



*"Strength, Execution and Discipline"*  
*Remarks as Prepared for Delivery*  
Jim Umpleby, Chief Executive Officer  
2018 Annual Shareholder Meeting  
June 13, 2018  
San Antonio, Texas

I'd like to take this opportunity to thank our Caterpillar team for delivering excellent results for our shareholders in 2017. As demand improved during the year, our employees capitalized on opportunities to serve our customers and proved, once again, they are the backbone of our success.

When we combine the strength of our people with the strength of our partners, especially the 171 independent Cat® dealers around the world, we are second to none in serving our customers. We have a shared mission to ensure our customers are more successful using our products and services than they are our using our competitors'.

Many of those products are manufactured and supported here in Texas by more than 4,000 Caterpillar employees at 20 Caterpillar locations across the state.

We especially want to thank our Industrial Power Systems Division (IPSD) for their hospitality this week. Together, our South-Central Texas IPSD facilities in Seguin, San Antonio and Schertz occupy more than 2.5 million square feet and employ more than 2,500 men and women. These facilities manufacture, market and sell industrial engines and electric power generator sets.

Our Seguin facility builds Cat and Perkins brand engines. It also manufactures generator sets up to 500 kilowatts. We've shipped 366,000 Cat and Perkins engines since production started at Seguin in 2010, and more than 70 percent of the engines built in Seguin are exported annually.

Caterpillar acquired Perkins in 1998, and strengthened our position as a leading manufacturer of diesel engines. Perkins has a long and rich history dating back to its founding in the United Kingdom in 1932. Today, Perkins products are manufactured on four continents and there are Perkins distributors in 180 countries. Perkins is also leading the way in engineering technology with the introduction last year of the Perkins® SmartCap, a Bluetooth engine telematics device which gives customers access to engine data via a smartphone-based app.

You'll find Cat and Perkins engines in Cat machines and in the equipment of our many valued OEM customers. Our engines provide reliable power for machines that build highways, dams and bridges, for tractors that plow farmers' fields, and for equipment that mines or extracts the natural resources needed for energy as well as dozens of other industrial uses.



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Our team supports our customers as they accomplish this good work in Texas and in every country where we operate.

Our Texas employees are not only customer-focused, they are generous. Locally, our employees, along with the Caterpillar Foundation match, have donated more than \$400,000 to the United Way of San Antonio and Guadalupe County since 2013. Statewide contributions for 2017, including donations for Hurricane Harvey and matching funds from employees, retirees and dealers, are well over \$1 million.

As Hurricane Harvey hit South Texas last August, Caterpillar deployed 8,000 portable generators to meet the anticipated increased need, and the Caterpillar Foundation donated \$300,000 for American Red Cross disaster relief efforts.

During and after the storm, Caterpillar and our dealers – Holt Cat, Louisiana Cat, Mustang Cat and Warren Cat – helped communities, first responders and law enforcement in rescue, recovery and rebuild efforts.

Our Victoria, Texas, facility was closed for six work days following the hurricane. When they reopened the doors on September 5, employees from our San Antonio, Schertz and Seguin facilities were there to welcome them and help serve up a hot meal – the first hot meal in more than a week for many Victoria residents.

Earlier this year, when we learned thousands of Victoria residents still had critical long-term housing needs, the Caterpillar Foundation donated \$490,000 to the Victoria County United Way. And, just recently, the Foundation donated an additional \$490,000 to the United Way of Greater Houston for long-term hurricane recovery efforts.

Last year the Caterpillar Foundation invested more than \$33 million to help alleviate global poverty, and for relief and recovery efforts after natural disasters in other parts of the United States and around the world.

Supporting communities is just one of the many ways we live our Code of Conduct, which we call Our Values in Action. These Values underlie everything we do.

Four years ago, we elevated Sustainability to stand alongside our Values of Integrity, Excellence, Teamwork and Commitment. We formally recognized what we've been doing for decades – striving for sustainability in **what** we make and **how** we make it.

We welcome the multiple benefits sustainability brings – in increased business opportunities, customer satisfaction and a cleaner environment.



Consider, for example, the Next Generation 20-ton excavators we introduced in 2017. These excavators increase operating efficiency, and reduce fuel and maintenance costs compared to previous models. This was our first major excavator redesign in 25 years.

The redesign also embodies an essential component of our strategy: expanding product offerings to match customers' productivity and cost targets. We'll start manufacturing the first Next Generation model 36-ton excavators this fall in Victoria, and they're going to be powered by the Next Gen 9.3B engine, built in Seguin.

Our company continues to develop products with lower emissions. We're investing to improve engine efficiency and expand the use of alternative fuels while decreasing owning and operating costs.

We also have the world's largest single autonomous fleet. With Cat Command for Hauling, that fleet moved 700 million tonnes and traveled 13 million miles in 2017. Our customers want these and more innovations, and we are dedicated to delivering them.

We know we must always keep moving forward. One of my first initiatives after becoming CEO in January 2017 was to appoint a diverse, cross-functional team to revise our enterprise strategy.

We shared our new strategy at Investor Day last September. The primary goal of our strategy is to profitably grow our company and deliver long-term value for our shareholders.

We also introduced a purpose statement, "Our solutions help our customers build a better world," because it's our customers that use our products to improve living standards, and help people have access to clean water, electricity, roads, bridges, transportation, hospitals, schools and so much more.

As I've already mentioned, at the foundation of our strategy and all we do is our longstanding Code of Conduct, Our Values in Action.

Equally fundamental is our Operating & Execution Model (O&E Model), a powerful methodology that provides us with a detailed understanding of our financial performance by product, region and application. With the O&E Model, we also evaluate market economics and assess our capabilities to win. Then we invest in areas with the best opportunities for future profitable growth.

Our strategy is based on three key areas of focus: **services, expanded product offerings** and **operational excellence**. I'll briefly touch on each of these three areas.



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First, the strategy emphasizes further development of **services**, including digital technologies and the aftermarket. In 2017, we grew our connected asset population by 24 percent, and we have the world's largest connected industrial fleet.

Second, we're **expanding our product offerings** to meet our customers' diverse needs, and help reach new customers as well. The Next Generation excavators are just one example of this strategic focus area.

And third is our commitment to deliver **operational excellence**. We'll continue our efforts to improve safety, to deliver high-quality products, and further implement Lean manufacturing principles while continuing to develop a more competitive and flexible cost structure.

As we started to implement our new strategy last year many of our key markets improved. The Caterpillar team capitalized on the opportunity to serve our customers and that contributed to excellent financial results in 2017. For the year, sales and revenues increased about 18 percent to \$45.5 billion. Profit increased to \$1.26 per share, compared with a loss of \$0.11 per share in 2016, and adjusted profit per share more than doubled to \$6.88.

We announced our first-quarter 2018 results in April, and we can again thank our global team for outstanding results. We achieved record first-quarter profit, based on a combination of strength in many of our end markets and our team's focus on our new strategy.

We'll continue to implement our strategy this year, with investments to expand product offerings and services. We're taking additional steps to become a more agile company, and we're using the O&E Model to bias resources toward those areas with the greatest opportunity for future profitable growth.

We'll continue to deliver the high-quality products and services our customers need to build a better world. We'll invest in our people – to attract, retain and develop the most talented team, because our people are not only the backbone of our success, they are also our greatest asset. We'll also continue to invest in the communities where we live and work.

With our solid strategy and disciplined execution, there are tremendous opportunities in the years ahead.

Thanks again for joining us this morning.