UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-768

CATERPILLAR INC.
(Exact name of registrant as specified in its charter)

Delaware	**37-0602744**
(State or other jurisdiction of incorporation)	(IRS Employer I.D. No.)
5205 N. O'Connor Boulevard, Suite 100, Irving, Texas	**75039**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(972) 891-7700**

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report: **N/A**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
Common Stock ($1.00 par value)	CAT	New York Stock Exchange [1]
5.3% Debentures due September 15, 2035	CAT35	New York Stock Exchange

[1] In addition to the New York Stock Exchange, Caterpillar common stock is also listed on stock exchanges in France and Switzerland.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At September 30, 2023, 509,084,743 shares of common stock of the registrant were outstanding.

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* Item omitted because no answer is called for or item is not applicable.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Caterpillar Inc.
Consolidated Statement of Results of Operations
(Unaudited)
(Dollars in millions except per share data)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Sales and revenues:		
Sales of Machinery, Energy & Transportation	$ 15,988	$ 14,278
Revenues of Financial Products	822	716
Total sales and revenues	16,810	14,994
Operating costs:		
Cost of goods sold	10,583	10,202
Selling, general and administrative expenses	1,624	1,401
Research and development expenses	554	476
Interest expense of Financial Products	280	151
Other operating (income) expenses	320	339
Total operating costs	13,361	12,569
Operating profit	3,449	2,425
Interest expense excluding Financial Products	129	109
Other income (expense)	195	242
Consolidated profit before taxes	3,515	2,558
Provision (benefit) for income taxes	734	527
Profit of consolidated companies	2,781	2,031
Equity in profit (loss) of unconsolidated affiliated companies	12	9
Profit of consolidated and affiliated companies	2,793	2,040
Less: Profit (loss) attributable to noncontrolling interests	(1)	(1)
Profit [1]	$ 2,794	$ 2,041
Profit per common share	$ 5.48	$ 3.89
Profit per common share – diluted [2]	$ 5.45	$ 3.87
Weighted-average common shares outstanding (millions)		
– Basic	509.8	525.0
– Diluted [2]	512.6	527.6

[1] Profit attributable to common shareholders.
[2] Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Comprehensive Income
(Unaudited)
(Dollars in millions)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Profit of consolidated and affiliated companies	$ 2,793	$ 2,040
Other comprehensive income (loss), net of tax (Note 13):		
Foreign currency translation:	(205)	(618)
Pension and other postretirement benefits:	(3)	(1)
Derivative financial instruments:	(62)	(191)
Available-for-sale securities:	(16)	(44)
Total other comprehensive income (loss), net of tax	(286)	(854)
Comprehensive income	2,507	1,186
Less: comprehensive income attributable to the noncontrolling interests	(1)	(1)
Comprehensive income attributable to shareholders	$ 2,508	$ 1,187

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Results of Operations
(Unaudited)
(Dollars in millions except per share data)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Sales and revenues:		
Sales of Machinery, Energy & Transportation	$ 47,632	$ 40,703
Revenues of Financial Products	2,358	2,127
Total sales and revenues	49,990	42,830
Operating costs:		
Cost of goods sold	31,751	29,736
Selling, general and administrative expenses	4,615	4,172
Research and development expenses	1,554	1,413
Interest expense of Financial Products	742	377
Other operating (income) expenses	1,496	908
Total operating costs	40,158	36,606
Operating profit	9,832	6,224
Interest expense excluding Financial Products	385	326
Other income (expense)	354	755
Consolidated profit before taxes	9,801	6,653
Provision (benefit) for income taxes	2,194	1,423
Profit of consolidated companies	7,607	5,230
Equity in profit (loss) of unconsolidated affiliated companies	52	20
Profit of consolidated and affiliated companies	7,659	5,250
Less: Profit (loss) attributable to noncontrolling interests	—	(1)
Profit [1]	$ 7,659	$ 5,251
Profit per common share	$ 14.93	$ 9.91
Profit per common share – diluted [2]	$ 14.85	$ 9.85
Weighted-average common shares outstanding (millions)		
– Basic	513.0	530.1
– Diluted [2]	515.7	533.2

[1] Profit attributable to common shareholders.
[2] Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Comprehensive Income
(Unaudited)
(Dollars in millions)

	Nine Months Ended September 30,	
	2023	**2022**
Profit of consolidated and affiliated companies	$ 7,659	$ 5,250
Other comprehensive income (loss), net of tax (Note 13):		
Foreign currency translation:	260	(1,392)
Pension and other postretirement benefits:	(8)	(3)
Derivative financial instruments:	(19)	(254)
Available-for-sale securities:	(8)	(151)
Total other comprehensive income (loss), net of tax	225	(1,800)
Comprehensive income	7,884	3,450
Less: comprehensive income attributable to the noncontrolling interests	—	(1)
Comprehensive income attributable to shareholders	$ 7,884	$ 3,451

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Financial Position
(Unaudited)
(Dollars in millions)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,545	$ 7,004
Receivables – trade and other	9,134	8,856
Receivables – finance	9,608	9,013
Prepaid expenses and other current assets	5,138	2,642
Inventories	17,580	16,270
Total current assets	48,005	43,785
Property, plant and equipment – net	12,287	12,028
Long-term receivables – trade and other	1,110	1,265
Long-term receivables – finance	11,907	12,013
Noncurrent deferred and refundable income taxes	2,719	2,213
Intangible assets	604	758
Goodwill	5,268	5,288
Other assets	4,891	4,593
Total assets	$ 86,791	$ 81,943
Liabilities		
Current liabilities:		
Short-term borrowings:		
Machinery, Energy & Transportation	$ —	$ 3
Financial Products	4,218	5,954
Accounts payable	7,827	8,689
Accrued expenses	4,669	4,080
Accrued wages, salaries and employee benefits	2,300	2,313
Customer advances	2,333	1,860
Dividends payable	—	620
Other current liabilities	3,115	2,690
Long-term debt due within one year:		
Machinery, Energy & Transportation	1,043	120
Financial Products	7,619	5,202
Total current liabilities	33,124	31,531
Long-term debt due after one year:		
Machinery, Energy & Transportation	8,470	9,498
Financial Products	15,789	16,216
Liability for postemployment benefits	4,060	4,203
Other liabilities	4,841	4,604
Total liabilities	66,284	66,052
Commitments and contingencies (Notes 11 and 14)		
Shareholders' equity		
Common stock of $1.00 par value:		
Authorized shares: 2,000,000,000 Issued shares: (9/30/23 and 12/31/22 – 814,894,624) at paid-in amount	6,698	6,560
Treasury stock: (9/30/23 – 305,809,881 shares; 12/31/22 – 298,549,134 shares) at cost	(33,865)	(31,748)
Profit employed in the business	49,888	43,514
Accumulated other comprehensive income (loss)	(2,232)	(2,457)
Noncontrolling interests	18	22
Total shareholders' equity	20,507	15,891
Total liabilities and shareholders' equity	$ 86,791	$ 81,943

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)
(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Three Months Ended September 30, 2022						
Balance at June 30, 2022	$ 6,464	$ (29,501)	$ 41,263	$ (2,499)	$ 32	$ 15,759
Profit of consolidated and affiliated companies	—	—	2,041	—	(1)	2,040
Foreign currency translation, net of tax	—	—	—	(618)	—	(618)
Pension and other postretirement benefits, net of tax	—	—	—	(1)	—	(1)
Derivative financial instruments, net of tax	—	—	—	(191)	—	(191)
Available-for-sale securities, net of tax	—	—	—	(44)	—	(44)
Common shares issued from treasury stock for stock-based compensation: 75,534	(5)	4	—	—	—	(1)
Stock-based compensation expense	55	—	—	—	—	55
Common shares repurchased: 7,575,322 [1]	—	(1,385)	—	—	—	(1,385)
Other	9	(1)	—	—	—	8
Balance at September 30, 2022	**$ 6,523**	**$ (30,883)**	**$ 43,304**	**$ (3,353)**	**$ 31**	**$ 15,622**
Three Months Ended September 30, 2023						
Balance at June 30, 2023	$ 6,478	$ (33,391)	$ 47,094	$ (1,946)	$ 21	$ 18,256
Profit of consolidated and affiliated companies	—	—	2,794	—	(1)	2,793
Foreign currency translation, net of tax	—	—	—	(205)	—	(205)
Pension and other postretirement benefits, net of tax	—	—	—	(3)	—	(3)
Derivative financial instruments, net of tax	—	—	—	(62)	—	(62)
Available-for-sale securities, net of tax	—	—	—	(16)	—	(16)
Common shares issued from treasury stock for stock-based compensation: 824,973	—	59	—	—	—	59
Stock-based compensation expense	60	—	—	—	—	60
Common shares repurchased: 1,883,487 [1]	—	(530)	—	—	—	(530)
Outstanding authorized accelerated share repurchase	150	—	—	—	—	150
Other	10	(3)	—	—	(2)	5
Balance at September 30, 2023	**$ 6,698**	**$ (33,865)**	**$ 49,888**	**$ (2,232)**	**$ 18**	**$ 20,507**

[1] See Note 12 for additional information.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)
(Dollars in millions)

	Common stock	Treasury stock	Profit employed in the business	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total
Nine Months Ended September 30, 2022						
Balance at December 31, 2021	$ 6,398	$ (27,643)	$ 39,282	$ (1,553)	$ 32	$ 16,516
Profit of consolidated and affiliated companies	—	—	5,251	—	(1)	5,250
Foreign currency translation, net of tax	—	—	—	(1,392)	—	(1,392)
Pension and other postretirement benefits, net of tax	—	—	—	(3)	—	(3)
Derivative financial instruments, net of tax	—	—	—	(254)	—	(254)
Available-for-sale securities, net of tax	—	—	—	(151)	—	(151)
Dividends declared [1]	—	—	(1,229)	—	—	(1,229)
Common shares issued from treasury stock for stock-based compensation: 1,529,753	(67)	69	—	—	—	2
Stock-based compensation expense	162	—	—	—	—	162
Common shares repurchased: 17,007,819 [2]	—	(3,309)	—	—	—	(3,309)
Other	30	—	—	—	—	30
Balance at September 30, 2022	**$ 6,523**	**$ (30,883)**	**$ 43,304**	**$ (3,353)**	**$ 31**	**$ 15,622**
Nine Months Ended September 30, 2023						
Balance at December 31, 2022	$ 6,560	$ (31,748)	$ 43,514	$ (2,457)	$ 22	$ 15,891
Profit of consolidated and affiliated companies	—	—	7,659	—	—	7,659
Foreign currency translation, net of tax	—	—	—	260	—	260
Pension and other postretirement benefits, net of tax	—	—	—	(8)	—	(8)
Derivative financial instruments, net of tax	—	—	—	(19)	—	(19)
Available-for-sale securities, net of tax	—	—	—	(8)	—	(8)
Dividends declared [1]	—	—	(1,285)	—	—	(1,285)
Common shares issued from treasury stock for stock-based compensation: 2,238,728	(71)	108	—	—	—	37
Stock-based compensation expense	178	—	—	—	—	178
Common shares repurchased: 9,499,655 [2]	—	(2,209)	—	—	—	(2,209)
Other	31	(16)	—	—	(4)	11
Balance at September 30, 2023	**$ 6,698**	**$ (33,865)**	**$ 49,888**	**$ (2,232)**	**$ 18**	**$ 20,507**

[1] Dividends per share of common stock of $2.50 and $2.31 were declared in the nine months ended September 30, 2023 and 2022, respectively.
[2] See Note 12 for additional information.

See accompanying notes to Consolidated Financial Statements.

Caterpillar Inc.
Consolidated Statement of Cash Flow
(Unaudited)
(Millions of dollars)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flow from operating activities:		
Profit of consolidated and affiliated companies	$ 7,659	$ 5,250
Adjustments for non-cash items:		
Depreciation and amortization	1,599	1,661
Provision (benefit) for deferred income taxes	(448)	(349)
Loss on divestiture	572	—
Other	205	132
Changes in assets and liabilities, net of acquisitions and divestitures:		
Receivables – trade and other	(319)	365
Inventories	(1,424)	(3,088)
Accounts payable	(532)	786
Accrued expenses	588	70
Accrued wages, salaries and employee benefits	—	15
Customer advances	516	751
Other assets – net	128	57
Other liabilities – net	338	(623)
Net cash provided by (used for) operating activities	8,882	5,027
Cash flow from investing activities:		
Capital expenditures – excluding equipment leased to others	(1,061)	(868)
Expenditures for equipment leased to others	(1,177)	(1,023)
Proceeds from disposals of leased assets and property, plant and equipment	563	666
Additions to finance receivables	(11,082)	(9,914)
Collections of finance receivables	10,391	9,738
Proceeds from sale of finance receivables	40	50
Investments and acquisitions (net of cash acquired)	(67)	(44)
Proceeds from sale of businesses and investments (net of cash sold)	(14)	1
Proceeds from sale of securities	747	2,080
Investments in securities	(3,689)	(2,399)
Other – net	32	15
Net cash provided by (used for) investing activities	(5,317)	(1,698)
Cash flow from financing activities:		
Dividends paid	(1,901)	(1,820)
Common stock issued, including treasury shares reissued	36	2
Common shares repurchased	(2,209)	(3,309)
Proceeds from debt issued (original maturities greater than three months):		
Financial Products	6,360	5,570
Payments on debt (original maturities greater than three months):		
Machinery, Energy & Transportation	(99)	(20)
Financial Products	(4,360)	(5,269)
Short-term borrowings – net (original maturities three months or less)	(1,726)	(1,311)
Other – net	—	(1)
Net cash provided by (used for) financing activities	(3,899)	(6,158)
Effect of exchange rate changes on cash	(119)	(79)
Increase (decrease) in cash, cash equivalents and restricted cash	(453)	(2,908)
Cash, cash equivalents and restricted cash at beginning of period	7,013	9,263
Cash, cash equivalents and restricted cash at end of period	$ 6,560	$ 6,355

Cash equivalents primarily represent short-term, highly liquid investments with original maturities of generally three months or less.

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. A. Nature of operations

Information in our financial statements and related commentary are presented in the following categories:

Machinery, Energy & Transportation (ME&T) – We define ME&T as Caterpillar Inc. and its subsidiaries, excluding Financial Products. ME&T's information relates to the design, manufacturing and marketing of our products.

Financial Products – We define Financial Products as our finance and insurance subsidiaries, primarily Caterpillar Financial Services Corporation (Cat Financial) and Caterpillar Insurance Holdings Inc. (Insurance Services). Financial Products' information relates to the financing to customers and dealers for the purchase and lease of Caterpillar and other equipment.

B. Basis of presentation

In the opinion of management, the accompanying unaudited financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of (a) the consolidated results of operations for the three and nine months ended September 30, 2023 and 2022, (b) the consolidated comprehensive income for the three and nine months ended September 30, 2023 and 2022, (c) the consolidated financial position at September 30, 2023 and December 31, 2022, (d) the consolidated changes in shareholders' equity for the three and nine months ended September 30, 2023 and 2022 and (e) the consolidated cash flow for the nine months ended September 30, 2023 and 2022. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in our company's annual report on Form 10-K for the year ended December 31, 2022 (2022 Form 10-K).

The December 31, 2022 financial position data included herein is derived from the audited consolidated financial statements included in the 2022 Form 10-K but does not include all disclosures required by U.S. GAAP. Certain amounts for prior periods have been reclassified to conform to the current period financial statement presentation.

Cat Financial has end-user customers and dealers that are variable interest entities (VIEs) of which we are not the primary beneficiary. Our maximum exposure to loss from our involvement with these VIEs is limited to the credit risk inherently present in the financial support that we have provided. Credit risk was evaluated and reflected in our financial statements as part of our overall portfolio of finance receivables and related allowance for credit losses. See Note 11 for further discussions on a consolidated VIE.

2. New accounting guidance

A. Adoption of new accounting standards

Supplier finance programs (ASU 2022-04) - In September 2022, the Financial Accounting Standards Board (FASB) issued guidance to enhance the transparency of supplier finance programs. The new standard requires annual disclosure of the key terms of the program, a description of where in the financial statements amounts outstanding under the program are presented, a rollforward of such amounts, and interim disclosure of amounts outstanding as of the end of each period. The guidance does not affect recognition, measurement, or financial statement presentation of supplier finance programs. The ASU was effective on January 1, 2023, except for the rollforward, which is effective on January 1, 2024. Our adoption of this guidance results in the following disclosures relating to our supplier finance programs and related obligations.

We facilitate voluntary supplier finance programs (the “Programs”) through participating financial institutions. The Programs are available to a wide range of suppliers and allow them the option to manage their cash flow. We are not a party to the agreements between the participating financial institutions and the suppliers in connection with the Programs. The range of payment terms, typically 60-90 days, we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the Programs. The amount of obligations outstanding that are confirmed as valid to the participating financial institutions for suppliers who voluntarily participate in the Programs, included in Accounts payable in the Consolidated Statement of Financial Position, were $825 million and $862 million at September 30, 2023 and December 31, 2022, respectively.

We consider the applicability and impact of all ASUs. We adopted the following ASUs effective January 1, 2023, none of which had a material impact on our financial statements:

ASU	Description
2021-08	Business combinations
2022-02	Financial instruments - Credit losses
2022-06	Reference rate reform

B. Accounting standards issued but not yet adopted

We consider the applicability and impact of all ASUs. We assessed the ASUs and determined that they either were not applicable or were not expected to have a material impact on our financial statements.

3. Sales and revenue contract information

Trade receivables represent amounts due from dealers and end users for the sale of our products, and include amounts due from wholesale inventory financing provided by Cat Financial for a dealer’s purchase of inventory. We recognize trade receivables from dealers and end users in Receivables – trade and other and Long-term receivables – trade and other in the Consolidated Statement of Financial Position. Trade receivables from dealers and end users were $7,825 million, $7,551 million and $7,267 million as of September 30, 2023, December 31, 2022 and December 31, 2021, respectively. Long-term trade receivables from dealers and end users were $494 million, $506 million and $624 million as of September 30, 2023, December 31, 2022 and December 31, 2021, respectively.

