In 2017, we developed a clear statement reflecting Caterpillar’s long-standing purpose: Our solutions help our customers build a better world. We also developed and began implementing a new enterprise strategy to support that purpose and achieve long-term profitable growth. With Our Values in Action as a foundation, we leverage a data-driven approach, known as the Operating & Execution (O&E) Model, to identify and prioritize business opportunities that offer the greatest potential for profitable growth. Through strategic focus on operational excellence, expanded product offerings and services, we better understand our customers’ needs. That helps us deliver the industry-leading solutions they use to build a better world.
They also introduced new products, further developed our digital capabilities and moved forward with the changes inherent in our new strategy.

In 2017, our sales and revenues increased 18 percent to $45.5 billion. Profit improved from a loss of $0.11 per share in 2016 to a profit of $1.26 per share, and 2017 adjusted profit per share more than doubled to $6.88.

We ended 2017 with a strong balance sheet and more than $8 billion in cash. Our dividend remains a high priority, and we have paid higher dividends for 24 consecutive years. Since 2007, our cash dividend has more than doubled.

Caterpillar’s resilient global team delivered excellent results in 2017. As demand improved during the year, they capitalized on the opportunities to serve our customers around the world.

We Provide the Solutions Our Customers Use to Build a Better World

One of my first initiatives after becoming CEO in January 2017 was to appoint a diverse, cross-functional team of Caterpillar leaders to develop a strategy for long-term profitable growth. We never lost sight of the fact that our customers have been using our equipment to help improve living standards around the world for more than 90 years.

We wanted a clear statement to capture that historic and enduring purpose and found nine simple words: Our Solutions
Help Our Customers Build a Better World. Our customers are at the center of our purpose and helping them to build a better world motivates our employees every day.

A New Enterprise Strategy for Profitable Growth

We introduced the new enterprise strategy in September. Our overriding objective is to grow profitably by reinvesting in our strengths, which will deliver value for our shareholders.

At the foundation of the strategy and all we do is our long-standing Code of Conduct, Our Values in Action. These values – Integrity, Excellence, Teamwork, Commitment and Sustainability – define who we are and how we behave with our stakeholders and with one another.

Equally fundamental to our strategy is the Operating & Execution (O&E) Model, a powerful methodology to gain a granular 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 work to address areas where we are not producing acceptable returns and to invest in areas with the best opportunity for future profitable growth.

We identified three areas of strategic focus: services, expanded product offerings and operational excellence.

We’ll further develop our services, emphasizing digital technologies and the aftermarket. We’re expanding our product offerings to meet our customers’ diverse needs and help reach new customers as well. We intend to deliver operational excellence by continuing our commitment to world-class safety levels, the highest product quality, Lean manufacturing principles and a competitive, flexible cost structure. We also must attract, retain and develop the most talented team of global employees.

To maintain Caterpillar’s industry leadership, we know our customers need to be more successful working with Caterpillar than they are working with our competitors. Our strategy includes better alignment with our business partners, including the global network of 171 Cat® dealers serving 192 of the world’s countries. When our customers buy our...
products, they know they will be supported by this most extensive, capable and reliable service network in our industries.

These essential components of our strategy are well underway. Here are some examples from 2017:

- We introduced our first major excavator redesign in 25 years. The next generation of excavators is just one example of how we are expanding product offerings to better serve the diverse needs of our customers.

- We increased our focus on services. We grew our connected asset population by 24 percent and invested in solutions that help our customers operate more efficiently, sustainably and safely on their job sites.

- We made organizational changes to decentralize and increase the speed of decision-making, giving our leaders more authority and accountability to successfully compete in their industries.

In 2018, we expect to make additional investments to expand product offerings and services. We’ll become a more agile company and use the O&E Model to bias resources to areas that represent the greatest opportunity for profitable growth.

A Better World: One Community at a Time

The Caterpillar Foundation is making progress toward our goal of alleviating extreme poverty. Since 1952, the Foundation has invested more than $715 million in communities around the world and invested more than $33 million in 2017 alone. By investing in water, shelter, access to food, energy and education, disaster relief and preparedness, and a cleaner environment, the Foundation’s grants empower people to develop resilient and sustainable communities.

The Foundation also invests in and matches contributions to the Red Cross Annual Disaster Giving Program, making funds immediately available for global disaster response. In 2017, this included an additional $300,000 donation for American Red Cross Hurricane Harvey relief in recognition of our employees and facilities affected by that storm.

We also continued to emphasize and invest in sustainability, both in our products and how we manufacture them. We were pleased to be named to the Dow Jones Sustainability World and North America indices, for our 18th year. Extensive information about those efforts can be found in Caterpillar’s 2017 Sustainability Report.

