

Caterpillar Reports Fourth-Quarter and Full-Year Financial Results

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Caterpillar Inc. today announced fourth-quarter 2014 sales and revenues of \$14.244 billion, slightly down from \$14.402 billion in the fourth quarter of 2013. Profit per share in the fourth quarter of 2014 was \$1.23, compared with profit per share of \$1.54 in the fourth quarter of 2013. Excluding restructuring costs, fourth-quarter 2014 profit per share was \$1.35, compared with profit per share of \$1.68 in the fourth quarter of 2013.

Sales and revenues for the full-year 2014 were \$55.184 billion, down slightly from \$55.656 billion in 2013. Profit per share was \$5.88, up from \$5.75 per share in 2013. Excluding restructuring costs, 2014 profit per share was \$6.38, up from \$5.97 per share in 2013.

"Overall, we had many positives and a better year in 2014 than 2013," said Caterpillar Chairman and Chief Executive Officer Doug Oberhelman. "Our emphasis on cost management, operational execution and cash flow helped us deliver better profit per share than both 2013 and the 2014 outlook we provided at the start of the year. At the mid-point of our original 2014 outlook, we anticipated sales and revenues of \$56 billion and profit of \$5.30 per share, or \$5.85 per share excluding restructuring costs. We ended the year with sales and revenues within 2 percent of \$56 billion and delivered much better profit per share. In addition to improved profit, Machinery, Energy & Transportation (ME&T) operating cash flow was higher than we expected and the third best year in our history," Oberhelman said.

"It was a great year for Energy & Transportation with record sales and profit. Sales were also up and profit improved substantially in Construction Industries. The increase in Construction Industries' sales was primarily in North America and was partially offset by sales declines in other regions. While our construction sales were up in 2014, the industry is still well below prior peaks in every major region due to relatively weak economic growth for most of the world. Prices for key mined commodities, particularly copper, coal and iron ore, declined in 2014. Weakening commodity prices, along with improved mine productivity, led to lower sales for Resource Industries. We haven't seen evidence of an upturn in equipment orders yet—and sales of mining equipment remain depressed," Oberhelman added.

"We are disappointed that we missed our profit outlook in the fourth quarter. That said, 2014 overall was a successful year as we continued to execute on the things we can control. Our overall market position for

machines improved for the fourth consecutive year; the quality of the machines delivered to customers was better; safety in our factories continued to improve and inventory turns were better. Our balance sheet is strong, and we repurchased \$4.2 billion of stock in 2014 and raised the quarterly dividend by 17 percent," Oberhelman said.

2015 Outlook

We expect world economic growth to only improve modestly in 2015. The relatively slow growth in the world economy and continued weakness in commodity prices—particularly oil, copper, coal and iron ore—are expected to be negative for our sales. We expect sales and revenues in 2015 to be about \$50 billion. To provide a better understanding of our expectations for 2015 profit, we are providing our outlook with and without anticipated restructuring costs. Over the past two years, we have undertaken restructuring activities designed to lower our long-term cost structure. Additional restructuring actions are anticipated in our outlook for 2015. In total, we expect the cost of these restructuring actions in 2015 to be about \$150 million or about \$0.15 per share. Our profit outlook for 2015 is about \$4.60 per share, or \$4.75 per share excluding restructuring costs.

"The recent dramatic decline in the price of oil is the most significant reason for the year-over-year decline in our sales and revenues outlook. Current oil prices are a significant headwind for Energy & Transportation and negative for our construction business in the oil producing regions of the world. In addition, with lower prices for copper, coal and iron ore, we've reduced our expectations for sales of mining equipment. We've also lowered our expectations for construction equipment sales in China. While our market position in China has improved, 2015 expectations for the construction industry in China are lower," Oberhelman said.

"While we are, without a doubt, facing a tough year in 2015, we're driving cost management through additional restructuring actions and continued operational improvements gained from our focus on Lean Management. While 2015 will be difficult, the work we've done to improve our cost structure, market position and quality will position us for better results when the world economy and the key industries we serve improve," Oberhelman added.

Source: Corporate Trade Press Relations – Caterpillar