For certain contracts, we invoice for payment when contractual milestones are achieved. We recognize a contract asset when a sale is recognized before achieving the contractual milestones for invoicing. We reduce the contract asset when we invoice for payment and recognize a corresponding trade receivable. Contract assets are included in Prepaid expenses and other current assets in the Consolidated Statement of Financial Position. Contract assets were $212 million, $247 million and $187 million as of September 30, 2023, December 31, 2022 and December 31, 2021, respectively.

We invoice in advance of recognizing the sale of certain products. We recognize advanced customer payments as a contract liability in Customer advances and Other liabilities in the Consolidated Statement of Financial Position. Contract liabilities were $2,816 million, $2,314 million and $1,557 million as of September 30, 2023, December 31, 2022 and December 31, 2021, respectively. We reduce the contract liability when revenue is recognized. During the three and nine months ended September 30, 2023, we recognized $197 million and $1,333 million, respectively, of revenue that was recorded as a contract liability at the beginning of 2023. During the three and nine months ended September 30, 2022, we recognized $124 million and $781 million, respectively.

As of September 30, 2023, we have entered into contracts with dealers and end users for which sales have not been recognized as we have not satisfied our performance obligations and transferred control of the products. The dollar amount of unsatisfied performance obligations for contracts with an original duration greater than one year is $13.2 billion, with about one-half of the amount expected to be completed and revenue recognized in the twelve months following September 30, 2023. We have elected the practical expedient not to disclose unsatisfied performance obligations with an original contract duration of one year or less. Contracts with an original duration of one year or less are primarily sales to dealers for machinery, engines and replacement parts.

See Note 16 for further disaggregated sales and revenues information.

4. Stock-based compensation

Accounting for stock-based compensation requires that the cost resulting from all stock-based payments be recognized in the financial statements based on the grant date fair value of the award. Our stock-based compensation consists of stock options, restricted stock units (RSUs) and performance-based restricted stock units (PRSUs).

We recognized pretax stock-based compensation expense of $60 million and $178 million for the three and nine months ended September 30, 2023, respectively, and $55 million and $162 million for the three and nine months ended September 30, 2022, respectively.

The following table illustrates the type and fair value of the stock-based compensation awards granted during the nine months ended September 30, 2023 and 2022, respectively:

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Shares Granted	Weighted-Average Fair Value Per Share	Weighted-Average Grant Date Stock Price	Shares Granted	Weighted-Average Fair Value Per Share	Weighted-Average Grant Date Stock Price
Stock options	777,275	$ 75.79	$ 253.98	1,029,202	$ 51.69	$ 196.70
RSUs	379,426	$ 253.98	$ 253.98	484,025	$ 196.70	$ 196.70
PRSUs	221,869	$ 253.98	$ 253.98	258,900	$ 196.70	$ 196.70

The following table provides the assumptions used in determining the fair value of the stock-based awards for the nine months ended September 30, 2023 and 2022, respectively:

	Grant Year	
	2023	2022
Weighted-average dividend yield	2.60%	2.60%
Weighted-average volatility	31.0%	31.7%
Range of volatilities	28.5% - 35.5%	25.3% - 36.8%
Range of risk-free interest rates	3.92% - 5.03%	1.03% - 2.00%
Weighted-average expected lives	7 years	8 years

As of September 30, 2023, the total remaining unrecognized compensation expense related to nonvested stock-based compensation awards was $167 million, which will be amortized over the weighted-average remaining requisite service periods of approximately 1.8 years.

5. Derivative financial instruments and risk management

Our earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates, interest rates and commodity prices. Our Risk Management Policy (policy) allows for the use of derivative financial instruments to prudently manage foreign currency exchange rate, interest rate and commodity price exposures. Our policy specifies that derivatives are not to be used for speculative purposes. Derivatives that we use are primarily foreign currency forward, option and cross currency contracts, interest rate contracts and commodity forward and option contracts. Our derivative activities are subject to the management, direction and control of our senior financial officers. We present at least annually to the Audit Committee of the Board of Directors on our risk management practices, including our use of financial derivative instruments.

We recognize all derivatives at their fair value on the Consolidated Statement of Financial Position. On the date the derivative contract is entered into, we designate the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or the variability of cash flow (cash flow hedge) or (3) an undesignated instrument. We record in current earnings changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk. We record in AOCI changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge, to the extent effective, on the Consolidated Statement of Financial Position until we reclassify them to earnings in the same period or periods during which the hedged transaction affects earnings. We report changes in the fair value of undesignated derivative instruments in current earnings. We classify cash flows from designated derivative financial instruments within the same category as the item being hedged on the Consolidated Statement of Cash Flow. We include cash flows from undesignated derivative financial instruments in the investing category on the Consolidated Statement of Cash Flow.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the Consolidated Statement of Financial Position and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

We also formally assess, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, we discontinue hedge accounting prospectively, in accordance with the derecognition criteria for hedge accounting.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate movements create a degree of risk by affecting the U.S. dollar value of sales made and costs incurred in foreign currencies. Movements in foreign currency rates also affect our competitive position as these changes may affect business practices and/or pricing strategies of non-U.S.-based competitors. Additionally, we have balance sheet positions denominated in foreign currencies, thereby creating exposure to movements in exchange rates.

Our ME&T operations purchase, manufacture and sell products in many locations around the world. As we have a diversified revenue and cost base, we manage our future foreign currency cash flow exposure on a net basis. We use foreign currency forward and option contracts to manage unmatched foreign currency cash inflow and outflow. Our objective is to minimize the risk of exchange rate movements that would reduce the U.S. dollar value of our foreign currency cash flow. Our policy allows for managing anticipated foreign currency cash flow for up to approximately five years. As of September 30, 2023, the maximum term of these outstanding contracts at inception was approximately 60 months.

We generally designate as cash flow hedges at inception of the contract any foreign currency forward or option contracts that meet the requirements for hedge accounting and the maturity extends beyond the current quarter-end. We perform designation on a specific exposure basis to support hedge accounting. The remainder of ME&T foreign currency contracts are undesignated.

In managing foreign currency risk for our Financial Products operations, our objective is to minimize earnings volatility resulting from conversion and the remeasurement of net foreign currency balance sheet positions and future transactions denominated in foreign currencies. Our policy allows the use of foreign currency forward, option and cross currency contracts to offset the risk of currency mismatch between our assets and liabilities and exchange rate risk associated with future transactions denominated in foreign currencies. Our foreign currency forward and option contracts are primarily undesignated. We designate fixed-to-fixed cross currency contracts as cash flow hedges to protect against movements in exchange rates on foreign currency fixed-rate assets and liabilities.

Interest Rate Risk

Interest rate movements create a degree of risk by affecting the amount of our interest payments and the value of our fixed-rate debt. Our practice is to use interest rate contracts to manage our exposure to interest rate changes.

Our ME&T operations generally use fixed-rate debt as a source of funding. Our objective is to minimize the cost of borrowed funds. Our policy allows us to enter into fixed-to-floating interest rate contracts and forward rate agreements to meet that objective. We designate fixed-to-floating interest rate contracts as fair value hedges at inception of the contract, and we designate certain forward rate agreements as cash flow hedges at inception of the contract.

Financial Products operations has a match-funding policy that addresses interest rate risk by aligning the interest rate profile (fixed or floating rate and duration) of Cat Financial's debt portfolio with the interest rate profile of our receivables portfolio within predetermined ranges on an ongoing basis. In connection with that policy, we use interest rate derivative instruments to modify the debt structure to match assets within the receivables portfolio. This matched funding reduces the volatility of margins between interest-bearing assets and interest-bearing liabilities, regardless of which direction interest rates move.

Our policy allows us to use fixed-to-floating, floating-to-fixed and floating-to-floating interest rate contracts to meet the match-funding objective. We designate fixed-to-floating interest rate contracts as fair value hedges to protect debt against changes in fair value due to changes in the benchmark interest rate. We designate most floating-to-fixed interest rate contracts as cash flow hedges to protect against the variability of cash flows due to changes in the benchmark interest rate.

We have, at certain times, liquidated fixed-to-floating and floating-to-fixed interest rate contracts at both ME&T and Financial Products. We amortize the gains or losses associated with these contracts at the time of liquidation into earnings over the original term of the previously designated hedged item.

Commodity Price Risk

Commodity price movements create a degree of risk by affecting the price we must pay for certain raw materials. Our policy is to use commodity forward and option contracts to manage the commodity risk and reduce the cost of purchased materials.

Our ME&T operations purchase base and precious metals embedded in the components we purchase from suppliers. Our suppliers pass on to us price changes in the commodity portion of the component cost. In addition, we are subject to price changes on energy products such as natural gas and diesel fuel purchased for operational use.

Our objective is to minimize volatility in the price of these commodities. Our policy allows us to enter into commodity forward and option contracts to lock in the purchase price of a portion of these commodities within a five-year horizon. All such commodity forward and option contracts are undesignated.

The location and fair value of derivative instruments reported in the Consolidated Statement of Financial Position were as follows:

(Millions of dollars)	Fair Value			
	September 30, 2023		December 31, 2022	
	Assets [1]	Liabilities [2]	Assets [1]	Liabilities [2]
Designated derivatives				
Foreign exchange contracts	$ 411	$ (163)	$ 462	$ (152)
Interest rate contracts	52	(346)	93	(288)
Total	$ 463	$ (509)	$ 555	$ (440)
Undesignated derivatives				
Foreign exchange contracts	$ 32	$ (48)	$ 65	$ (47)
Commodity contracts	11	(2)	24	(9)
Total	$ 43	$ (50)	$ 89	$ (56)

[1] Assets are classified on the Consolidated Statement of Financial Position as Receivables - trade and other or Long-term receivables - trade and other.
[2] Liabilities are classified on the Consolidated Statement of Financial Position as Accrued expenses or Other liabilities.

The total notional amounts of the derivative instruments as of September 30, 2023 and December 31, 2022 were $23.4 billion and $24.3 billion, respectively. The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties. We calculate the amounts exchanged by the parties by referencing the notional amounts and by other terms of the derivatives, such as foreign currency exchange rates, interest rates or commodity prices.

Gains (Losses) on derivative instruments are categorized as follows:

(Millions of dollars)	Three Months Ended September 30,					
	Fair Value / Undesignated Hedges		Cash Flow Hedges			
	Gains (Losses) Recognized on the Consolidated Statement of Results of Operations[1]		Gains (Losses) Recognized in AOCI		Gains (Losses) Reclassified from AOCI[2]	
	2023	2022	2023	2022	2023	2022
Foreign exchange contracts	$ 19	$ (2)	$ 10	$ 18	$ 80	$ 289
Interest rate contracts	(34)	(5)	3	26	14	7
Commodity contracts	14	(42)	—	—	—	—
Total	$ (1)	$ (49)	$ 13	$ 44	$ 94	$ 296

[1] Foreign exchange contract and Commodity contract gains (losses) are included in Other income (expense). Interest rate contract gains (losses) are included in Interest expense of Financial Products and Interest expense excluding Financial Products.
[2] Foreign exchange contract gains (losses) are primarily included in Other income (expense). Interest rate contract gains (losses) are primarily included in Interest expense of Financial Products.

(Millions of dollars)	Nine Months Ended September 30,					
	Fair Value / Undesignated Hedges		Cash Flow Hedges			
	Gains (Losses) Recognized on the Consolidated Statement of Results of Operations [1]		Gains (Losses) Recognized in AOCI		Gains (Losses) Reclassified from AOCI [2]	
	2023	2022	2023	2022	2023	2022
Foreign exchange contracts	$ 22	$ (32)	$ 42	$ 195	$ 43	$ 638
Interest rate contracts	(95)	12	15	103	41	(2)
Commodity contract	2	3	—	—	—	—
Total	$ (71)	$ (17)	$ 57	$ 298	$ 84	$ 636

[1] Foreign exchange contract and Commodity contract gains (losses) are included in Other income (expense). Interest rate contract gains (losses) are included in Interest expense of Financial Products and Interest expense excluding Financial Products.
[2] Foreign exchange contract gains (losses) are primarily included in Other income (expense). Interest rate contract gains (losses) are primarily included in Interest expense of Financial Products.

The following amounts were recorded on the Consolidated Statement of Financial Position related to cumulative basis adjustments for fair value hedges:

(Millions of dollars)	Carrying Value of the Hedged Liabilities		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Liabilities	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Long-term debt due within one year	$ 249	$ —	$ (4)	$ —
Long-term debt due after one year	4,732	4,173	(343)	(280)
Total	$ 4,981	$ 4,173	$ (347)	$ (280)

We enter into International Swaps and Derivatives Association (ISDA) master netting agreements within ME&T and Financial Products that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements may also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event.

Collateral is typically not required of the counterparties or of our company under the master netting agreements. As of September 30, 2023 and December 31, 2022, no cash collateral was received or pledged under the master netting agreements.

The effect of the net settlement provisions of the master netting agreements on our derivative balances upon an event of default or termination event was as follows:

(Millions of dollars)	September 30, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Gross Amounts Recognized	$ 506	$ (559)	$ 644	$ (496)
Financial Instruments Not Offset	(221)	221	(233)	233
Net Amount	$ 285	$ (338)	$ 411	$ (263)

6. Inventories

Inventories (principally using the last-in, first-out (LIFO) method) were comprised of the following:

(Millions of dollars)	September 30, 2023	December 31, 2022
Raw materials	$ 6,798	$ 6,370
Work-in-process	1,650	1,452
Finished goods	8,788	8,138
Supplies	344	310
Total inventories	$ 17,580	$ 16,270

7. Intangible assets and goodwill

A. Intangible assets

Intangible assets were comprised of the following:

(Millions of dollars)		September 30, 2023		
	Weighted Amortizable Life (Years)	Gross Carrying Amount [1]	Accumulated Amortization [1]	Net
Customer relationships	16	$ 2,224	$ (1,774)	$ 450
Intellectual property	14	503	(393)	110
Other	17	117	(73)	44
Total finite-lived intangible assets	15	$ 2,844	$ (2,240)	$ 604

		December 31, 2022		
	Weighted Amortizable Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	16	$ 2,233	$ (1,675)	$ 558
Intellectual property	12	1,473	(1,320)	153
Other	16	132	(85)	47
Total finite-lived intangible assets	14	$ 3,838	$ (3,080)	$ 758

[1] For the nine months ended September 30, 2023, $1.0 billion of intangible assets were fully amortized and have been removed.

Amortization expense for the three and nine months ended September 30, 2023 was $44 million and $174 million, respectively. Amortization expense for the three and nine months ended September 30, 2022 was $70 million and $213 million, respectively. Amortization expense related to intangible assets is expected to be:

(Millions of dollars)

Remaining Three Months of 2023	2024	2025	2026	2027	Thereafter
$44	$174	$165	$94	$31	$96

B. Goodwill

No goodwill was impaired during the nine months ended September 30, 2023 or 2022.

The changes in carrying amount of goodwill by reportable segment for the nine months ended September 30, 2023 were as follows:

(Millions of dollars)	December 31, 2022	Other Adjustments [1]	September 30, 2023
Construction Industries			
Goodwill	$ 287	$ (18)	$ 269
Impairments	(22)	—	(22)
Net goodwill	265	(18)	247
Resource Industries			
Goodwill	4,130	5	4,135
Impairments	(1,175)	—	(1,175)
Net goodwill	2,955	5	2,960
Energy & Transportation			
Goodwill	2,947	(2)	2,945
Impairments	(925)	—	(925)
Net goodwill	2,022	(2)	2,020
All Other [2]			
Goodwill	46	(5)	41
Impairments	—	—	—
Net goodwill	46	(5)	41
Consolidated total			
Goodwill	7,410	(20)	7,390
Impairments	(2,122)	—	(2,122)
Net goodwill	$ 5,288	$ (20)	$ 5,268

[1] Other adjustments are comprised primarily of foreign currency translation.
[2] Includes All Other operating segment (See Note 16).

8. Investments in debt and equity securities

We have investments in certain debt and equity securities, which we record at fair value and primarily include in Other assets in the Consolidated Statement of Financial Position.

We classify debt securities primarily as available-for-sale. We include the unrealized gains and losses arising from the revaluation of available-for-sale debt securities, net of applicable deferred income taxes, in equity (AOCI in the Consolidated Statement of Financial Position). We include the unrealized gains and losses arising from the revaluation of the equity securities in Other income (expense) in the Consolidated Statement of Results of Operations. We generally determine realized gains and losses on sales of investments using the specific identification method for available-for-sale debt and equity securities and include them in Other income (expense) in the Consolidated Statement of Results of Operations.

