

CATERPILLAR INC.

Q4 and Full-Year 2017 Financial Results



Below are key highlights from Caterpillar Inc.'s Q4 and full-year 2017 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>)

2017 FOURTH-QUARTER AND FULL-YEAR FINANCIAL RESULTS – KEY METRICS:

(\$ in billions except per share data)

	FOURTH QUARTER		FULL YEAR	
	2017	2016	2017	2016
Sales and Revenues	\$12.9	\$ 9.6	\$45.5	\$38.5
Profit (Loss) Per Share	(\$2.18)	(\$2.00)	\$ 1.26	(\$0.11)
Adjusted Profit Per Share	\$ 2.16	\$ 0.83	\$ 6.88	\$ 3.42

HIGHLIGHTS:

- Fourth-quarter sales and revenues up 35 percent
- Broad-based sales recovery gained momentum in the fourth quarter of 2017
- Fourth-quarter 2017 results include a charge of \$2.4 billion, or \$3.91 per share, from U.S. tax reform legislation

Comments from Caterpillar CEO Jim Umpleby:

"After four challenging years, many key markets improved in 2017, and our global team delivered strong results. We remained focused on operational excellence and made early investments in profitable growth initiatives as we began to implement our new strategy."

2018 OUTLOOK:

	Current Outlook ¹
Profit Per Share	A range of \$7.75 to \$8.75
Adjusted Profit Per Share²	A range of \$8.25 to \$9.25

¹ As of January 25, 2018

² Excluding restructuring costs of about \$400 million

HIGHLIGHTS:

- Expect growth in many end markets in 2018
- Implementing new strategy focused on operational excellence and profitable growth

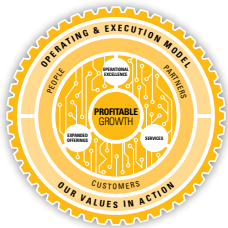
Comments from Caterpillar CEO Jim Umpleby:

"We are in the early stages of implementing our strategy for profitable growth. In 2018, we expect to make additional investments in the expanded offerings and services important for Caterpillar's long-term success. We will use our Operating & Execution Model to bias resources to areas that represent the greatest opportunity for return on our investments ... Our focus on operational excellence will not waver as we work to develop a more competitive and flexible cost structure, including implementing lean manufacturing principles. We are positioned to capitalize on continued sales momentum or quickly adjust should conditions change."

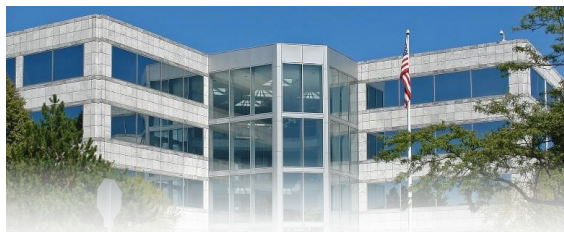
FOURTH-QUARTER 2017 HIGHLIGHTS (Click each story to learn more)



2017 FULL-YEAR HIGHLIGHTS (Click each story to learn more)



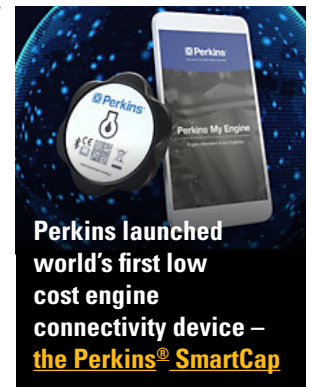
Launched new strategy focused on operational excellence and profitably growing the company



- ▶ **Opened new global headquarters** in Deerfield, Illinois
- ▶ **to improve access** to global customers, dealers and Caterpillar's worldwide operations



Increased dividend, marking 24 consecutive years of higher dividends for shareholders



rb RITCHIE BROS.
Entered into strategic alliance with Ritchie Bros.



PEOPLE NEWS

Welcomed two new members to the Board of Directors ...



... and two new members of the Executive Office.



FORWARD-LOOKING STATEMENTS

Certain statements in this document 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.

NON-GAAP FINANCIAL MEASURES

The following definitions are provided for the non-GAAP financial measures used in this report. 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

Caterpillar believes it is important to separately quantify the profit impact of several significant items in order for the company's results to be meaningful to readers. These items consist of (i) restructuring costs, which are incurred in the current year to generate longer-term benefits, (ii) pension and OPEB mark-to-market losses resulting from plan remeasurements, (iii) state deferred tax valuation allowance (reversal), (iv) a gain on the sale of an equity investment, (v) U.S. tax reform impact and (vi) goodwill impairment charges. Caterpillar does not consider these items indicative of earnings from ongoing business activities and believes the non-GAAP measures will provide useful perspective on underlying business results and trends, and a means to assess period-over-period results.

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

	FOURTH QUARTER		FULL YEAR	
	2016	2017	2016	2017
(millions of dollars)				
Profit (Loss) before taxes	(\$1,348)	\$1,111	\$139	\$4,082
Restructuring costs	\$395	\$245	\$1,019	\$1,256
Mark-to-market losses	\$985	\$301	\$985	\$301
Gain on sale of equity investment	—	—	—	(\$85)
Goodwill impairment	\$595	—	\$595	—
Adjusted profit before taxes	\$627	\$1,657	\$2,738	\$5,554

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

	FOURTH QUARTER		FULL YEAR		OUTLOOK
	2016	2017	2016	2017	2018
Profit (Loss) per share	(\$ 2.00)	(\$ 2.18)	(\$ 0.11)	\$ 1.26	\$ 7.75 – \$ 8.75
Per share restructuring costs¹	\$ 0.45	\$ 0.31	\$ 1.16	\$ 1.68	\$ 0.50
Per share mark-to-market losses²	\$ 1.14	\$ 0.26	\$ 1.15	\$ 0.26	—
Per share state deferred tax valuation allowance (reversal)³	\$ 0.24	(\$ 0.18)	\$ 0.24	(\$ 0.18)	—
Per share gain on sale of equity investment²	—	—	—	(\$ 0.09)	—
Per share U.S. tax reform impact	—	\$ 3.91	—	\$ 3.95	—
Per share goodwill impairment⁴	\$ 0.98	—	\$ 0.98	—	—
Adjusted profit per share	\$ 0.83	\$ 2.16	\$ 3.42	\$ 6.88	\$ 8.25 – \$ 9.25

Per share amounts computed using fully diluted shares outstanding except for consolidated loss per share, which was computed using basic shares outstanding.

¹ At statutory tax rates. 2016 and 2017 are prior to consideration of U.S. tax reform. Full year 2017 also includes \$15 million increase to prior year taxes related to non-U.S. restructuring costs.

² At statutory tax rates prior to consideration of U.S. tax reform.

³ Net of U.S. federal tax at 35 percent.

⁴ Includes a \$17 million tax benefit.