We have many competitive advantages and, with a solid strategy and disciplined execution, there are tremendous opportunities in the years ahead. It’s an honor for me to lead this great company.

Jim Umpleby
Chief Executive Officer
Population growth, an increasingly urbanized society and an emerging middle class are driving continued investment in infrastructure, energy and mining to meet the needs of people everywhere. With a company purpose to help our customers build a better world, Caterpillar plays a vital role in assisting our customers as they respond to these changing demands.

By 2040, world energy consumption is expected to INCREASE 28%.

By 2025, global construction market growth is expected to be $15 TRILLION.

Through 2030, $3.3 TRILLION in annual global infrastructure investment is needed to keep pace with expected growth.

1 IEA World Energy Outlook 2017
2 McKinsey & Company – Bridging Global Infrastructure Gaps, Our Insights
3 PwC Global Construction 2025
By 2020, emerging markets will account for 63% of global construction.3

By 2020, China plans to build 60 NEW AIRPORTS.6

India’s national railway is laying 9.5 KILOMETERS of track daily.5

Nearly 300 construction projects valued in total ≈US$324 BILLION are underway in Africa.4

5 Economic Times – Railways’ target: Laying 9.5km of tracks every day, 2017
6 NY Times – China Builds Out the Air as Frustrations Mount Below, 2016
Caterpillar is increasingly using technology to help our customers be more successful – whether through improved efficiency, safety or intelligence. Cat® Payload on wheel loaders, for example, allows customers to improve efficiency of quarry sites by bringing onboard weighing systems to the cab to improve operator accuracy and speed by reducing error and rework. Similarly, Cat GRADE with Assist on excavators automates boom and bucket movements to deliver precise cuts with less effort. And, Cat Compact for asphalt, landfill and soil compaction equipment brings advanced measurement and real-time guidance together to help operators hit compaction targets every time.

Caterpillar’s Construction Industries segment is primarily responsible for supporting customers using machinery in infrastructure, forestry and building construction. The majority of machine sales in this segment are made in the heavy and general construction, rental, quarry and aggregates markets and mining. Together with our independent dealers, we support more than 1.4 million active earthmoving, excavation and building construction machines in the field, with over 100,000 new customers since 2014. Global trends like population growth and urbanization point to increasing needs for infrastructure, particularly in developing markets such as China. In 2017, more than half of our sales came from outside North America. We expect global growth to continue.

Operational Excellence

- Decreased the number of defects customers see in the field by an average of 30 percent.*
- Reduced assets by $2.8 billion.*
- Utilized Lean principles to synchronize our value chain – improving our inventory turns by over 50 percent and right-sizing our manufacturing footprint.*
- Together with our partners in China, we implemented innovative solutions to improve velocity and flexibility that allowed us to capture tremendous excavator industry growth opportunities and meet increasing customer demand.

*Since 2013

Caterpillar is increasingly using technology to help our customers be more successful – whether through improved efficiency, safety or intelligence. Cat® Payload on wheel loaders, for example, allows customers to improve efficiency of quarry sites by bringing onboard weighing systems to the cab to improve operator accuracy and speed by reducing error and rework. Similarly, Cat GRADE with Assist on excavators automates boom and bucket movements to deliver precise cuts with less effort. And, Cat Compact for asphalt, landfill and soil compaction equipment brings advanced measurement and real-time guidance together to help operators hit compaction targets every time.
Expanded Offerings

A portfolio of Next Generation 20-ton-size class excavators – the 320 GC, 320 and 323 – represent our first major excavator redesign in 25 years. Each model is designed to meet the unique needs of different application profiles, from heavy to medium to light duty. The new machines increase operating efficiency, reduce fuel and maintenance costs, and improve operator comfort compared to previous models. As a further productivity boost, the Cat® 320 and 323 have the highest level of standard factory-equipped technology in the industry.
Cat® machines and technologies operate in some of the toughest environments on Earth – from the deserts of Australia to the oil sands of Canada, from 4,500 meters above sea level to nearly a mile underground. Today, more than 80,000 machines provided by the Resource Industries segment work around the clock in mines and quarries to meet the world’s need for mined materials. As population growth continues and the demand for energy, infrastructure, transportation and household goods increases, we expect the demand for our products to increase as well.

**Operational Excellence**
- Achieved record best safety performance with 59 percent reduction in recordable injury frequency.*
- Decreased assets by $3.9 billion (38 percent reduction).*
- Improved quality through 17 percent reduction in defects experienced by customers.*
- Optimized global manufacturing footprint through closure or restructuring of 25 facilities.**
- Strengthened the integrated supply chain by focusing on acceleration of Lean principles across the enterprise.