The cost basis and fair value of available-for-sale debt securities with unrealized gains and losses included in equity (AOCI in the Consolidated Statement of Financial Position) were as follows:

Available-for-sale debt securities (Millions of dollars)	September 30, 2023 Cost Basis	September 30, 2023 Unrealized Pretax Net Gains (Losses)	September 30, 2023 Fair Value	December 31, 2022 Cost Basis	December 31, 2022 Unrealized Pretax Net Gains (Losses)	December 31, 2022 Fair Value
Government debt securities						
U.S. treasury bonds	$ 9	$ —	$ 9	$ 9	$ —	$ 9
Other U.S. and non-U.S. government bonds	57	(4)	53	60	(5)	55
Corporate debt securities						
Corporate bonds and other debt securities	2,823	(93)	2,730	2,561	(95)	2,466
Asset-backed securities	193	(4)	189	187	(5)	182
Mortgage-backed debt securities						
U.S. governmental agency	429	(45)	384	364	(31)	333
Residential	3	(1)	2	3	(1)	2
Commercial	137	(11)	126	127	(10)	117
Total available-for-sale debt securities	$ 3,651	$ (158)	$ 3,493	$ 3,311	$ (147)	$ 3,164

Available-for-sale debt securities in an unrealized loss position:

	September 30, 2023					
	Less than 12 months [1]		12 months or more [1]		Total	
(Millions of dollars)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government debt securities						
Other U.S. and non-U.S. government bonds	$ 19	$ —	$ 25	$ 4	$ 44	$ 4
Corporate debt securities						
Corporate bonds	1,660	29	972	64	2,632	93
Asset-backed securities	35	—	88	4	123	4
Mortgage-backed debt securities						
U.S. governmental agency	102	4	281	41	383	45
Residential	—	—	2	1	2	1
Commercial	18	1	108	10	126	11
Total	$ 1,834	$ 34	$ 1,476	$ 124	$ 3,310	$ 158

	December 31, 2022					
	Less than 12 months [1]		12 months or more [1]		Total	
(Millions of dollars)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government debt securities						
Other U.S. and non-U.S. government bonds	$ 19	$ 1	$ 20	$ 4	$ 39	$ 5
Corporate debt securities						
Corporate bonds	1,815	46	357	50	2,172	96
Asset-backed securities	75	2	55	3	130	5
Mortgage-backed debt securities						
U.S. governmental agency	229	16	98	15	327	31
Residential	2	—	1	1	3	1
Commercial	63	5	54	5	117	10
Total	$ 2,203	$ 70	$ 585	$ 78	$ 2,788	$ 148

[1] Indicates the length of time that individual securities have been in a continuous unrealized loss position.

The unrealized losses on our investments in government debt securities, corporate debt securities, and mortgage-backed debt securities relate to changes in underlying interest rates and credit spreads since time of purchase. We do not intend to sell the investments, and it is not likely that we will be required to sell the investments before recovery of their respective amortized cost basis. In addition, we did not expect credit-related losses on these investments as of September 30, 2023.

The cost basis and fair value of available-for-sale debt securities at September 30, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay and creditors may have the right to call obligations.

	September 30, 2023	
(Millions of dollars)	**Cost Basis**	**Fair Value**
Due in one year or less	$ 940	$ 929
Due after one year through five years	1,812	1,737
Due after five years through ten years	262	248
Due after ten years	68	67
U.S. governmental agency mortgage-backed securities	429	384
Residential mortgage-backed securities	3	2
Commercial mortgage-backed securities	137	126
Total debt securities – available-for-sale	$ 3,651	$ 3,493

Sales of available-for-sale debt securities:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(Millions of dollars)	**2023**	**2022**	**2023**	**2022**
Proceeds from the sale of available-for-sale securities	$ 271	$ 204	$ 710	$ 474
Gross gains from the sale of available-for-sale securities	—	—	—	1
Gross losses from the sale of available-for-sale securities	1	—	1	1

In addition, we had $2,550 million of investments in time deposits classified as held-to-maturity debt securities as of September 30, 2023. We did not have any investments classified as held-to-maturity debt securities as of December 31, 2022. All these investments mature within one year and we include them in Prepaid expenses and other current assets in the Consolidated Statement of Financial Position. We record held-to-maturity debt securities at amortized cost, which approximates fair value.

For the three months ended September 30, 2023 and 2022, the net unrealized gains (losses) for equity securities held at September 30, 2023 and 2022 were $(11) million and $(12) million, respectively. For the nine months ended September 30, 2023 and 2022, the net unrealized gains (losses) for equity securities held at September 30, 2023 and 2022 were $(25) million and $(97) million, respectively.

9. Postretirement benefits

A. Pension and postretirement benefit costs

(Millions of dollars)	U.S. Pension Benefits September 30, 2023	U.S. Pension Benefits September 30, 2022	Non-U.S. Pension Benefits September 30, 2023	Non-U.S. Pension Benefits September 30, 2022	Other Postretirement Benefits September 30, 2023	Other Postretirement Benefits September 30, 2022
For the three months ended:						
Components of net periodic benefit cost:						
Service cost	$ —	$ —	$ 10	$ 15	$ 16	$ 24
Interest cost	164	100	30	17	36	20
Expected return on plan assets	(173)	(167)	(40)	(33)	(2)	(3)
Amortization of prior service cost (credit)	—	—	—	—	(3)	(1)
Net periodic benefit cost (benefit) [1]	$ (9)	$ (67)	$ —	$ (1)	$ 47	$ 40
For the nine months ended:						
Components of net periodic benefit cost:						
Service cost	$ —	$ —	$ 30	$ 40	$ 50	$ 74
Interest cost	492	301	91	53	108	60
Expected return on plan assets	(517)	(502)	(120)	(100)	(8)	(9)
Amortization of prior service cost (credit)	—	—	—	—	(9)	(4)
Net periodic benefit cost (benefit) [1]	$ (25)	$ (201)	$ 1	$ (7)	$ 141	$ 121

[1] The service cost component is included in Operating costs in the Consolidated Statement of Results of Operations. All other components are included in Other income (expense) in the Consolidated Statement of Results of Operations.

We made $56 million and $320 million of contributions to our pension and other postretirement plans during the three and nine months ended September 30, 2023, respectively. We currently anticipate full-year 2023 contributions of approximately $372 million.

B. Defined contribution benefit costs

Total company costs related to our defined contribution plans, which are included in Operating Costs in the Consolidated Statement of Results of Operations, were as follows:

(Millions of dollars)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
U.S. Plans	$ 120	$ 87	$ 405	$ 236
Non-U.S. Plans	27	29	85	85
	$ 147	$ 116	$ 490	$ 321

The increase in the U.S. defined contribution benefit costs for the three and nine months ended September 30, 2023 was primarily due to the fair value adjustments related to our non-qualified deferred compensation plans.

10. Leases

Revenues from finance and operating leases, primarily included in Revenues of Financial Products on the Consolidated Statement of Results of Operations, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	**2023**	**2022**	**2023**	**2022**
Finance lease revenue	$ 106	$ 105	$ 315	$ 326
Operating lease revenue	286	270	836	819
Total	$ 392	$ 375	$ 1,151	$ 1,145

We present revenues net of sales and other related taxes.

11. Guarantees and product warranty

Caterpillar dealer performance guarantees
Dealer performance guarantees mainly consists of an indemnity to a third-party insurance company for potential losses related to performance bonds issued on behalf of Caterpillar dealers. The bonds have varying terms and are issued to insure governmental agencies against nonperformance by certain dealers. The guarantees began to expire during the third quarter of 2023. No payments were made under the guarantees.

We have dealer performance guarantees and third-party performance guarantees that do not limit potential payment to end users related to indemnities and other commercial contractual obligations. In addition, we have entered into contracts involving industry standard indemnifications that do not limit potential payment. For these unlimited guarantees, we are unable to estimate a maximum potential amount of future payments that could result from claims made.

No significant loss has been experienced or is anticipated under any of these guarantees. At September 30, 2023 and December 31, 2022, the related recorded liability was $4 million and $2 million, respectively. The maximum potential amount of future payments that we can estimate (undiscounted and without reduction for any amounts that may possibly be recovered under recourse or collateralized provisions) and we could be required to make under the guarantees was as follows:

(Millions of dollars)	**September 30, 2023**	**December 31, 2022**
Caterpillar dealer performance guarantees	$ 42	$ 188
Other guarantees	341	323
Total guarantees	$ 383	$ 511

Cat Financial provides guarantees to purchase certain loans of Caterpillar dealers from a special-purpose corporation (SPC) that qualifies as a variable interest entity. The purpose of the SPC is to provide short-term working capital loans to Caterpillar dealers. This SPC issues commercial paper and uses the proceeds to fund its loan program. Cat Financial receives a fee for providing this guarantee. Cat Financial is the primary beneficiary of the SPC as its guarantees result in Cat Financial having both the power to direct the activities that most significantly impact the SPC's economic performance and the obligation to absorb losses, and therefore Cat Financial has consolidated the financial statements of the SPC. As of September 30, 2023 and December 31, 2022, the SPC's assets of $1.54 billion and $971 million, respectively, were primarily comprised of loans to dealers, and the SPC's liabilities of $1.54 billion and $970 million, respectively, were primarily comprised of commercial paper. The assets of the SPC are not available to pay Cat Financial's creditors. Cat Financial may be obligated to perform under the guarantee if the SPC experiences losses. No loss has been experienced or is anticipated under this loan purchase agreement.

We determine our product warranty liability by applying historical claim rate experience to the current field population and dealer inventory. Generally, we base historical claim rates on actual warranty experience for each product by machine model/engine size by customer or dealer location (inside or outside North America). We develop specific rates for each product shipment month and update them monthly based on actual warranty claim experience.

The reconciliation of the change in our product warranty liability balances for the nine months ended September 30 was as follows:

	First Nine Months	
(Millions of dollars)	**2023**	**2022**
Warranty liability, beginning of period	$ 1,761	$ 1,689
Reduction in liability (payments)	(617)	(589)
Increase in liability (new warranties)	724	562
Warranty liability, end of period	$ 1,868	$ 1,662

12. Profit per share

Computations of profit per share:	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(Dollars in millions except per share data)	**2023**	**2022**	**2023**	**2022**
Profit for the period (A) [1]	$ 2,794	$ 2,041	$ 7,659	$ 5,251
Determination of shares (in millions):				
Weighted-average number of common shares outstanding (B)	509.8	525.0	513.0	530.1
Shares issuable on exercise of stock awards, net of shares assumed to be purchased out of proceeds at average market price	2.8	2.6	2.7	3.1
Average common shares outstanding for fully diluted computation (C) [2]	512.6	527.6	515.7	533.2
Profit per share of common stock:				
Assuming no dilution (A/B)	$ 5.48	$ 3.89	$ 14.93	$ 9.91
Assuming full dilution (A/C) [2]	$ 5.45	$ 3.87	$ 14.85	$ 9.85
Shares outstanding as of September 30, (in millions)			509.1	520.4

[1] Profit attributable to common shareholders.
[2] Diluted by assumed exercise of stock-based compensation awards using the treasury stock method.

For the three and nine months ended September 30, 2023 and 2022, we excluded 0.8 million and 2.1 million of outstanding stock options, respectively, from the computation of diluted earnings per share because the effect would have been antidilutive.

For the three and nine months ended September 30, 2023, we repurchased 1.9 million and 9.5 million shares of Caterpillar common stock, respectively, at an aggregate cost of $0.5 billion and $2.2 billion, respectively. For the three and nine months ended September 30, 2022, we repurchased 7.6 million and 17.0 million shares of Caterpillar common stock, respectively, at an aggregate cost of $1.4 billion and $3.3 billion, respectively. We made these purchases through the combination of accelerated stock repurchase agreements with a third-party financial institution and open market transactions in 2023 and 2022.

13. Accumulated other comprehensive income (loss)

We present comprehensive income and its components in the Consolidated Statement of Comprehensive Income. Changes in the balances for each component of AOCI were as follows:

(Millions of dollars)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Foreign currency translation:				
Beginning balance	$ (1,863)	$ (2,282)	$ (2,328)	$ (1,508)
Gains (losses) on foreign currency translation	(194)	(592)	(235)	(1,328)
Less: Tax provision /(benefit)	10	26	(2)	64
Net gains (losses) on foreign currency translation	(204)	(618)	(233)	(1,392)
(Gains) losses reclassified to earnings	(1)	—	493	—
Less: Tax provision /(benefit)	—	—	—	—
Net (gains) losses reclassified to earnings	(1)	—	493	—
Other comprehensive income (loss), net of tax	(205)	(618)	260	(1,392)
Ending balance	$ (2,068)	$ (2,900)	$ (2,068)	$ (2,900)
Pension and other postretirement benefits				
Beginning balance	$ (44)	$ (64)	$ (39)	$ (62)
Current year prior service credit (cost)	—	—	—	—
Less: Tax provision /(benefit)	—	—	—	—
Net current year prior service credit (cost)	—	—	—	—
Amortization of prior service (credit) cost	(3)	(1)	(9)	(4)
Less: Tax provision /(benefit)	—	—	(1)	(1)
Net amortization of prior service (credit) cost	(3)	(1)	(8)	(3)
Other comprehensive income (loss), net of tax	(3)	(1)	(8)	(3)
Ending balance	$ (47)	$ (65)	$ (47)	$ (65)
Derivative financial instruments				
Beginning balance	$ 71	$ (66)	$ 28	$ (3)
Gains (losses) deferred	13	44	57	298
Less: Tax provision /(benefit)	5	35	14	71
Net gains (losses) deferred	8	9	43	227
(Gains) losses reclassified to earnings	(94)	(296)	(84)	(636)
Less: Tax provision /(benefit)	(24)	(96)	(22)	(155)
Net (gains) losses reclassified to earnings	(70)	(200)	(62)	(481)
Other comprehensive income (loss), net of tax	(62)	(191)	(19)	(254)
Ending balance	$ 9	$ (257)	$ 9	$ (257)
Available-for-sale securities				
Beginning balance	$ (110)	$ (87)	$ (118)	$ 20
Gains (losses) deferred	(22)	(55)	(12)	(188)
Less: Tax provision /(benefit)	(5)	(11)	(3)	(37)
Net gains (losses) deferred	(17)	(44)	(9)	(151)
(Gains) losses reclassified to earnings	1	—	1	—
Less: Tax provision /(benefit)	—	—	—	—
Net (gains) losses reclassified to earnings	1	—	1	—
Other comprehensive income (loss), net of tax	(16)	(44)	(8)	(151)
Ending balance	$ (126)	$ (131)	$ (126)	$ (131)
Total AOCI Ending Balance at September 30	$ (2,232)	$ (3,353)	$ (2,232)	$ (3,353)

14. Environmental and legal matters

The Company is regulated by federal, state and international environmental laws governing its use, transport and disposal of substances and control of emissions. In addition to governing our manufacturing and other operations, these laws often impact the development of our products, including, but not limited to, required compliance with air emissions standards applicable to internal combustion engines. We have made, and will continue to make, significant research and development and capital expenditures to comply with these emissions standards.

We are engaged in remedial activities at a number of locations, often with other companies, pursuant to federal and state laws. When it is probable we will pay remedial costs at a site, and those costs can be reasonably estimated, we accrue the investigation, remediation, and operating and maintenance costs against our earnings. We accrue costs based on consideration of currently available data and information with respect to each individual site, including available technologies, current applicable laws and regulations, and prior remediation experience. Where no amount within a range of estimates is more likely, we accrue the minimum. Where multiple potentially responsible parties are involved, we consider our proportionate share of the probable costs. In formulating the estimate of probable costs, we do not consider amounts expected to be recovered from insurance companies or others. We reassess these accrued amounts on a quarterly basis. The amount recorded for environmental remediation is not material and is included in Accrued expenses. We believe there is no more than a remote chance that a material amount for remedial activities at any individual site, or at all the sites in the aggregate, will be required.

In addition, we are involved in other unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability (including claimed asbestos exposure), contracts, employment issues, environmental matters, intellectual property rights, taxes (other than income taxes) and securities laws. The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. However, we believe there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, we believe that these actions will not individually or in the aggregate have a material adverse effect on our consolidated results of operations, financial position or liquidity.

15. Income taxes

The effective tax rate for the nine months ended September 30, 2023 was 22.4 percent compared to 21.4 percent for the nine months ended September 30, 2022. The effective tax rate for the three months ended September 30, 2023 was 20.9 percent compared to 20.6 percent for the three months ended September 30, 2022.

The provision for income taxes for the nine months ended September 30, 2023, reflected an estimated annual tax rate of 22.5 percent, compared with 23 percent for the nine months ended September 30, 2022, excluding the discrete items discussed below. The comparative tax rate for full-year 2022 was 23.2 percent.

The 2023 estimated annual tax rate excludes the impact of the nondeductible loss of $586 million related to the divestiture of the company's Longwall business. In the nine months ended September 30, 2023, the company recorded a discrete tax benefit of $88 million due to a change in the valuation allowance for certain deferred tax assets. In addition, the company recorded a discrete tax benefit of $54 million for the settlement of stock-based compensation awards with associated tax deductions in excess of cumulative U.S. GAAP compensation expense, compared with a $18 million benefit for the nine months ended September 30, 2022. In the nine months ended September 30, 2022, the company also recorded discrete benefits of $90 million to reflect changes in estimates related to prior years.

16. Segment information

A. Basis for segment information

Our Executive Office is comprised of a Chief Executive Officer (CEO), four Group Presidents, a Chief Financial Officer (CFO), a Chief Legal Officer and a Chief Human Resources Officer. The Group Presidents and CFO are accountable for a related set of end-to-end businesses that they manage. The Chief Legal Officer leads the Law, Security and Public Policy Division. The Chief Human Resources Officer leads the Human Resources Organization. The CEO allocates resources and manages performance at the Group President/CFO level. As such, the CEO serves as our Chief Operating Decision Maker, and operating segments are primarily based on the Group President/CFO reporting structure.

Three of our operating segments, Construction Industries, Resource Industries and Energy & Transportation are led by Group Presidents. One operating segment, Financial Products, is led by the CFO who also has responsibility for Corporate Services. Corporate Services is a cost center primarily responsible for the performance of certain support functions globally and to provide centralized services; it does not meet the definition of an operating segment. One Group President leads one smaller operating segment that is included in the All Other operating segment. The Law, Security and Public Policy Division and the Human Resources Organization are cost centers and do not meet the definition of an operating segment.

