i) a discrete tax benefit related to U.S. tax reform in the first quarter of 2019, (ii) restructuring costs in 2018, which were incurred to generate longer-term benefits and (iii) a net tax benefit to adjust deferred tax balances in the third quarter of 2018. The company does not consider these items indicative of earnings from ongoing business activities and believes the non-GAAP measure provides investors with useful perspective on underlying business results and trends and aids with assessing the company's period-over-period results. The company intends to discuss adjusted profit per share for the fourth quarter and full-year 2019, excluding a mark-to-market gain or loss for remeasurement of pension and other postemployment benefit plans along with any other discrete items.

Reconciliations of adjusted profit before taxes to the most directly comparable GAAP measure, consolidated profit before taxes, are as follows:

(Millions of dollars)	FOURTH-QUARTER		FULL-YEAR	
	2019	2018	2019	2018
Profit before taxes	\$1,365	\$1,367	\$7,812	\$7,822
Mark-to-market losses	\$ 468	\$ 495	\$ 468	\$ 495
Restructuring costs	–	\$ 93	–	\$ 386
Adjusted profit before taxes	\$1,833	\$1,955	\$8,280	\$8,703

Reconciliations of adjusted profit per share to the most directly comparable GAAP measure, diluted profit per share, are as follows:

	FOURTH-QUARTER		FULL-YEAR	
	2019	2018	2019	2018
Profit per share	\$ 1.97	\$ 1.78	\$ 10.74	\$ 10.26
Per share mark-to-market losses¹	\$ 0.65	\$ 0.66	\$ 0.64	\$ 0.64
Per share U.S. tax reform impact	–	\$ 0.09	(\$ 0.31)	(\$ 0.17)
Per share restructuring costs²	–	\$ 0.13	–	\$ 0.50
Per share deferred tax valuation allowance adjustment	–	(\$ 0.11)	–	(\$ 0.01)
Adjusted profit per share	\$ 2.63	\$ 2.55	\$ 11.06	\$ 11.22

¹ At statutory tax rates.

² 2018 restructuring costs at statutory tax rates. 2019 restructuring costs are not material.