*Since 2013
**Since 2012

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**Expanded Offerings**

As we’re supporting our customers above and below ground, we always have an eye on the future. We’re making significant advancements in engineering – from full electric-drive and battery-electric options to more wear-resistant components. And we continue to bring new products to market across mining applications, including additions to our truck lineup that can provide the ideal loading and haulage system for every surface application.

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**Caterpillar Autonomy**

Moved 700 MILLION TONNES
Traveled 13 MILLION MILES

Cat Command for Hauling in 2017
Automation
We continue to lead the industry in mining automation, with the world’s largest single autonomous fleet of haul trucks and proven solutions for drills, dozers, underground loaders and longwall systems.

Aftermarket
Together with our independent dealers, we make sure our customers get the most from their investment in Cat® equipment through rebuilds, retrofits and upgrades, as well as quick delivery of new, used, exchange or remanufactured parts.

New Technologies
We’re focused on the future, combining our OEM core, mining experience and technology expertise to deliver new solutions that no other provider can offer. By collaborating with other industry leaders, we are increasing the velocity with which we bring new products to market.

Site Solutions
We work alongside customers to help them improve performance across the site – leveraging machines, technologies, services and our combined expertise to create holistic solutions that optimize operations, improve safety and reduce costs.
Caterpillar’s Energy & Transportation (E&T) segment helps move goods by sea and rail and powers buildings and equipment, including our own machines. Our multiple strong brands have a long history of success: Since 1925, we have built over 20 million engines and have installed 750,000 generator sets. We have grown through acquisitions that allow us to expand our offerings to customers. And we still have plenty of distance to travel. With 15 percent of the world’s population without electricity, and 2 billion people wanting access to power by 2040, Caterpillar delivers energy and transportation solutions that keep the world powered.*

*IEA World Energy Outlook 2017

Operational Excellence

- Decreased manufacturing space by approximately 13 percent.**
- Reduced assets by more than $1 billion.**
- Realized significant material cost savings and period cost reductions in the past three years.**

**Since 2013

Since 1925, we’ve built over 20 MILLION engines

Expanded Offerings

Thanks to our acquisition of Kemper Valves & Fittings, we now offer a 3500 engine, transmission, well stimulation pump and high-pressure flow iron as an integrated solution to our oil and gas customers.
Rail Infrastructure
The Rail division is a complete rail industry solutions provider. Our rail services go beyond the train to the surrounding infrastructure. We supply track work and signals to the railroads.

Sustainability Through Reman
Caterpillar is a global leader in remanufacturing technology, with E&T recycling more than 1.5 billion pounds annually.

Solar Turbines’ Service Success
Solar provides 24/7 field service support along with a suite of offerings throughout the entire life cycle of the equipment.
Caterpillar’s dealer network is one of our greatest competitive advantages. The 150,000+ employees who work for 171 global dealers at more than 2,100 dealer branches do much more than sell machines and engines. The dealer employees serve our customers for the entire life cycle of a product, from choosing the right equipment for job sites to providing parts replacement and rebuilds. Parts availability is a top consideration for customers across industries. Caterpillar is meeting this need better through data, determining, for example, when each of the hundreds of parts in a mining truck may need support. These capabilities make us easier to do business with—which in turn drives value for our customers.

600,000+ connected assets

Operational Excellence
- Using Lean and an engineered value chain to get parts to customers on time.
- Applying data analytics to better plan availability of parts and support.
- Delivering better efficiency and productivity to our customers through aftermarket services and customer support agreements.

Customer Solutions
Meeting customer needs is the driving force behind everything we do. Customers of all sizes can look to us to provide solutions, like fast and convenient e-Commerce purchasing options that fit their preferences. With customer support agreements, our customers receive tailored solutions that fit individual needs based on their industry and equipment. Customers can also optimize uptime and productivity with condition monitoring where experts at the dealer watch what’s happening with the asset and give advice on repair options. These are important ways we achieve profitable growth.
In-Field Support
More than half of the dealer employees focus on in-field support, going the distance to maintain equipment and ensure uptime at remote mine sites, marine harbors, farms and more. An on-site presence allows timely service and advice that considers a site’s precise specifications.

Rebuild Capabilities
It is roughly 30 percent cheaper to rebuild a component than it is to replace it — so it’s no wonder that many customers depend on independent Cat® dealers for rebuild support, whether for engines, hydraulic systems or transmissions.