B. Description of segments

We have five operating segments, of which four are reportable segments. Following is a brief description of our reportable segments and the business activities included in the All Other operating segment:

Construction Industries: A segment primarily responsible for supporting customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes asphalt pavers; backhoe loaders; cold planers; compactors; compact track loaders; forestry machines; material handlers; motor graders; pipelayers; road reclaimers; skid steer loaders; telehandlers; track-type loaders; track-type tractors (small, medium); track excavators (mini, small, medium, large); wheel excavators; wheel loaders (compact, small, medium); and related parts and work tools. Inter-segment sales are a source of revenue for this segment.

Resource Industries: A segment primarily responsible for supporting customers using machinery in mining, heavy construction and quarry and aggregates. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes large track-type tractors; large mining trucks; hard rock vehicles; electric rope shovels; draglines; hydraulic shovels; rotary drills; large wheel loaders; off-highway trucks; articulated trucks; wheel tractor scrapers; wheel dozers; landfill compactors; soil compactors; select work tools; machinery components; electronics and control systems and related parts. In addition to equipment, Resource Industries also develops and sells technology products and services to provide customers fleet management, equipment management analytics, autonomous machine capabilities, safety services and mining performance solutions. Resource Industries also manages areas that provide services to other parts of the company, including strategic procurement, lean center of excellence, integrated manufacturing, research and development for hydraulic systems, automation, electronics and software for Cat machines and engines. Inter-segment sales are a source of revenue for this segment.

Energy & Transportation: A segment primarily responsible for supporting customers using reciprocating engines, turbines, diesel-electric locomotives and related services across industries serving Oil and Gas, Power Generation, Industrial and Transportation applications, including marine- and rail-related businesses. Responsibilities include business strategy, product design, product management, development and testing, manufacturing, marketing and sales and product support. The product and services portfolio includes turbines, centrifugal gas compressors, and turbine-related services; reciprocating engine-powered generator sets; integrated systems and solutions used in the electric power generation industry; reciprocating engines, drivetrain and integrated systems and solutions for the marine and oil and gas industries; reciprocating engines, drivetrain and integrated systems and solutions supplied to the industrial industry as well as Cat machinery; electrified powertrain and zero-emission power sources and service solutions development; and diesel-electric locomotives and components and other rail-related products and services, including remanufacturing and leasing. Responsibilities also include the remanufacturing of Caterpillar reciprocating engines and components and remanufacturing services for other companies; and product support of on-highway vocational trucks for North America. Inter-segment sales are a source of revenue for this segment.

Financial Products Segment: Provides financing alternatives to customers and dealers around the world for Caterpillar products and services, as well as financing for power generation facilities that, in most cases, incorporate Caterpillar products. Financing plans include operating and finance leases, revolving charge accounts, installment sale contracts, repair/rebuild financing, working capital loans and wholesale financing plans. The segment also provides insurance and risk management products and services that help customers and dealers manage their business risk. Insurance and risk management products offered include physical damage insurance, inventory protection plans, extended service coverage and maintenance plans for machines and engines, and dealer property and casualty insurance. The various forms of financing, insurance and risk management products offered to customers and dealers help support the purchase and lease of Caterpillar equipment. The segment also earns revenues from ME&T, but the related costs are not allocated to operating segments. Financial Products' segment profit is determined on a pretax basis and includes other income/expense items.

All Other operating segment: Primarily includes activities such as: business strategy; product management and development; manufacturing and sourcing of filters and fluids, undercarriage, ground-engaging tools, fluid transfer products, precision seals, rubber sealing and connecting components primarily for Cat® products; parts distribution; integrated logistics solutions; distribution services responsible for dealer development and administration, including a wholly owned dealer in Japan; dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts; brand management and marketing strategy; and digital investments for new customer and dealer solutions that integrate data analytics with state-of-the-art digital technologies while transforming the buying experience. Results for the All Other operating segment are included as a reconciling item between reportable segments and consolidated external reporting.

C. Segment measurement and reconciliations

There are several methodology differences between our segment reporting and our external reporting. The following is a list of the more significant methodology differences:

- ME&T segment net assets generally include inventories, receivables, property, plant and equipment, goodwill, intangibles, accounts payable and customer advances. We generally manage at the corporate level liabilities other than accounts payable and customer advances, and we do not include these in segment operations. Financial Products Segment assets generally include all categories of assets.

- We value segment inventories and cost of sales using a current cost methodology.

- We amortize goodwill allocated to segments using a fixed amount based on a 20-year useful life. This methodology difference only impacts segment assets. We do not include goodwill amortization expense in segment profit. In addition, we have allocated to segments only a portion of goodwill for certain acquisitions made in 2011 or later.

- We generally manage currency exposures for ME&T at the corporate level and do not include in segment profit the effects of changes in exchange rates on results of operations within the year. We report the net difference created in the translation of revenues and costs between exchange rates used for U.S. GAAP reporting and exchange rates used for segment reporting as a methodology difference.

- We do not include stock-based compensation expense in segment profit.

- Postretirement benefit expenses are split; segments are generally responsible for service costs, with the remaining elements of net periodic benefit cost included as a methodology difference.

- We determine ME&T segment profit on a pretax basis and exclude interest expense and most other income/expense items. We determine Financial Products Segment profit on a pretax basis and include other income/expense items.

Reconciling items are created based on accounting differences between segment reporting and our consolidated external reporting. Please refer to pages 30 to 33 for financial information regarding significant reconciling items. Most of our reconciling items are self-explanatory given the above explanations. For the reconciliation of profit, we have grouped the reconciling items as follows:

- **Corporate costs:** These costs are related to corporate requirements primarily for compliance and legal functions for the benefit of the entire organization.

- **Restructuring costs:** May include costs for employee separation, long-lived asset impairments, contract terminations and divestiture impacts. These costs are included in Other operating (income) expenses except for defined-benefit plan curtailment losses and special termination benefits, which are included in Other income (expense). Restructuring costs also include other exit-related costs, which may consist of accelerated depreciation, inventory write-downs, building demolition, equipment relocation and project management costs and LIFO inventory decrement benefits from inventory liquidations at closed facilities, all of which are primarily included in Cost of goods sold. See Note 20 for more information.

- **Methodology differences:** See previous discussion of significant accounting differences between segment reporting and consolidated external reporting.

- **Timing:** Timing differences in the recognition of costs between segment reporting and consolidated external reporting. For example, we report certain costs on the cash basis for segment reporting and the accrual basis for consolidated external reporting.

For the three and nine months ended September 30, 2023 and 2022, sales and revenues by geographic region reconciled to consolidated sales and revenues were as follows:

Sales and Revenues by Geographic Region (Millions of dollars)	North America	Latin America	EAME	Asia/ Pacific	External Sales and Revenues	Intersegment Sales and Revenues	Total Sales and Revenues
Three Months Ended September 30, 2023							
Construction Industries	$ 4,078	$ 555	$ 1,351	$ 997	$ 6,981	$ 18	$ 6,999
Resource Industries	1,366	499	508	886	3,259	92	3,351
Energy & Transportation	2,966	460	1,428	901	5,755	1,104	6,859
Financial Products Segment	627	110	132	110	979 [1]	—	979
Total sales and revenues from reportable segments	9,037	1,624	3,419	2,894	16,974	1,214	18,188
All Other operating segment	16	(1)	5	10	30	76	106
Corporate Items and Eliminations	(126)	(20)	(22)	(26)	(194)	(1,290)	(1,484)
Total Sales and Revenues	$ 8,927	$ 1,603	$ 3,402	$ 2,878	$ 16,810	$ —	$ 16,810
Three Months Ended September 30, 2022							
Construction Industries	$ 3,106	$ 799	$ 1,247	$ 1,084	$ 6,236	$ 40	$ 6,276
Resource Industries	1,122	472	526	893	3,013	74	3,087
Energy & Transportation	2,422	468	1,280	827	4,997	1,189	6,186
Financial Products Segment	522	90	100	107	819 [1]	—	819
Total sales and revenues from reportable segments	7,172	1,829	3,153	2,911	15,065	1,303	16,368
All Other operating segment	16	—	4	15	35	68	103
Corporate Items and Eliminations	(53)	(20)	(12)	(21)	(106)	(1,371)	(1,477)
Total Sales and Revenues	$ 7,135	$ 1,809	$ 3,145	$ 2,905	$ 14,994	$ —	$ 14,994

[1] Includes revenues from Construction Industries, Resource Industries, Energy & Transportation and All Other operating segment of $181 million and $124 million in the three months ended September 30, 2023 and 2022, respectively.

Sales and Revenues by Geographic Region							
(Millions of dollars)	North America	Latin America	EAME	Asia/ Pacific	External Sales and Revenues	Intersegment Sales and Revenues	Total Sales and Revenues
Nine Months Ended September 30, 2023							
Construction Industries	$ 11,654	$ 1,720	$ 4,125	$ 3,307	$ 20,806	$ 93	$ 20,899
Resource Industries	4,016	1,511	1,624	2,940	10,091	250	10,341
Energy & Transportation	8,658	1,299	4,291	2,519	16,767	3,565	20,332
Financial Products Segment	1,795	316	364	329	2,804 [1]	—	2,804
Total sales and revenues from reportable segments	26,123	4,846	10,404	9,095	50,468	3,908	54,376
All Other operating segment	50	(1)	13	37	99	234	333
Corporate Items and Eliminations	(374)	(61)	(64)	(78)	(577)	(4,142)	(4,719)
Total Sales and Revenues	$ 25,799	$ 4,784	$ 10,353	$ 9,054	$ 49,990	$ —	$ 49,990
Nine Months Ended September 30, 2022							
Construction Industries	$ 8,832	$ 2,061	$ 3,726	$ 3,694	$ 18,313	$ 111	$ 18,424
Resource Industries	3,167	1,337	1,609	2,554	8,667	211	8,878
Energy & Transportation	6,637	1,160	3,679	2,193	13,669	3,260	16,929
Financial Products Segment	1,530	250	293	327	2,400 [1]	—	2,400
Total sales and revenues from reportable segments	20,166	4,808	9,307	8,768	43,049	3,582	46,631
All Other operating segment	52	—	14	46	112	227	339
Corporate Items and Eliminations	(175)	(59)	(33)	(64)	(331)	(3,809)	(4,140)
Total Sales and Revenues	$ 20,043	$ 4,749	$ 9,288	$ 8,750	$ 42,830	$ —	$ 42,830

[1] Includes revenues from Construction Industries, Resource Industries, Energy & Transportation and All Other operating segment of $515 million and $332 million in the nine months ended September 30, 2023 and 2022, respectively.

For the three and nine months ended September 30, 2023 and 2022, Energy & Transportation segment sales by end user application were as follows:

Energy & Transportation External Sales	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions of dollars)	2023	2022	2023	2022
Oil and gas	$ 1,667	$ 1,323	$ 4,741	$ 3,503
Power generation	1,598	1,320	4,527	3,518
Industrial	1,220	1,158	3,793	3,295
Transportation	1,270	1,196	3,706	3,353
Energy & Transportation External Sales	$ 5,755	$ 4,997	$ 16,767	$ 13,669

Reconciliation of Consolidated profit before taxes:

(Millions of dollars)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Profit from reportable segments:				
Construction Industries	$ 1,847	$ 1,209	$ 5,440	$ 3,255
Resource Industries	730	506	2,234	1,222
Energy & Transportation	1,181	935	3,507	2,132
Financial Products Segment	203	220	675	675
Total profit from reportable segments	3,961	2,870	11,856	7,284
Profit from All Other operating segment	21	8	42	42
Cost centers	10	(37)	53	1
Corporate costs	(265)	(168)	(714)	(670)
Timing	22	(84)	(89)	(129)
Restructuring costs	(46)	(49)	(688)	(90)
Methodology differences:				
Inventory/cost of sales	(2)	138	137	407
Postretirement benefit expense	(13)	82	(84)	293
Stock-based compensation expense	(60)	(55)	(178)	(162)
Financing costs	(13)	(75)	(115)	(269)
Currency	78	53	106	315
Other income/expense methodology differences	(164)	(109)	(468)	(287)
Other methodology differences	(14)	(16)	(57)	(82)
Total consolidated profit before taxes	$ 3,515	$ 2,558	$ 9,801	$ 6,653

Reconciliation of Assets:

(Millions of dollars)	September 30, 2023	December 31, 2022
Assets from reportable segments:		
Construction Industries	$ 5,407	$ 5,168
Resource Industries	5,831	5,775
Energy & Transportation	10,373	9,455
Financial Products Segment	34,953	34,269
Total assets from reportable segments	56,564	54,667
Assets from All Other operating segment	1,855	1,828
Items not included in segment assets:		
Cash and cash equivalents	5,874	6,042
Deferred income taxes	2,601	2,098
Goodwill and intangible assets	4,413	4,248
Property, plant and equipment – net and other assets	6,969	4,234
Inventory methodology differences	(3,259)	(3,063)
Liabilities included in segment assets	12,227	12,519
Other	(453)	(630)
Total assets	$ 86,791	$ 81,943

Reconciliation of Depreciation and amortization:
(Millions of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Depreciation and amortization from reportable segments:				
Construction Industries	$ 54	$ 57	$ 162	$ 172
Resource Industries	66	92	235	275
Energy & Transportation	139	136	401	405
Financial Products Segment	186	183	545	556
Total depreciation and amortization from reportable segments	445	468	1,343	1,408
Items not included in segment depreciation and amortization:				
All Other operating segment	59	56	176	172
Cost centers	23	20	65	63
Other	(2)	7	15	18
Total depreciation and amortization	$ 525	$ 551	$ 1,599	$ 1,661

Reconciliation of Capital expenditures:
(Millions of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Capital expenditures from reportable segments:				
Construction Industries	$ 105	$ 74	$ 188	$ 149
Resource Industries	62	65	132	129
Energy & Transportation	249	167	595	444
Financial Products Segment	342	295	1,031	870
Total capital expenditures from reportable segments	758	601	1,946	1,592
Items not included in segment capital expenditures:				
All Other operating segment	67	54	142	116
Cost centers	27	16	71	41
Timing	—	(35)	185	173
Other	(71)	(19)	(106)	(31)
Total capital expenditures	$ 781	$ 617	$ 2,238	$ 1,891

17. Cat Financial financing activities

Allowance for credit losses

Portfolio segments
A portfolio segment is the level at which Cat Financial develops a systematic methodology for determining its allowance for credit losses. Cat Financial's portfolio segments and related methods for estimating expected credit losses are as follows:

Customer
Cat Financial provides loans and finance leases to end-user customers primarily for the purpose of financing new and used Caterpillar machinery, engines and equipment for commercial use. Cat Financial also provides financing for power generation facilities that, in most cases, incorporate Caterpillar products. The average original term of Cat Financial's customer finance receivable portfolio was approximately 51 months with an average remaining term of approximately 27 months as of September 30, 2023.

Cat Financial typically maintains a security interest in financed equipment and requires physical damage insurance coverage on the financed equipment, both of which provide Cat Financial with certain rights and protections. If Cat Financial's collection efforts fail to bring a defaulted account current, Cat Financial generally can repossess the financed equipment, after satisfying local legal requirements, and sell it within the Caterpillar dealer network or through third-party auctions.

Cat Financial estimates the allowance for credit losses related to its customer finance receivables based on loss forecast models utilizing probabilities of default and the estimated loss given default based on past loss experience adjusted for current conditions and reasonable and supportable forecasts capturing country and industry-specific economic factors.

During the three and nine months ended September 30, 2023, Cat Financial's forecasts reflected a continuation of the trend of relatively low unemployment rates and delinquencies within their portfolio. However, industry delinquencies show an increasing trend as persistently high inflation rates and consequent central bank actions are weakening global economic growth. The company believes the economic forecasts employed represent reasonable and supportable forecasts, followed by a reversion to long-term trends.

Dealer
Cat Financial provides financing to Caterpillar dealers in the form of wholesale financing plans. Cat Financial's wholesale financing plans provide assistance to dealers by financing their mostly new Caterpillar equipment inventory and rental fleets on a secured and unsecured basis. In addition, Cat Financial provides a variety of secured and unsecured loans to Caterpillar dealers.

Cat Financial estimates the allowance for credit losses for dealer finance receivables based on historical loss rates with consideration of current economic conditions and reasonable and supportable forecasts.

In general, Cat Financial's Dealer portfolio segment has not historically experienced large increases or decreases in credit losses based on changes in economic conditions due to its close working relationships with the dealers and their financial strength. Therefore, Cat Financial made no adjustments to historical loss rates during the three and nine months ended September 30, 2023.

Classes of finance receivables
Cat Financial further evaluates portfolio segments by the class of finance receivables, which is defined as a level of information (below a portfolio segment) in which the finance receivables have the same initial measurement attribute and a similar method for assessing and monitoring credit risk. Cat Financial's classes, which align with management reporting for credit losses, are as follows:

- **North America** - Finance receivables originated in the United States and Canada.
- **EAME** - Finance receivables originated in Europe, Africa, the Middle East and Eurasia.
- **Asia/Pacific** - Finance receivables originated in Australia, New Zealand, China, Japan, Southeast Asia and India.
- **Mining** - Finance receivables related to large mining customers worldwide.
- **Latin America** - Finance receivables originated in Mexico and Central and South American countries.
- **Power** - Finance receivables originated worldwide related to Caterpillar electrical power generation, gas compression and co-generation systems and non-Caterpillar equipment that is powered by these systems.

Receivable balances, including accrued interest, are written off against the allowance for credit losses when, in the judgment of management, they are considered uncollectible (generally upon repossession of the collateral). The amount of the write-off is determined by comparing the fair value of the collateral, less cost to sell, to the amortized cost. Subsequent recoveries, if any, are credited to the allowance for credit losses when received.

