

CATERPILLAR INC.

Q4 and Full-Year 2016 Financial Results



Below are key highlights from Caterpillar Inc.'s Q4 and full-year 2016 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>)

2016 FOURTH QUARTER AND FULL-YEAR FINANCIAL RESULTS - KEY METRICS:

(\$ in billions except per share data)

	FOURTH QUARTER		FULL YEAR	
	2016	2015	2016	2015
Sales and Revenues	\$ 9.574	\$ 11.030	\$ 38.537	\$ 47.011
Profit (Loss) Per Share	(\$ 2.00)	(\$ 0.16)	(\$ 0.11)	\$ 4.18
Adjusted Profit Per Share	\$ 0.83	\$ 0.83	\$ 3.42	\$ 5.35

CHALLENGING ENVIRONMENT & OUR RESPONSE:

- Sales and revenues were \$38.5 billion in 2016 – 18 percent decrease from 2015 and slightly lower than expected
- Period Costs and Variable Manufacturing Costs were \$2.3 billion lower in 2016 – restructuring and cost reduction actions and lower incentive pay helped mitigate the impact of lower sales
- Restructuring costs and three large non-cash items in the fourth quarter impacted profit substantially – resulting in a loss for the quarter and the year
- Machinery, Engines & Transportation operating cash flow was \$3.9 billion in 2016 – more than sufficient to cover capital expenditures and dividends

Comments from Caterpillar CEO Jim Umpleby:

"Our results for the fourth quarter ... continued to reflect pressure in many of our end markets from weak economic conditions around much of the world. Our team did a great job in the quarter ... aligning our cost structure with current demand while preserving capacity for the future. I'm confident we are focusing on the right areas: controlling costs, maintaining a strong balance sheet and investing in the key areas important to our future."

2017 OUTLOOK:

	Current Outlook
Sales and Revenues	\$36 billion to \$39 billion, midpoint of \$37.5 billion
Profit Per Share	about \$2.30 at the midpoint of the sales and revenues range
Adjusted Profit Per Share	about \$2.90 at the midpoint of the sales and revenues range

EARLY SIGNALS OF MODEST RECOVERY; CONCERNS REMAIN:

- 2017 sales and revenues are expected to be \$36 billion to \$39 billion with a midpoint of \$37.5 billion – some signs of recovery, but risk and uncertainty continue
- At the midpoint of the sales and revenues range, 2017 profit per share is expected to be about \$2.30 with adjusted profit of about \$2.90 per share

Comments on 2017 from Caterpillar CEO Jim Umpleby:

"We continue to execute in a challenging economic environment and are focused on improving operating margins, profitability and shareholder returns. While we see signs of positive activity in some of our key end markets, the overall economic environment remains challenging."

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



Caterpillar employees and retirees joined the Caterpillar Foundation to pledge more than **\$11.5 million to United Way** agencies across the United States.



Sanford, North Carolina, facility manufactures **250,000th machine**

Executive office and **vice president** leadership changes



Photo Credit: Crain's



Caterpillar's Justin Speichinger recognized as **top young professional** on Crain's Chicago Business 40 Under 40 list

Maintained dividend for shareholders, even in difficult economic cycle



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," "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.

NON-GAAP FINANCIAL MEASURES

The following definitions are provided for “non-GAAP financial measures” in connection with Regulation G issued by the Securities and Exchange Commission. 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 substituted for the related GAAP measure.

ADJUSTED PROFIT

We believe it is important to separately quantify the profit impact of several special items in order for our results to be meaningful to our 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) goodwill impairment charges and (iv) state deferred tax valuation allowances. We do not consider these items indicative of earnings from ongoing business activities and believe the non-GAAP measure will provide useful perspective on underlying business results and trends, and a means to assess our period-over-period results.

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	
	2015	2016	2015	2016	2016 ¹	2017 ²
Profit (Loss) per share	(\$0.16)	(\$2.00)	\$ 4.18	(\$0.11)	\$ 2.35	\$ 2.30
Per share restructuring costs³	\$ 0.76	\$ 0.45	\$ 0.98	\$ 1.16	\$ 0.90	\$ 0.60
Per share mark-to-market losses³	\$ 0.23	\$ 1.14	\$ 0.19	\$ 1.15	—	—
Per share goodwill impairment⁴	—	\$ 0.98	—	\$ 0.98	—	—
Per share state deferred tax valuation allowance	—	\$ 0.24	—	\$ 0.24	—	—
Adjusted profit per share	\$ 0.83	\$ 0.83	\$ 5.35	\$ 3.42	\$ 3.25	\$ 2.90

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

¹ 2016 Outlook as of October 25, 2016. Sales and Revenues Outlook of about \$39 billion.

² 2017 Sales and Revenues Outlook in a range of \$36-\$39 billion. Profit per share at midpoint.

¹⁻² Outlook profit per share does not include any impact from mark-to-market gains or losses resulting from pension and OPEB plan remeasurements.

³ At statutory tax rates.

⁴ Includes a \$17 million tax benefit.