Financing & Rental
Equipment leasing and financing by Cat Financial with payment plans to meet customer cash flow needs are an important part of dealer offerings. To meet the expanded and growing needs of our customers, Caterpillar and our independent dealers have reinvigorated our rental strategy and continue to invest in rental offerings.
In 2017 many of our key markets improved. Caterpillar capitalized on this opportunity and achieved strong financial results. To further improve our competitiveness, we developed and began to implement a new strategy to deliver profitable growth using the O&E Model as our guide. We’re focusing our efforts on operational excellence, expanded offerings and services. Dividends remain important; Caterpillar has paid increasing dividends to its shareholders for 24 consecutive years, and since 2007, our cash dividend has more than doubled.

**Shareholder Returns**

**Dividends Declared (per share)**

- 2013: $2.32
- 2014: $2.70
- 2015: $3.01
- 2016: $3.08
- 2017: $3.11

**Closing Stock Price (in dollars)**

- 2017: $157.58
- 2016: $92.74
- 2015: $67.96
- 2014: $91.53
- 2013: $90.81

**Profit (Loss) Per Share (in dollars)**

- 2017: $1.26
- 2016: $(0.11)
- 2015: $4.18

**Adjusted Profit Per Share (in dollars)**

- 2017: $6.88
- 2016: $3.42
- 2015: $5.35

**Sales & Revenues ($ in millions)**

- 2017: $45,462
- 2016: $38,537
- 2015: $47,011

**Revenue**

- 2017: $38,490
- 2016: $46,831
- 2015: $35,830

**Operating Income**

- 2017: $5,996
- 2016: $10,303
- 2015: $5,398

**Net Income**

- 2017: $3,703
- 2016: $12,935
- 2015: $5,358

**Adjusted Earnings**

- 2017: $15,618
- 2016: $12,742
- 2015: $11,251
<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales ($ in millions)</th>
<th>Segment Profit ($ in millions)</th>
<th>Segment Profit (Loss) ($ in millions)</th>
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<tr>
<td><strong>CONSTRUCTION INDUSTRIES</strong></td>
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<td>2015</td>
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<tr>
<td>2017</td>
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<td><strong>FINANCIAL PRODUCTS</strong></td>
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<tr>
<td>2017</td>
<td>$3,093</td>
<td>$3,093</td>
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Corporate Governance

Caterpillar’s governance structure provides leadership, accountability and transparency to management of the company and its businesses. Our corporate governance framework serves the interests of shareholders with the highest standards of responsibility, integrity and commitment to enhance shareholder value over the long-term. These standards are developed and implemented by our Board of Directors and the Executive Office, who oversee the company’s performance and governance policies. Learn more at www.caterpillar.com/investors.

BOARD OF DIRECTORS

Kelly Ayotte  
Former U.S. Senator and  
Former Attorney General  
of New Hampshire

David Calhoun  
Senior Managing Director  
The Blackstone Group;  
Independent Chairman  
of the Caterpillar Board

Daniel Dickinson  
Managing Partner  
HCI Equity Partners

Juan Gallardo  
Former CEO  
Organización Cultiba

Dennis Muilenburg  
Chairman, President  
and CEO  
The Boeing Company

William Osborn  
Former Chairman and CEO  
Northern Trust Corporation

Debra Reed  
Chairman and CEO  
Sempra Energy

Edward Rust, Jr.  
Former Chairman and CEO  
State Farm Mutual Automobile Insurance Company

Susan Schwab  
Professor  
University of Maryland School of Public Policy

Jim Umpleby  
Chief Executive Officer  
Caterpillar Inc.

Miles White  
Chairman and CEO  
Abbott Laboratories

Rayford Wilkins, Jr.  
Former CEO  
Diversified Businesses  
AT&T Inc.

OFFICERS

Chief Executive Officer  
Jim Umpleby

Group Presidents  
Robert Charter*  
Bob De Lange  
Denise Johnson  
Thomas Pellette  
Ramin Younessi**

Group President &  
Chief Financial Officer  
Bradley Halverson*

General Counsel and  
Corporate Secretary  
Suzette Long

Chief Human  
Resources Officer  
Cheryl Johnson

Senior Vice President  
William Ainsworth

Vice Presidents  
Thomas Bluth  
Wai Man (Raymond) Chan  
Qihua Chen  
Joseph Creed  
Anthony Fassino  
Thomas Frake  
Damien Giraud  
Frederic Istas  
Kathryn Karol

As of April 1, 2018  
*Retiring 2018  
**As of June 1, 2018

Learn More about our Corporate Governance initiatives and voting on matters for the annual meeting in Caterpillar’s Proxy Statement: caterpillar.com/proxy
Learn More
about how Caterpillar is helping customers
build a better world:

2017 Annual Report
caterpillar.com/annual-report

2017 Sustainability Report
caterpillar.com/sustainability-report