An analysis of the allowance for credit losses was as follows:

(Millions of dollars)	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Customer	Dealer	Total	Customer	Dealer	Total
Beginning balance	$ 265	$ 50	$ 315	$ 290	$ 82	$ 372
Write-offs	(22)	—	(22)	(30)	—	(30)
Recoveries	13	—	13	17	—	17
Provision for credit losses [1]	31	1	32	(2)	(17)	(19)
Other	(3)	—	(3)	(5)	—	(5)
Ending balance	$ 284	$ 51	$ 335	$ 270	$ 65	$ 335
	Nine Months Ended September 30, 2023			**Nine Months Ended September 30, 2022**		
	Customer	Dealer	Total	Customer	Dealer	Total
Beginning balance	$ 277	$ 65	$ 342	$ 251	$ 82	$ 333
Write-offs	(63)	—	(63)	(68)	—	(68)
Recoveries	36	—	36	47	—	47
Provision for credit losses [1]	35	(14)	21	46	(17)	29
Other	(1)	—	(1)	(6)	—	(6)
Ending balance	$ 284	$ 51	$ 335	$ 270	$ 65	$ 335
Finance Receivables	$ 19,768	$ 2,060	$ 21,828	$ 19,363	$ 1,737	$ 21,100

[1] Excludes provision for credit losses on unfunded commitments and other miscellaneous receivables.

Gross write-offs by origination year for the Customer portfolio segment were as follows:

(Millions of dollars)	Three Months Ended September 30, 2023							
	2023	2022	2021	2020	2019	Prior	Revolving Finance Receivables	Total
North America	$ 1	$ 2	$ 2	$ 1	$ 1	$ —	$ 2	$ 9
EAME	—	1	1	1	—	—	—	3
Asia/Pacific	—	2	3	1	—	—	—	6
Latin America	—	1	1	1	—	1	—	4
Total	$ 1	$ 6	$ 7	$ 4	$ 1	$ 1	$ 2	$ 22
	Nine Months Ended September 30, 2023							
	2023	2022	2021	2020	2019	Prior	Revolving Finance Receivables	Total
North America	$ 1	$ 7	$ 7	$ 2	$ 2	$ 1	$ 9	$ 29
EAME	—	2	3	3	—	1	—	9
Asia/Pacific	—	3	6	4	1	—	—	14
Latin America	—	3	3	3	1	1	—	11
Total	$ 1	$ 15	$ 19	$ 12	$ 4	$ 3	$ 9	$ 63

Credit quality of finance receivables

At origination, Cat Financial evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, loan-to-value ratios, probabilities of default, industry trends, macroeconomic factors and other internal metrics. On an ongoing basis, Cat Financial monitors credit quality based on past-due status as there is a meaningful correlation between the past-due status of customers and the risk of loss. In determining past-due status, Cat Financial considers the entire finance receivable past due when any installment is over 30 days past due.

Customer

The tables below summarize the aging category of Cat Financial's amortized cost of finance receivables in the Customer portfolio segment by origination year:

(Millions of dollars)	September 30, 2023							
	2023	2022	2021	2020	2019	Prior	Revolving Finance Receivables	Total Finance Receivables
North America								
Current	$ 3,134	$ 2,940	$ 2,310	$ 919	$ 310	$ 65	$ 304	$ 9,982
31-60 days past due	18	31	23	15	6	2	3	98
61-90 days past due	6	10	7	4	1	—	2	30
91+ days past due	5	19	18	10	5	3	2	62
EAME								
Current	914	962	649	297	144	124	—	3,090
31-60 days past due	11	8	11	3	1	—	—	34
61-90 days past due	3	6	3	3	2	—	—	17
91+ days past due	4	16	18	9	3	1	—	51
Asia/Pacific								
Current	722	660	361	103	21	6	—	1,873
31-60 days past due	2	12	10	4	1	—	—	29
61-90 days past due	1	3	3	4	1	—	—	12
91+ days past due	—	4	5	3	—	—	—	12
Mining								
Current	807	730	420	143	92	49	49	2,290
31-60 days past due	—	—	—	—	—	—	—	—
61-90 days past due	—	—	1	—	—	2	—	3
91+ days past due	—	2	2	—	—	1	—	5
Latin America								
Current	552	571	255	74	29	8	—	1,489
31-60 days past due	6	13	7	4	3	1	—	34
61-90 days past due	1	5	2	1	—	—	—	9
91+ days past due	1	15	9	8	8	20	—	61
Power								
Current	46	68	69	86	30	122	162	583
31-60 days past due	—	—	—	—	—	1	—	1
61-90 days past due	—	—	—	—	—	—	—	—
91+ days past due	—	—	—	—	—	3	—	3
Totals by Aging Category								
Current	$ 6,175	$ 5,931	$ 4,064	$ 1,622	$ 626	$ 374	$ 515	$ 19,307
31-60 days past due	37	64	51	26	11	4	3	196
61-90 days past due	11	24	16	12	4	2	2	71
91+ days past due	10	56	52	30	16	28	2	194
Total Customer	$ 6,233	$ 6,075	$ 4,183	$ 1,690	$ 657	$ 408	$ 522	$ 19,768

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(Millions of dollars)	December 31, 2022							
	2022	2021	2020	2019	2018	Prior	Revolving Finance Receivables	Total Finance Receivables
North America								
Current	$ 3,915	$ 3,276	$ 1,525	$ 653	$ 206	$ 34	$ 240	$ 9,849
31-60 days past due	25	26	18	12	4	1	4	90
61-90 days past due	9	15	7	3	1	—	3	38
91+ days past due	11	16	12	6	4	3	4	56
EAME								
Current	1,270	953	477	280	155	68	—	3,203
31-60 days past due	10	12	7	1	1	—	—	31
61-90 days past due	8	4	3	1	—	—	—	16
91+ days past due	6	25	16	4	1	1	—	53
Asia/Pacific								
Current	1,033	684	313	69	18	2	—	2,119
31-60 days past due	10	12	8	1	1	—	—	32
61-90 days past due	2	5	4	2	—	—	—	13
91+ days past due	2	6	6	4	—	—	—	18
Mining								
Current	863	575	220	171	93	108	80	2,110
31-60 days past due	—	1	—	—	—	—	—	1
61-90 days past due	—	—	—	—	—	—	—	—
91+ days past due	—	—	—	—	—	1	—	1
Latin America								
Current	770	400	150	69	26	20	—	1,435
31-60 days past due	7	8	4	2	—	1	—	22
61-90 days past due	2	5	1	1	—	—	—	9
91+ days past due	2	13	11	2	1	—	—	29
Power								
Current	78	85	142	33	18	161	125	642
31-60 days past due	—	—	—	—	—	—	—	—
61-90 days past due	—	—	—	—	—	—	—	—
91+ days past due	—	—	—	—	—	5	—	5
Totals by Aging Category								
Current	$ 7,929	$ 5,973	$ 2,827	$ 1,275	$ 516	$ 393	$ 445	$ 19,358
31-60 days past due	52	59	37	16	6	2	4	176
61-90 days past due	21	29	15	7	1	—	3	76
91+ days past due	21	60	45	16	6	10	4	162
Total Customer	$ 8,023	$ 6,121	$ 2,924	$ 1,314	$ 529	$ 405	$ 456	$ 19,772

Finance receivables in the Customer portfolio segment are substantially secured by collateral, primarily in the form of Caterpillar and other equipment. For those contracts where the borrower is experiencing financial difficulty, repayment of the outstanding amounts is generally expected to be provided through the operation or repossession and sale of the equipment.

Dealer

As of September 30, 2023 and December 31, 2022, Cat Financial's total amortized cost of finance receivables within the Dealer portfolio segment was current, with the exception of $44 million and $58 million, respectively, that were 91+ days past due in Latin America, all of which were originated in 2017.

Non-accrual finance receivables

Recognition of income is suspended and the finance receivable is placed on non-accrual status when management determines that collection of future income is not probable. Contracts on non-accrual status are generally more than 120 days past due. Recognition is resumed and previously suspended income is recognized when collection is considered probable. Payments received while the finance receivable is on non-accrual status are applied to interest and principal in accordance with the contractual terms. Interest earned but uncollected prior to the receivable being placed on non-accrual status is written off through Provision for credit losses when, in the judgment of management, it is considered uncollectible.

In Cat Financial's Customer portfolio segment, finance receivables which were on non-accrual status and finance receivables over 90 days past due and still accruing income were as follows:

(Millions of dollars)	September 30, 2023			December 31, 2022		
	Amortized Cost			Amortized Cost		
	Non-accrual With an Allowance	Non-accrual Without an Allowance	91+ Still Accruing	Non-accrual With an Allowance	Non-accrual Without an Allowance	91+ Still Accruing
North America	$ 54	$ —	$ 12	$ 52	$ 4	$ 11
EAME	44	—	9	43	—	10
Asia/Pacific	8	—	5	11	—	7
Mining	4	—	1	—	1	—
Latin America	69	—	—	45	—	—
Power	9	—	—	5	11	—
Total	$ 188	$ —	$ 27	$ 156	$ 16	$ 28

There were $44 million and $58 million, respectively, in finance receivables in Cat Financial's Dealer portfolio segment on non-accrual status as of September 30, 2023 and December 31, 2022, all of which was in Latin America.

Modifications

Cat Financial periodically modifies the terms of their finance receivable agreements in response to borrowers' financial difficulty. Typically, the types of modifications granted are payment deferrals, interest-only payment periods and/or term extensions. Many modifications Cat Financial grants are for commercial reasons or for borrowers experiencing some form of short-term financial stress and may result in insignificant payment delays. Cat Financial does not consider these borrowers to be experiencing financial difficulty. Modifications for borrowers Cat Financial does consider to be experiencing financial difficulty typically result in payment deferrals and/or reduced payments for a period of four months or longer, term extension of six months or longer or a combination of both.

During the three and nine months ended September 30, 2023, there were no finance receivable modifications granted to borrowers experiencing financial difficulty in Cat Financial's Dealer portfolio segment. The amortized cost basis of finance receivables modified for borrowers experiencing financial difficulty in the Customer portfolio segment during the three and nine months ended September 30, 2023, was $13 million and $38 million, respectively. Total modifications with borrowers experiencing financial difficulty represented 0.06 percent and 0.17 percent of Cat Financial's finance receivable portfolio for the same periods, respectively.

For the three and nine months ended September 30, 2023, the financial effects of term extensions for borrowers experiencing financial difficulty added a weighted average of 8 and 17 months, respectively, to the terms of modified contracts. For the three and nine months ended September 30, 2023, the financial effects of payment delays for borrowers experiencing financial difficulty resulted in weighted average payment deferrals and/or interest only payment periods of 6 and 7 months, respectively.

After Cat Financial modifies a finance receivable, they continue to track its performance under its most recent modified terms. As of September 30, 2023, all of the finance receivables modified with borrowers experiencing financial difficulty are current except for $3 million in EAME that was 31-60 days past due.

The effect of most modifications made to finance receivables for borrowers experiencing financial difficulty is already included in the allowance for credit losses based on the methodologies used to estimate the allowance; therefore, a change to the allowance for credit losses is generally not recorded upon modification. On rare occasions when principal forgiveness is provided, the amount forgiven is written off against the allowance for credit losses.

18. Fair value disclosures

A. Fair value measurements

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- **Level 1** – Quoted prices for identical instruments in active markets.
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
- **Level 3** – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon valuations in which one or more significant inputs are unobservable, including internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

We classify fair value measurements according to the lowest level input or value-driver that is significant to the valuation. We may therefore classify a measurement within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty or Caterpillar) will not be fulfilled. For financial assets traded in an active market (Level 1 and certain Level 2), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (certain Level 2 and Level 3), our fair value calculations have been adjusted accordingly.

Investments in debt and equity securities
We have investments in certain debt and equity securities that are recorded at fair value. Fair values for our U.S. treasury bonds and large capitalization value and smaller company growth equity securities are based upon valuations for identical instruments in active markets. Fair values for other government debt securities, corporate debt securities and mortgage-backed debt securities are based upon models that take into consideration such market-based factors as recent sales, risk-free yield curves and prices of similarly rated bonds.

We also have investments in time deposits classified as held-to-maturity debt securities. The fair value of these investments is based upon valuations observed in less active markets than Level 1. These investments have a maturity of less than one year and are recorded at amortized costs, which approximate fair value.

In addition, Insurance Services has an equity investment in a real estate investment trust (REIT) which is recorded at fair value based on the net asset value (NAV) of the investment and is not classified within the fair value hierarchy.

See Note 8 for additional information on our investments in debt and equity securities.

Derivative financial instruments
The fair value of interest rate contracts is primarily based on a standard industry accepted valuation model that utilizes the appropriate market-based forward swap curves and zero-coupon interest rates to determine discounted cash flows. The fair value of foreign currency and commodity forward, option and cross currency contracts is based on standard industry accepted valuation models that discount cash flows resulting from the differential between the contract price and the market-based forward rate.

See Note 5 for additional information.

Assets and liabilities measured on a recurring basis at fair value included in our Consolidated Statement of Financial Position as of September 30, 2023 and December 31, 2022 were as follows:

	September 30, 2023				
(Millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Measured at NAV**	**Total Assets / Liabilities, at Fair Value**
Assets					
Debt securities					
Government debt securities					
U.S. treasury bonds	$ 9	$ —	$ —	$ —	$ 9
Other U.S. and non-U.S. government bonds	—	53	—	—	53
Corporate debt securities					
Corporate bonds and other debt securities	—	2,730	—	—	2,730
Asset-backed securities	—	189	—	—	189
Mortgage-backed debt securities					
U.S. governmental agency	—	384	—	—	384
Residential	—	2	—	—	2
Commercial	—	126	—	—	126
Total debt securities	9	3,484	—	—	3,493
Equity securities					
Large capitalization value	204	—	—	—	204
Smaller company growth	31	—	—	—	31
REIT	—	—	—	184	184
Total equity securities	235	—	—	184	419
Derivative financial instruments - assets					
Foreign currency contracts - net	—	232	—	—	232
Commodity contracts - net	—	9	—	—	9
Total assets	$ 244	$ 3,725	$ —	$ 184	$ 4,153
Liabilities					
Derivative financial instruments - liabilities					
Interest rate contracts - net	$ —	$ 294	$ —	$ —	$ 294
Total liabilities	$ —	$ 294	$ —	$ —	$ 294

(Millions of dollars)	December 31, 2022 Level 1	Level 2	Level 3	Measured at NAV	Total Assets / Liabilities, at Fair Value
Assets					
Debt securities					
Government debt securities					
U.S. treasury bonds	$ 9	$ —	$ —	$ —	$ 9
Other U.S. and non-U.S. government bonds	—	55	—	—	55
Corporate debt securities					
Corporate bonds and other debt securities	—	2,416	50	—	2,466
Asset-backed securities	—	182	—	—	182
Mortgage-backed debt securities					
U.S. governmental agency	—	333	—	—	333
Residential	—	2	—	—	2
Commercial	—	117	—	—	117
Total debt securities	9	3,105	50	—	3,164
Equity securities					
Large capitalization value	203	—	—	—	203
Smaller company growth	31	—	—	—	31
REIT	—	—	—	207	207
Total equity securities	234	—	—	207	441
Derivative financial instruments - assets					
Foreign currency contracts - net	—	328	—	—	328
Commodity contracts - net	—	15	—	—	15
Total Assets	$ 243	$ 3,448	$ 50	$ 207	$ 3,948
Liabilities					
Derivative financial instruments - liabilities					
Interest rate contracts - net	$ —	$ 195	$ —	$ —	$ 195
Total liabilities	$ —	$ 195	$ —	$ —	$ 195

In addition to the amounts above, certain Cat Financial loans are subject to measurement at fair value on a nonrecurring basis and are classified as Level 3 measurements. A loan is measured at fair value when management determines that collection of contractual amounts due is not probable and the loan is individually evaluated. In these cases, an allowance for credit losses may be established based either on the present value of expected future cash flows discounted at the receivables' effective interest rate, the fair value of the collateral for collateral-dependent receivables, or the observable market price of the receivable. In determining collateral value, Cat Financial estimates the current fair market value of the collateral less selling costs. Cat Financial had loans carried at fair value of $57 million and $68 million as of September 30, 2023 and December 31, 2022, respectively.

B. Fair values of financial instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair value measurements section above, we use the following methods and assumptions to estimate the fair value of our financial instruments:

Cash and cash equivalents
Carrying amount approximates fair value. We classify cash and cash equivalents as Level 1. See Consolidated Statement of Financial Position.

Restricted cash and short-term investments
Carrying amount approximates fair value. We include restricted cash and short-term investments in Prepaid expenses and other current assets in the Consolidated Statement of Financial Position. We classify these instruments as Level 1 except for time deposits which are Level 2, and certain corporate debt securities which are Level 3. See Note 8 for additional information.

Finance receivables
We estimate fair value by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Wholesale inventory receivables
We estimate fair value by discounting the future cash flows using current rates, representative of receivables with similar remaining maturities.

Short-term borrowings
Carrying amount approximates fair value. We classify short-term borrowings as Level 1. See Consolidated Statement of Financial Position.

Long-term debt
We estimate fair value for fixed and floating rate debt based on quoted market prices.

Guarantees
The fair value of guarantees is based upon our estimate of the premium a market participant would require to issue the same guarantee in a stand-alone arms-length transaction with an unrelated party. If quoted or observable market prices are not available, fair value is based upon internally developed models that utilize current market-based assumptions. We classify guarantees as Level 3. See Note 11 for additional information.

Our financial instruments not carried at fair value were as follows:

	September 30, 2023		December 31, 2022			
(Millions of dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Fair Value Levels**	**Reference**
Assets						
Finance receivables – net (excluding finance leases [1])	$ 14,894	$ 14,365	$ 13,965	$ 13,377	3	Note 17
Wholesale inventory receivables – net (excluding finance leases [1])	1,075	1,032	827	778	3	
Liabilities						
Long-term debt (including amounts due within one year)						
Machinery, Energy & Transportation	9,513	8,712	9,618	9,240	2	
Financial Products	23,408	22,806	21,418	20,686	2	

[1] Represents finance leases and failed sale leasebacks of $6,816 million and $7,325 million at September 30, 2023 and December 31, 2022, respectively.

19. Other income (expense)

(Millions of dollars)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Investment and interest income	$ 135	$ 52	$ 324	$ 98
Foreign exchange gains (losses) [1]	17	134	(15)	405
License fee income	37	37	111	106
Net periodic pension and OPEB income (cost), excluding service cost	(12)	67	(37)	201
Gains (losses) on securities	6	—	(15)	(59)
Miscellaneous income (loss)	12	(48)	(14)	4
Total	$ 195	$ 242	$ 354	$ 755

[1] Includes gains (losses) from foreign exchange derivative contracts. See Note 5 for further details.

20. Restructuring costs

Our accounting for employee separations is dependent upon how the particular program is designed. For voluntary programs, we recognize eligible separation costs at the time of employee acceptance unless the acceptance requires explicit approval by the company. For involuntary programs, we recognize eligible costs when management has approved the program, the affected employees have been properly notified and the costs are estimable.

Restructuring costs for the three and nine months ended September 30, 2023 and 2022 were as follows:

(Millions of dollars)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Employee separations [1]	$ 10	$ 39	$ 32	$ 62
Longwall divestiture [1]	—	—	586	—
Contract terminations [1]	—	1	—	1
Long-lived asset impairments [1]	2	(4)	4	1
Other [2]	34	13	66	26
Total restructuring costs	$ 46	$ 49	$ 688	$ 90

[1] Recognized in Other operating (income) expenses.

[2] Represents costs related to our restructuring programs, primarily for inventory write-downs, accelerated depreciation, project management and equipment relocation, all of which are primarily included in Cost of goods sold.

The restructuring costs for the nine months ended September 30, 2023 were primarily related to the divestiture of the company's Longwall business within Resource Industries. The divestiture closed on February 1, 2023 and resulted in a pre-tax loss of approximately $586 million, primarily a non-cash item driven by the release of $494 million of accumulated foreign currency translation. The transaction is subject to certain post-closing adjustments. For the nine months ended September 30, 2022, the restructuring costs were primarily related to actions across the company including strategic actions to address a small number of products.

In 2023 and 2022, all restructuring costs are excluded from segment profit.

The following table summarizes the 2023 and 2022 employee separation activity:

(Millions of dollars)	Nine Months Ended September 30, 2023	2022
Liability balance, beginning of period	$ 39	$ 61
Increase in liability (separation charges)	32	62
Reduction in liability (payments)	(55)	(63)
Liability balance, end of period	$ 16	$ 60

Most of the liability balance at September 30, 2023 is expected to be paid in 2023 and 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide information that will assist the reader in understanding the company's Consolidated Financial Statements, the changes in certain key items in those financial statements between select periods and the primary factors that accounted for those changes. In addition, we discuss how certain accounting principles, policies and critical estimates affect our Consolidated Financial Statements. Our discussion also contains certain forward-looking statements related to future events and expectations as well as a discussion of the many factors that we believe may have an impact on our business on an ongoing basis. This MD&A should be read in conjunction with our discussion of cautionary statements and significant risks to the company's business under Part I, Item 1A. Risk Factors of the 2022 Form 10-K.

Highlights for the third quarter of 2023 include:

- Total sales and revenues for the third quarter of 2023 were $16.810 billion, an increase of $1.816 billion, or 12 percent, compared with $14.994 billion in the third quarter of 2022. Sales were higher across the three primary segments.
- Operating profit margin was 20.5 percent for the third quarter of 2023, compared with 16.2 percent for the third quarter of 2022. ***Adjusted operating profit margin*** was 20.8 percent for the third quarter of 2023, compared with 16.5 percent for the third quarter of 2022.
- Third-quarter 2023 profit per share was $5.45, and excluding the items in the table below, ***adjusted profit per share*** was $5.52. Third-quarter 2022 profit per share was $3.87, and excluding the items in the table below, adjusted profit per share was $3.95.
- Caterpillar ended the third quarter of 2023 with $6.5 billion of enterprise cash.

Highlights for the nine months ended September 30, 2023 include:

- Total sales and revenues were $49.990 billion for the nine months ended September 30, 2023, an increase of $7.160 billion, or 17 percent, compared with $42.830 billion for the nine months ended September 30, 2022.
- Operating profit margin was 19.7 percent for the nine months ended September 30, 2023, compared with 14.5 percent for the nine months ended September 30, 2022. Adjusted operating profit margin was 21.0 percent for the nine months ended September 30, 2023, compared with 14.7 percent for the nine months ended September 30, 2022.
- Profit per share for the nine months ended September 30, 2023, was $14.85, and excluding the items in the table below, adjusted profit per share was $15.98. Profit per share for the nine months ended September 30, 2022, was $9.85, and excluding the items in the table below, adjusted profit per share was $9.99.
- Enterprise operating cash flow was $8.9 billion for the nine months ended September 30, 2023.
- In order for our results to be more meaningful to our readers, we have separately quantified the impact of several significant items. A detailed reconciliation of GAAP to non-GAAP financial measures is included on page 65.

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
(Dollars in millions except per share data)	Profit Before Taxes	Profit Per Share	Profit Before Taxes	Profit Per Share	Profit Before Taxes	Profit Per Share	Profit Before Taxes	Profit Per Share
Profit	**$ 3,515**	**$ 5.45**	**$ 2,558**	**$ 3.87**	**$ 9,801**	**$ 14.85**	**$ 6,653**	**$ 9.85**
Restructuring costs - Longwall divestiture	—	—	—	—	586	1.13	—	—
Other restructuring costs	46	0.07	49	0.08	102	0.17	90	0.14
Deferred tax valuation allowance adjustments	—	—	—	—	—	(0.17)	—	—
Adjusted profit	$ 3,561	$ 5.52	$ 2,607	$ 3.95	$ 10,489	$ 15.98	$ 6,743	$ 9.99

Overview

Total sales and revenues for the third quarter of 2023 were $16.810 billion, an increase of $1.816 billion, or 12 percent, compared with $14.994 billion in the third quarter of 2022. The increase was due to favorable ***price realization*** and higher ***sales volume***. The increase in sales volume was driven by higher sales of equipment to end users, partially offset by the impact from changes in ***dealer inventories*** and lower ***services*** sales volume. Dealer inventory increased more during the third quarter of 2022 than during the third quarter of 2023.

Third-quarter 2023 profit per share was $5.45, compared with $3.87 profit per share in the third quarter of 2022. Profit per share for both quarters included restructuring costs. Profit for the third quarter of 2023 was $2.794 billion, an increase of $753 million, or 37 percent, compared with $2.041 billion for the third quarter of 2022. The increase was primarily due to favorable price realization and higher sales volume, partially offset by higher selling, general and administrative (SG&A) and research and development (R&D) expenses, higher ***manufacturing costs*** and unfavorable impacts from foreign ***currency*** exchange.

Trends and Economic Conditions

Outlook for Key End Markets

In ***Construction Industries***, we continue to see positive momentum for North America. We expect continued growth in non-residential construction in North America due to the positive impact of government-related infrastructure investments and a healthy pipeline of construction projects. Although residential construction growth has moderated, we expect it to remain healthy. In Asia Pacific, excluding China, we expect growth due to public infrastructure spending and supportive commodity prices. We expect continued weakness in China. In ***EAME***, we anticipate the region will be slightly down. Continued weakness in Europe is expected to be partially offset by strong construction demand in the Middle East. Construction activity in ***Latin America*** is expected to be about flat versus a strong 2022 performance.

In ***Resource Industries***, within mining, customer product utilization remains high, the number of parked trucks remains low and the age of the fleet remains high, which supports future demand for our equipment and services. Order rates are slightly lower than we expected at this time, reflecting capital discipline by customers. The energy transition is expected to support increased commodity demand over time, expanding our total addressable market and providing further opportunities for long-term profitable growth. We expect heavy construction and quarry and aggregates to remain at healthy levels due to major infrastructure and non-residential construction projects.

In ***Energy & Transportation***, in Oil & Gas reciprocating engines, although customers remain disciplined, we are encouraged by continued strength in demand for gas compression. Power Generation reciprocating engine demand is expected to remain strong, primarily driven by data center growth. New equipment turbines and turbine-related services in both Oil & Gas and Power Generation remain robust. Industrial demand is expected to soften slightly from the recent high levels. In Transportation, we anticipate strength in high-speed marine as customers continue to upgrade aging fleets.

Company Trends and Expectations

For the full-year 2023, we expect a strong top line supported by price realization and higher sales of equipment to end users. The environment remains positive with an improving supply chain, a strong backlog and healthy demand across most end markets.

In the fourth quarter of 2023, we expect slightly higher sales and revenues compared to the fourth quarter of 2022. In the fourth quarter of 2023, price realization is expected to remain favorable as compared to the fourth quarter of 2022. We expect sales of equipment to end users to remain positive. We also expect an unfavorable impact from the changes in dealer inventories. We expect dealer inventory to decrease in the fourth quarter of 2023, compared to an increase in the fourth quarter of 2022.

We continue to expect operating profit to increase in 2023, compared to 2022. While we expect price realization to remain positive, the magnitude of the year-over-year benefit is expected to moderate in the fourth quarter of 2023 as we continue to lap prior year price increases. Incentive compensation is expected to be higher in the fourth quarter of 2023 compared to the fourth quarter of 2022. Within other income (expense), we do not expect the significant, unfavorable impacts from foreign currency exchange that occurred in the fourth quarter of 2022 to re-occur in the fourth quarter of 2023. We continue to anticipate higher pension expense in 2023, compared to 2022, due to higher interest costs from higher interest rates. The change is estimated to be just over $300 million for the full year as compared to 2022, or about $80 million per quarter.

For the full-year 2024, we expect continued strength in most of our key end markets as supported by our strong backlog, resulting in another good year.

Global Business Conditions

We continue to monitor a variety of external factors around the world, such as supply chain disruptions, inflationary cost and labor pressures. Areas of particular focus include certain components, transportation and raw materials. Contingency plans have been developed and continue to be modified to minimize supply chain challenges that may impact our ability to meet increasing customer demand. We continue to assess the environment to determine if additional actions need to be taken.

Risk Factors

Risk factors are disclosed within Item 1A. Risk Factors of the 2022 Form 10-K.

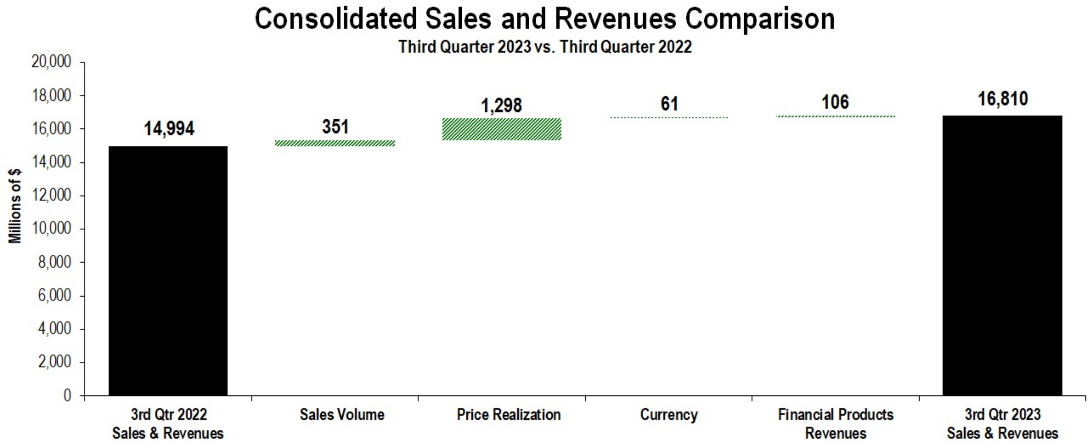
Notes:

- Glossary of terms is included on pages 59 - 61; first occurrence of terms shown in bold italics.
- Information on non-GAAP financial measures is included on page 65.
- Certain amounts may not add due to rounding.

Consolidated Results of Operations

THREE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2022

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in consolidated sales and revenues between the third quarter of 2022 (at left) and the third quarter of 2023 (at right). Caterpillar management utilizes these charts internally to visually communicate with the company's board of directors and employees.

Total sales and revenues for the third quarter of 2023 were $16.810 billion, an increase of $1.816 billion, or 12 percent, compared with $14.994 billion in the third quarter of 2022. The increase was due to favorable price realization and higher sales volume. The increase in sales volume was driven by higher sales of equipment to end users, partially offset by the impact from changes in dealer inventories and lower services sales volume. Dealer inventory increased more during the third quarter of 2022 than during the third quarter of 2023.

Sales were higher across the three primary segments.

North America sales increased 26 percent due to higher sales of equipment to end users and favorable price realization.

Sales decreased 13 percent in Latin America due to the impact from changes in dealer inventories. Dealer inventory increased during the third quarter of 2022, compared with a decrease during the third quarter of 2023.

EAME sales increased 8 percent due to favorable price realization.

Asia/Pacific sales were about flat. Favorable price realization and the impact from changes in dealer inventories were offset by lower sales of equipment to end users, unfavorable currency impacts, primarily related to the Australian dollar and Japanese yen, and lower services sales volume. Dealer inventory increased more during the third quarter of 2023 than during the third quarter of 2022.

Dealer inventory increased by $600 million during the third quarter of 2023, compared with an increase of $700 million during the third quarter of 2022. Dealers are independent, and the reasons for changes in their inventory levels vary, including their expectations of future demand and product delivery times. Dealers' demand expectations take into account seasonal changes, macroeconomic conditions, machine rentals and other factors. Delivery times can vary based on availability of product from Caterpillar factories and product distribution centers.

Sales and Revenues by Segment

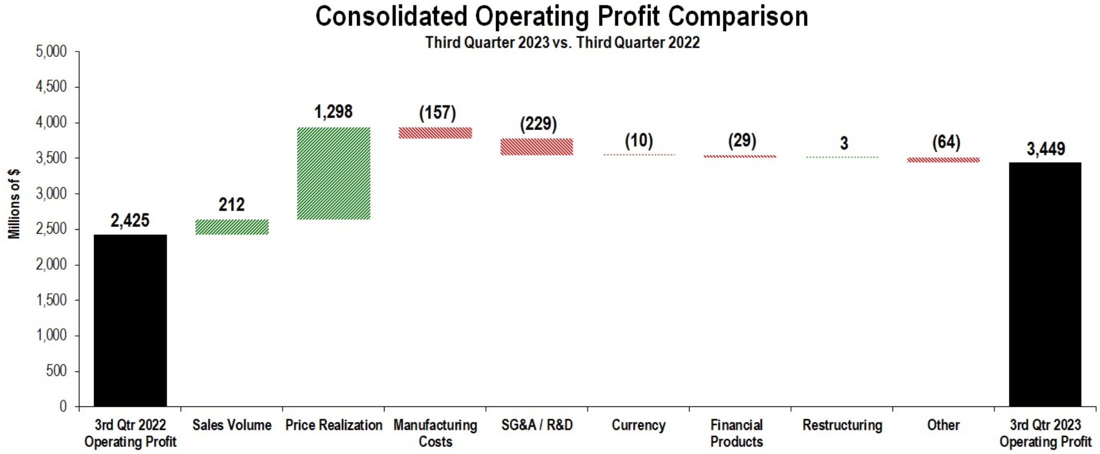
(Millions of dollars)	Third Quarter 2022	Sales Volume	Price Realization	Currency	Inter-Segment / Other	Third Quarter 2023	$ Change	% Change
Construction Industries	$ 6,276	$ 62	$ 662	$ 21	$ (22)	$ 6,999	$ 723	12 %
Resource Industries	3,087	(81)	336	(9)	18	3,351	264	9 %
Energy & Transportation	6,186	415	298	45	(85)	6,859	673	11 %
All Other Segment	103	(7)	2	—	8	106	3	3 %
Corporate Items and Eliminations	(1,374)	(38)	—	4	81	(1,327)	47	
***Machinery, Energy & Transportation* Sales**	14,278	351	1,298	61	—	15,988	1,710	12 %
Financial Products Segment	819	—	—	—	160	979	160	20 %
Corporate Items and Eliminations	(103)	—	—	—	(54)	(157)	(54)	
***Financial Products* Revenues**	716	—	—	—	106	822	106	15 %
Consolidated Sales and Revenues	$ 14,994	$ 351	$ 1,298	$ 61	$ 106	$ 16,810	$ 1,816	12 %

Sales and Revenues by Geographic Region

(Millions of dollars)	North America $	North America % Chg	Latin America $	Latin America % Chg	EAME $	EAME % Chg	Asia/Pacific $	Asia/Pacific % Chg	External Sales and Revenues $	External Sales and Revenues % Chg	Inter-Segment $	Inter-Segment % Chg	Total Sales and Revenues $	Total Sales and Revenues % Chg
Third Quarter 2023														
Construction Industries	$ 4,078	31 %	$ 555	(31 %)	$ 1,351	8 %	$ 997	(8 %)	$ 6,981	12 %	$ 18	(55 %)	$ 6,999	12 %
Resource Industries	1,366	22 %	499	6 %	508	(3 %)	886	(1 %)	3,259	8 %	92	24 %	3,351	9 %
Energy & Transportation	2,966	22 %	460	(2 %)	1,428	12 %	901	9 %	5,755	15 %	1,104	(7 %)	6,859	11 %
All Other Segment	16	— %	(1)	— %	5	25 %	10	(33 %)	30	(14 %)	76	12 %	106	3 %
Corporate Items and Eliminations	(35)		1		—		(3)		(37)		(1,290)		(1,327)	
Machinery, Energy & Transportation Sales	8,391	26 %	1,514	(13 %)	3,292	8 %	2,791	(1 %)	15,988	12 %	—	— %	15,988	12 %
Financial Products Segment	627	20 %	110	22 %	132	32 %	110	3 %	979 [1]	20 %	—	— %	979	20 %
Corporate Items and Eliminations	(91)		(21)		(22)		(23)		(157)		—		(157)	
Financial Products Revenues	536	15 %	89	27 %	110	25 %	87	(3 %)	822	15 %	—	— %	822	15 %
Consolidated Sales and Revenues	$ 8,927	25 %	$ 1,603	(11 %)	$ 3,402	8 %	$ 2,878	(1 %)	$ 16,810	12 %	$ —	— %	$ 16,810	12 %
Third Quarter 2022														
Construction Industries	$ 3,106		$ 799		$ 1,247		$ 1,084		$ 6,236		$ 40		$ 6,276	
Resource Industries	1,122		472		526		893		3,013		74		3,087	
Energy & Transportation	2,422		468		1,280		827		4,997		1,189		6,186	
All Other Segment	16		—		4		15		35		68		103	
Corporate Items and Eliminations	1		—		—		(4)		(3)		(1,371)		(1,374)	
Machinery, Energy & Transportation Sales	6,667		1,739		3,057		2,815		14,278		—		14,278	
Financial Products Segment	522		90		100		107		819 [1]		—		819	
Corporate Items and Eliminations	(54)		(20)		(12)		(17)		(103)		—		(103)	
Financial Products Revenues	468		70		88		90		716		—		716	
Consolidated Sales and Revenues	$ 7,135		$ 1,809		$ 3,145		$ 2,905		$ 14,994		$ —		$ 14,994	

[1] Includes revenues from Machinery, Energy & Transportation of $181 million and $124 million in the third quarter of 2023 and 2022, respectively.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in consolidated operating profit between the third quarter of 2022 (at left) and the third quarter of 2023 (at right). Caterpillar management utilizes these charts internally to visually communicate with the company's board of directors and employees. The bar titled Other includes ***consolidating adjustments*** and ***Machinery, Energy & Transportation's other operating (income) expenses***.

Operating profit for the third quarter of 2023 was $3.449 billion, an increase of $1.024 billion, or 42 percent, compared with $2.425 billion in the third quarter of 2022. The increase was primarily due to favorable price realization, including a favorable geographic mix of sales, and higher sales volume, partially offset by higher SG&A/R&D expenses and higher manufacturing costs. The increase in SG&A/R&D expenses was primarily driven by investments aligned with strategic initiatives, higher short-term incentive compensation expense and an unfavorable change in fair value adjustments related to deferred compensation plans. Unfavorable manufacturing costs were driven by lower freight being more than offset by higher material costs, unfavorable cost absorption, increased period manufacturing costs and the impact of manufacturing inefficiencies. Cost absorption was unfavorable as inventory increased during the third quarter of 2022, compared with a decrease in the third quarter of 2023.

Operating profit margin was 20.5 percent for the third quarter of 2023, compared with 16.2 percent for the third quarter of 2022.

Profit (Loss) by Segment

(Millions of dollars)	**Third Quarter 2023**	**Third Quarter 2022**	**$ Change**	**% Change**
Construction Industries	$ 1,847	$ 1,209	$ 638	53 %
Resource Industries	730	506	224	44 %
Energy & Transportation	1,181	935	246	26 %
All Other Segment	21	8	13	163 %
Corporate Items and Eliminations	(386)	(373)	(13)	
Machinery, Energy & Transportation	3,393	2,285	1,108	48 %
Financial Products Segment	203	220	(17)	(8 %)
Corporate Items and Eliminations	18	30	(12)	
Financial Products	221	250	(29)	(12 %)
Consolidating Adjustments	(165)	(110)	(55)	
Consolidated Operating Profit	$ 3,449	$ 2,425	$ 1,024	42 %

Other Profit/Loss and Tax Items

- Interest expense excluding Financial Products in the third quarter of 2023 was $129 million, compared with $109 million in the third quarter of 2022. The increase was due to higher average borrowing rates.
- Other income (expense) in the third quarter of 2023 was income of $195 million, compared with income of $242 million in the third quarter of 2022. The change was primarily driven by unfavorable impacts from foreign currency exchange and ***pension and other postemployment benefit (OPEB)*** plan costs, partially offset by higher investment and interest income and favorable impacts from commodity hedges and unrealized gains on marketable securities.
- The provision for income taxes for the third quarter of 2023 reflected an estimated annual tax rate of 22.5 percent, compared with 23 percent for the third quarter of 2022, excluding the discrete items discussed below. The comparative tax rate for full-year 2022 was 23.2 percent.

  The company recorded a $34 million benefit in the third quarter of 2023 compared to a $20 million benefit in the third quarter of 2022 due to a decrease from the second-quarter estimated annual tax rate. In the third quarter of 2023, the company also recorded a discrete tax benefit of $22 million for the settlement of stock-based compensation awards with associated tax deductions in excess of cumulative U.S. GAAP compensation expense. In the third quarter of 2022, the company also recorded a discrete benefit of $41 million to reflect changes in estimates related to prior years.

Construction Industries

Construction Industries' total sales were $6.999 billion in the third quarter of 2023, an increase of $723 million, or 12 percent, compared with $6.276 billion in the third quarter of 2022. The increase was primarily due to favorable price realization.

- In North America, sales increased due to higher sales volume and favorable price realization. Higher sales volume was driven by higher sales of equipment to end users and the impact from changes in dealer inventories. Dealer inventory increased more during the third quarter of 2023 than during the third quarter of 2022.
- Sales decreased in Latin America primarily due to lower sales volume, partially offset by favorable price realization. Lower sales volume was driven by the impact from changes in dealer inventories and lower sales of equipment to end users. Dealer inventory increased during the third quarter of 2022, compared with a decrease during the third quarter of 2023.
- In EAME, sales increased mainly due to favorable price realization and favorable currency impacts primarily related to the euro.
- Sales decreased in Asia/Pacific primarily due to lower sales volume. Lower sales volume was driven by lower sales of equipment to end users, partially offset by the impact from changes in dealer inventories. Dealer inventory increased during the third quarter of 2023, compared with a decrease during the third quarter of 2022.

Construction Industries' profit was $1.847 billion in the third quarter of 2023, an increase of $638 million, or 53 percent, compared with $1.209 billion in the third quarter of 2022. The increase was mainly due to favorable price realization.

Construction Industries' profit as a percent of total sales was 26.4 percent in the third quarter of 2023, compared with 19.3 percent in the third quarter of 2022.

Resource Industries

Resource Industries' total sales were $3.351 billion in the third quarter of 2023, an increase of $264 million, or 9 percent, compared with $3.087 billion in the third quarter of 2022. The increase was primarily due to favorable price realization, partially offset by lower sales volume. Sales volume decreased as higher sales of equipment to end users were more than offset by lower aftermarket parts sales volume and the impact from changes in dealer inventories. Dealer inventory increased during the third quarter of 2022, while remaining about flat during the third quarter of 2023.

Resource Industries' profit was $730 million in the third quarter of 2023, an increase of $224 million, or 44 percent, compared with $506 million in the third quarter of 2022. The increase was mainly due to favorable price realization, partially offset by lower sales volume, including an unfavorable mix of products.

Resource Industries' profit as a percent of total sales was 21.8 percent in the third quarter of 2023, compared with 16.4 percent in the third quarter of 2022.

Energy & Transportation

Sales by Application (Millions of dollars)	Third Quarter 2023	Third Quarter 2022	$ Change	% Change
Oil and Gas	$ 1,667	$ 1,323	$ 344	26 %
Power Generation	1,598	1,320	278	21 %
Industrial	1,220	1,158	62	5 %
Transportation	1,270	1,196	74	6 %
External Sales	5,755	4,997	758	15 %
Inter-segment	1,104	1,189	(85)	(7 %)
Total Sales	$ 6,859	$ 6,186	$ 673	11 %

Energy & Transportation's total sales were $6.859 billion in the third quarter of 2023, an increase of $673 million, or 11 percent, compared with $6.186 billion in the third quarter of 2022. Sales increased across all applications. The increase in sales was primarily due to higher sales volume and favorable price realization.

- Oil and Gas – Sales increased for turbines and turbine-related services. Sales also increased in reciprocating engines used in well servicing applications.
- Power Generation – Sales increased in large reciprocating engines, primarily data center applications.
- Industrial – Sales increased primarily in EAME and Latin America.
- Transportation – Sales increased in rail services.

Energy & Transportation's profit was $1.181 billion in the third quarter of 2023, an increase of $246 million, or 26 percent, compared with $935 million in the third quarter of 2022. The increase was mainly due to favorable price realization and higher sales volume, partially offset by higher SG&A/R&D expenses, unfavorable manufacturing costs and currency impacts. The increase in SG&A/R&D expenses was primarily driven by investments aligned with strategic initiatives and higher short-term incentive compensation expense. Unfavorable manufacturing costs reflected lower freight being more than offset by higher material costs, increased period manufacturing costs, the impact of manufacturing inefficiencies and the unfavorable impact from inventory write-downs.

Energy & Transportation's profit as a percent of total sales was 17.2 percent in the third quarter of 2023, compared with 15.1 percent in the third quarter of 2022.

Financial Products Segment

Financial Products' segment revenues were $979 million in the third quarter of 2023, an increase of $160 million, or 20 percent, compared with $819 million in the third quarter of 2022. The increase was primarily due to higher average financing rates across all regions.

Financial Products' segment profit was $203 million in the third quarter of 2023, a decrease of $17 million, or 8 percent, compared with $220 million in the third quarter of 2022. The decrease was mainly due to the absence of prior year reserve releases for credit losses at Cat Financial, partially offset by a favorable impact from mark-to-market adjustments on derivative contracts.

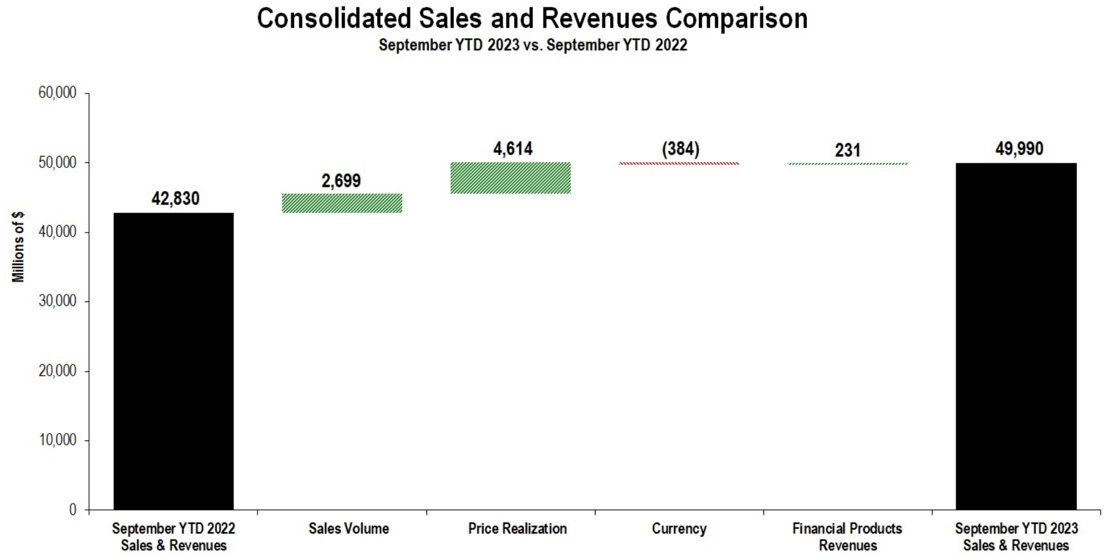
At the end of the third quarter of 2023, past dues at Cat Financial were 1.96 percent, compared with 2.00 percent at the end of the third quarter of 2022. Write-offs, net of recoveries, were $9 million for the third quarter of 2023, compared with $13 million for the third quarter of 2022. As of September 30, 2023, Cat Financial's allowance for credit losses totaled $340 million, or 1.23 percent of finance receivables, compared with $320 million, or 1.15 percent of finance receivables at June 30, 2023. The allowance for credit losses at year-end 2022 was $346 million, or 1.29 percent of finance receivables.

Corporate Items and Eliminations

Expense for corporate items and eliminations was $368 million in the third quarter of 2023, an increase of $25 million from the third quarter of 2022. Decreased expenses due to timing differences were more than offset by higher corporate costs, unfavorable impacts of segment reporting methodology differences and an unfavorable change in fair value adjustments related to deferred compensation plans.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2022

CONSOLIDATED SALES AND REVENUES



The chart above graphically illustrates reasons for the change in consolidated sales and revenues between the nine months ended September 30, 2022 (at left) and the nine months ended September 30, 2023 (at right). Caterpillar management utilizes these charts internally to visually communicate with the company's board of directors and employees.

Total sales and revenues were $49.990 billion for the nine months ended September 30, 2023, an increase of $7.160 billion, or 17 percent, compared with $42.830 billion for the nine months ended September 30, 2022. The increase was primarily due to favorable price realization and higher sales volume. The increase in sales volume was driven by higher sales of equipment to end users and the impact from changes in dealer inventories. Dealer inventory increased more during the nine months ended September 30, 2023, than the during the nine months ended September 30, 2022.

Sales were higher in the three primary segments.

North America sales increased 30 percent driven by higher sales of equipment to end users, favorable price realization and the impact from changes in dealer inventories. Dealer inventory increased more during the nine months ended September 30, 2023, than during the nine months ended September 30, 2022.

Sales were about flat in Latin America. Favorable price realization was offset by the impact from changes in dealer inventories and lower services sales volume. Dealer inventory increased during the nine months ended September 30, 2022, compared to a decrease during the nine months ended September 30, 2023.

EAME sales increased 11 percent due to favorable price realization and higher sales of equipment to end users.

Asia/Pacific sales increased 4 percent driven by favorable price realization and the impact from changes in dealer inventories, partially offset by unfavorable currency impacts, primarily related to the Australian dollar and Japanese yen, and lower sales of equipment to end users. Dealer inventory increased more during the nine months ended September 30, 2023, than during the nine months ended September 30, 2022.

Dealer inventory increased about $2.9 billion during the nine months ended September 30, 2023, compared with an increase of about $1.6 billion during the nine months ended September 30, 2022. Dealers are independent, and the reasons for changes in their inventory levels vary, including their expectations of future demand and product delivery times. Dealers' demand expectations take into account seasonal changes, macroeconomic conditions, machine rentals and other factors. Delivery times can vary based on availability of product from Caterpillar factories and product distribution centers.

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Sales and Revenues by Segment

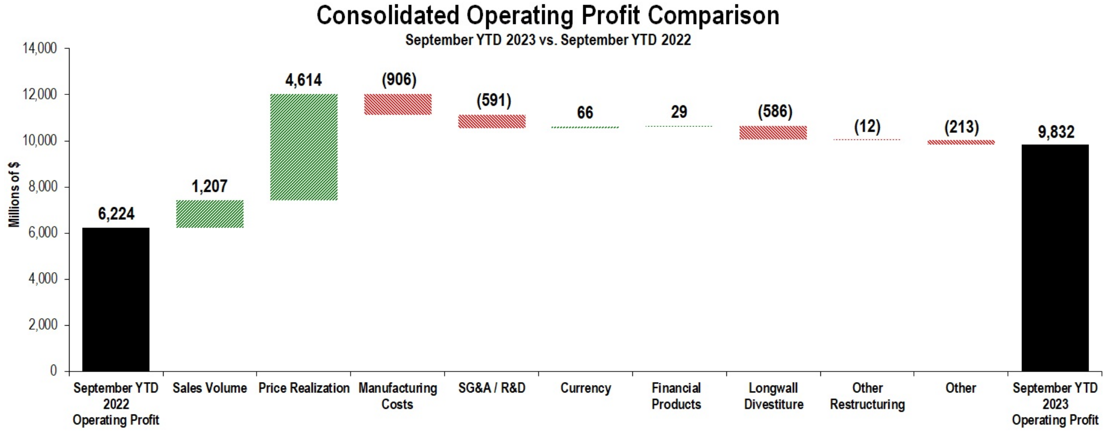
(Millions of dollars)	Nine Months Ended September 30, 2022	Sales Volume	Price Realization	Currency	Inter-Segment / Other	Nine Months Ended September 30, 2023	$ Change	% Change
Construction Industries	$ 18,424	$ 495	$ 2,233	$ (235)	$ (18)	$ 20,899	$ 2,475	13 %
Resource Industries	8,878	326	1,183	(85)	39	10,341	1,463	16 %
Energy & Transportation	16,929	1,968	1,195	(65)	305	20,332	3,403	20 %
All Other Segment	339	(13)	2	(2)	7	333	(6)	(2 %)
Corporate Items and Eliminations	(3,867)	(77)	1	3	(333)	(4,273)	(406)	
Machinery, Energy & Transportation Sales	40,703	2,699	4,614	(384)	—	47,632	6,929	17 %
Financial Products Segment	2,400	—	—	—	404	2,804	404	17 %
Corporate Items and Eliminations	(273)	—	—	—	(173)	(446)	(173)	
Financial Products Revenues	2,127	—	—	—	231	2,358	231	11 %
Consolidated Sales and Revenues	$ 42,830	$ 2,699	$ 4,614	$ (384)	$ 231	$ 49,990	$ 7,160	17 %

Sales and Revenues by Geographic Region

	North America		Latin America		EAME		Asia/Pacific		External Sales and Revenues		Inter-Segment		Total Sales and Revenues	
(Millions of dollars)	$	% Chg	$	% Chg	$	% Chg	$	% Chg	$	% Chg	$	% Chg	$	% Chg
Nine Months Ended September 30, 2023														
Construction Industries	$ 11,654	32 %	$ 1,720	(17 %)	$ 4,125	11 %	$ 3,307	(10 %)	$ 20,806	14 %	$ 93	(16 %)	$ 20,899	13 %
Resource Industries	4,016	27 %	1,511	13 %	1,624	1 %	2,940	15 %	10,091	16 %	250	18 %	10,341	16 %
Energy & Transportation	8,658	30 %	1,299	12 %	4,291	17 %	2,519	15 %	16,767	23 %	3,565	9 %	20,332	20 %
All Other Segment	50	(4 %)	(1)	— %	13	(7 %)	37	(20 %)	99	(12 %)	234	3 %	333	(2 %)
Corporate Items and Eliminations	(115)		(1)		(3)		(12)		(131)		(4,142)		(4,273)	
Machinery, Energy & Transportation Sales	24,263	30 %	4,528	(1 %)	10,050	11 %	8,791	4 %	47,632	17 %	—	— %	47,632	17 %
Financial Products Segment	1,795	17 %	316	26 %	364	24 %	329	1 %	2,804 [1]	17 %	—	— %	2,804	17 %
Corporate Items and Eliminations	(259)		(60)		(61)		(66)		(446)		—		(446)	
Financial Products Revenues	1,536	10 %	256	33 %	303	16 %	263	(4 %)	2,358	11 %	—	— %	2,358	11 %
Consolidated Sales and Revenues	$ 25,799	29 %	$ 4,784	1 %	$ 10,353	11 %	$ 9,054	3 %	$ 49,990	17 %	$ —	— %	$ 49,990	17 %
Nine Months Ended September 30, 2022														
Construction Industries	$ 8,832		$ 2,061		$ 3,726		$ 3,694		$ 18,313		$ 111		$ 18,424	
Resource Industries	3,167		1,337		1,609		2,554		8,667		211		8,878	
Energy & Transportation	6,637		1,160		3,679		2,193		13,669		3,260		16,929	
All Other Segment	52		—		14		46		112		227		339	
Corporate Items and Eliminations	(43)		(1)		(2)		(12)		(58)		(3,809)		(3,867)	
Machinery, Energy & Transportation Sales	18,645		4,557		9,026		8,475		40,703		—		40,703	
Financial Products Segment	1,530		250		293		327		2,400 [1]		—		2,400	
Corporate Items and Eliminations	(132)		(58)		(31)		(52)		(273)		—		(273)	
Financial Products Revenues	1,398		192		262		275		2,127		—		2,127	
Consolidated Sales and Revenues	$ 20,043		$ 4,749		$ 9,288		$ 8,750		$ 42,830		$ —		$ 42,830	

[1] Includes revenues from Machinery, Energy & Transportation of $515 million and $332 million in the nine months ended September 30, 2023 and 2022, respectively.

CONSOLIDATED OPERATING PROFIT



The chart above graphically illustrates reasons for the change in consolidated operating profit between the nine months ended September 30, 2022 (at left) and the nine months ended September 30, 2023 (at right). Caterpillar management utilizes these charts internally to visually communicate with the company's board of directors and employees. The bar titled Longwall Divestiture is included in total restructuring costs. The bar titled Other includes consolidating adjustments and Machinery, Energy & Transportation's other operating (income) expenses.

Operating profit for the nine months ended September 30, 2023, was $9.832 billion, an increase of $3.608 billion, or 58 percent, compared with $6.224 billion for the nine months ended September 30, 2022. The increase was due to favorable price realization and higher sales volume, partially offset by unfavorable manufacturing costs, higher SG&A/R&D expenses and the impact of the divestiture of the company's Longwall business. Unfavorable manufacturing costs largely reflected higher material costs, increased period manufacturing costs, the impact of manufacturing inefficiencies and unfavorable cost absorption, partially offset by lower freight. Cost absorption was unfavorable as inventory increased more during the nine months ended September 30, 2022 than during the nine months ended September 30, 2023. The increase in SG&A/R&D expenses was primarily driven by investments aligned with strategic initiatives and an unfavorable change in fair value adjustments related to deferred compensation plans.

In the first quarter of 2023, the divestiture of the company's Longwall business was finalized, resulting in an unfavorable impact to operating profit of $586 million, primarily a non-cash item driven by the release of accumulated foreign currency translation.

Operating profit margin was 19.7 percent for the nine months ended September 30, 2023, compared with 14.5 percent for the nine months ended September 30, 2022.

Profit (Loss) by Segment

(Millions of dollars)	**Nine Months Ended September 30, 2023**	**Nine Months Ended September 30, 2022**	**$ Change**	**% Change**
Construction Industries	$ 5,440	$ 3,255	$ 2,185	67 %
Resource Industries	2,234	1,222	1,012	83 %
Energy & Transportation	3,507	2,132	1,375	64 %
All Other Segment	42	42	—	— %
Corporate Items and Eliminations	(1,666)	(847)	(819)	
Machinery, Energy & Transportation	9,557	5,804	3,753	65 %
Financial Products Segment	675	675	—	— %
Corporate Items and Eliminations	60	30	30	
Financial Products	735	705	30	4 %
Consolidating Adjustments	(460)	(285)	(175)	
Consolidated Operating Profit	$ 9,832	$ 6,224	$ 3,608	58 %

Other Profit/Loss and Tax Items

- Interest expense excluding Financial Products for the nine months ended September 30, 2023, was $385 million, compared with $326 million for the nine months ended September 30, 2022. The increase was due to higher average borrowing rates.
- Other income (expense) for the nine months ended September 30, 2023, was income of $354 million, compared with income of $755 million for the nine months September 30, 2022. The change was primarily driven by unfavorable impacts from foreign currency exchange and pension and OPEB plan costs, partially offset by higher investment and interest income.
- The provision for income taxes for the nine months ended September 30, 2023, reflected an estimated annual tax rate of 22.5 percent, compared with 23 percent for the nine months ended September 30, 2022, excluding the discrete items discussed below. The comparative tax rate for full-year 2022 was 23.2 percent.

  The 2023 estimated annual tax rate excludes the impact of the nondeductible loss of $586 million related to the divestiture of the company's Longwall business. In the nine months ended September 30, 2023, the company recorded a discrete tax benefit of $88 million due to a change in the valuation allowance for certain deferred tax assets. In addition, the company recorded a discrete tax benefit of $54 million for the settlement of stock-based compensation awards with associated tax deductions in excess of cumulative U.S. GAAP compensation expense, compared with a $18 million benefit for the nine months ended September 30, 2022. In the nine months ended September 30, 2022, the company also recorded discrete benefits of $90 million to reflect changes in estimates related to prior years.

Construction Industries

Construction Industries' total sales were $20.899 billion for the nine months ended September 30, 2023, an increase of $2.475 billion, or 13 percent, compared with $18.424 billion for the nine months ended September 30, 2022. The increase was primarily due to favorable price realization.

- In North America, sales increased due to favorable price realization and higher sales volume. Higher sales volume was driven by higher sales of equipment to end users and the impact from changes in dealer inventories. Dealer inventory increased more during the nine months ended September 30, 2023, than during the nine months ended September 30, 2022.
- Sales decreased in Latin America primarily due to lower sales volume, partially offset by favorable price realization. Lower sales volume was driven by the impact from changes in dealer inventories and lower sales of equipment to end users. Dealer inventory increased during the nine months ended September 30, 2022, compared with a decrease during the nine months ended September 30, 2023.
- In EAME, sales increased primarily due to favorable price realization and higher sales volume. Higher sales volume was due to the impact from changes in dealer inventories, partially offset by lower sales of equipment to end users. Dealer inventory increased more during the nine months ended September 30, 2023, than during the nine months ended September 30, 2022.
- Sales decreased in Asia/Pacific due to lower sales volume and unfavorable currency impacts, primarily related to the Japanese yen, Australian dollar and Chinese yuan, partially offset by favorable price realization. Lower sales volume was driven by lower sales of equipment to end users, partially offset by the impact from changes in dealer inventories. Dealer inventory increased more during the nine months ended September 30, 2023, than during the nine months ended September 30, 2022.

Construction Industries' profit was $5.440 billion for the nine months ended September 30, 2023, an increase of $2.185 billion, or 67 percent, compared with $3.255 billion for the nine months ended September 30, 2022. The increase was mainly due to favorable price realization.

Construction Industries' profit as a percent of total sales was 26.0 percent for the nine months ended September 30, 2023, compared with 17.7 percent for the nine months ended September 30, 2022.

Resource Industries

Resource Industries' total sales were $10.341 billion for the nine months ended September 30, 2023, an increase of $1.463 billion, or 16 percent, compared with $8.878 billion for the nine months ended September 30, 2022. The increase was primarily due to favorable price realization and higher sales volume. The increase in sales volume was driven by higher sales of equipment to end users, partially offset by lower aftermarket parts sales volume and the impact from changes in dealer inventories. Dealer inventory increased more during the nine months ended September 30, 2022, than during the nine months ended September 30, 2023.

Resource Industries' profit was $2.234 billion for the nine months ended September 30, 2023, an increase of $1.012 billion, or 83 percent, compared with $1.222 billion for the nine months ended September 30, 2022. The increase was mainly due to favorable price realization, partially offset by unfavorable manufacturing costs. Unfavorable manufacturing costs were driven by higher materials costs, the impact of manufacturing inefficiencies and unfavorable cost absorption, partially offset by lower freight. Cost absorption was unfavorable as inventory increased more during the nine months ended September 30, 2022, than during the nine months ended September 30, 2023.

Resource Industries' profit as a percent of total sales was 21.6 percent for the nine months ended September 30, 2023, compared with 13.8 percent for the nine months ended September 30, 2022.

Energy & Transportation

Sales by Application **(Millions of dollars)**	**Nine Months Ended September 30, 2023**	**Nine Months Ended September 30, 2022**	**$ Change**	**% Change**
Oil and Gas	$ 4,741	$ 3,503	$ 1,238	35 %
Power Generation	4,527	3,518	1,009	29 %
Industrial	3,793	3,295	498	15 %
Transportation	3,706	3,353	353	11 %
External Sales	16,767	13,669	3,098	23 %
Inter-Segment	3,565	3,260	305	9 %
Total Sales	$ 20,332	$ 16,929	$ 3,403	20 %

Energy & Transportation's total sales were $20.332 billion for the nine months ended September 30, 2023, an increase of $3.403 billion, or 20 percent, compared with $16.929 billion for the nine months ended September 30, 2022. Sales increased across all applications and inter-segment sales. The increase in sales was primarily due to higher sales volume and favorable price realization.

- Oil and Gas – Sales increased for turbines and turbine-related services. Sales also increased in reciprocating engines used in well servicing and gas compression applications.
- Power Generation – Sales increased in large reciprocating engines, primarily data center applications, and small reciprocating engines. Turbines and turbine-related services increased as well.
- Industrial – Sales were up across all regions.
- Transportation – Sales increased in rail services and marine.

Energy & Transportation's profit was $3.507 billion for the nine months ended September 30, 2023, an increase of $1.375 billion, or 64 percent, compared with $2.132 billion for the nine months ended September 30, 2022. The increase was mainly due to favorable price realization and higher sales volume, partially offset by unfavorable manufacturing costs and higher SG&A/R&D expenses. Unfavorable manufacturing costs were driven by higher material costs. The increase in SG&A/R&D expenses was primarily driven by investments aligned with strategic initiatives.

Energy & Transportation's profit as a percent of total sales was 17.2 percent for the nine months ended September 30, 2023, compared with 12.6 percent for the nine months ended September 30, 2022.

Financial Products Segment

Financial Products’ segment revenues were $2.804 billion for the nine months ended September 30, 2023, an increase of $404 million, or 17 percent, compared with $2.400 billion for the nine months ended September 30, 2022. The increase was primarily due to higher average financing rates across all regions.

Financial Products’ segment profit was $675 million for both the nine months ended September 30, 2023 and 2022, primarily driven by a favorable impact from higher net yield on average ***earning assets***, offset by an unfavorable impact from an increase in SG&A expenses.

Corporate Items and Eliminations

Expense for corporate items and eliminations was $1.606 billion for the nine months ended September 30, 2023, an increase of $789 million from the nine months ended September 30, 2022, primarily driven by the impact of the divestiture of the company's Longwall business and an unfavorable change in fair value adjustments related to deferred compensation plans.

In the first quarter of 2023, the divestiture of the company’s Longwall business was finalized, resulting in an unfavorable impact to operating profit of $586 million, primarily a non-cash item driven by the release of accumulated foreign currency translation. This impact was included in total restructuring costs.

RESTRUCTURING COSTS

In 2023, we expect to incur about $700 million of restructuring costs, which includes a pre-tax loss of approximately $586 million from the divestiture of our Longwall business within Resource Industries on February 1, 2023. In addition, we expect to incur about $100 million of restructuring costs this year primarily related to strategic actions to address a small number of products. We expect that prior restructuring actions will result in an incremental benefit to operating costs, primarily Cost of goods sold and SG&A expenses of about $75 million in 2023 compared with 2022.

Additional information related to restructuring costs is included in Note 20 - "Restructuring Costs" of Part I, Item 1 "Financial Statements".

GLOSSARY OF TERMS

1. **Adjusted Operating Profit Margin** – Operating profit excluding restructuring costs, which include the divestiture of the company’s Longwall business, as a percent of sales and revenues.
2. **Adjusted Profit Per Share** – Profit per share excluding restructuring costs, which include the divestiture of the company’s Longwall business, and a discrete tax benefit to adjust deferred tax balances.
3. **All Other Segment** – Primarily includes activities such as: business strategy; product management and development; manufacturing and sourcing of filters and fluids, undercarriage, ground-engaging tools, fluid transfer products, precision seals, rubber sealing and connecting components primarily for Cat® products; parts distribution; integrated logistics solutions; distribution services responsible for dealer development and administration, including a wholly owned dealer in Japan; dealer portfolio management and ensuring the most efficient and effective distribution of machines, engines and parts; brand management and marketing strategy; and digital investments for new customer and dealer solutions that integrate data analytics with state-of-the-art digital technologies while transforming the buying experience.
4. **Consolidating Adjustments** – Elimination of transactions between Machinery, Energy & Transportation and Financial Products.
5. **Construction Industries** – A segment primarily responsible for supporting customers using machinery in infrastructure and building construction applications. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes asphalt pavers; backhoe loaders; cold planers; compactors; compact track loaders; forestry machines; material handlers; motor graders; pipelayers; road reclaimers; skid steer loaders; telehandlers; track-type loaders; track-type tractors (small, medium); track excavators (mini, small, medium, large); wheel excavators; wheel loaders (compact, small, medium); and related parts and work tools.
6. **Corporate Items and Eliminations** – Includes corporate-level expenses, timing differences (as some expenses are reported in segment profit on a cash basis), methodology differences between segment and consolidated external reporting, certain restructuring costs and inter-segment eliminations.
7. **Currency** – With respect to sales and revenues, currency represents the translation impact on sales resulting from changes in foreign currency exchange rates versus the U.S. dollar. With respect to operating profit, currency represents the net

translation impact on sales and operating costs resulting from changes in foreign currency exchange rates versus the U.S. dollar. Currency only includes the impact on sales and operating profit for the Machinery, Energy & Transportation line of business; currency impacts on Financial Products revenues and operating profit are included in the Financial Products portions of the respective analyses. With respect to other income/expense, currency represents the effects of forward and option contracts entered into by the company to reduce the risk of fluctuations in exchange rates (hedging) and the net effect of changes in foreign currency exchange rates on our foreign currency assets and liabilities for consolidated results (translation).

8. **Dealer Inventories** – Represents dealer machine and engine inventories, excluding aftermarket parts.
9. **EAME** – A geographic region including Europe, Africa, the Middle East and Eurasia.
10. **Earning Assets** – Assets consisting primarily of total finance receivables net of unearned income, plus equipment on operating leases net of accumulated depreciation at Cat Financial.
11. **Energy & Transportation** – A segment primarily responsible for supporting customers using reciprocating engines, turbines, diesel-electric locomotives and related services across industries serving Oil and Gas, Power Generation, Industrial and Transportation applications, including marine- and rail-related businesses. Responsibilities include business strategy, product design, product management, development and testing, manufacturing, marketing and sales and product support. The product and services portfolio includes turbines, centrifugal gas compressors, and turbine-related services; reciprocating engine-powered generator sets; integrated systems and solutions used in the electric power generation industry; reciprocating engines, drivetrain and integrated systems and solutions for the marine and oil and gas industries; reciprocating engines, drivetrain and integrated systems and solutions supplied to the industrial industry as well as Cat machinery; electrified powertrain and zero-emission power sources and service solutions development; and diesel-electric locomotives and components and other rail-related products and services, including remanufacturing and leasing. Responsibilities also include the remanufacturing of Caterpillar reciprocating engines and components and remanufacturing services for other companies; and product support of on-highway vocational trucks for North America.
12. **Financial Products** – The company defines Financial Products as our finance and insurance subsidiaries, primarily Caterpillar Financial Services Corporation (Cat Financial) and Caterpillar Insurance Holdings Inc. (Insurance Services). Financial Products' information relates to the financing to customers and dealers for the purchase and lease of Caterpillar and other equipment.
13. **Financial Products Segment** – Provides financing alternatives to customers and dealers around the world for Caterpillar products and services, as well as financing for power generation facilities that, in most cases, incorporate Caterpillar products. Financing plans include operating and finance leases, revolving charge accounts, installment sale contracts, repair/rebuild financing, working capital loans and wholesale financing plans. The segment also provides insurance and risk management products and services that help customers and dealers manage their business risk. Insurance and risk management products offered include physical damage insurance, inventory protection plans, extended service coverage and maintenance plans for machines and engines, and dealer property and casualty insurance. The various forms of financing, insurance and risk management products offered to customers and dealers help support the purchase and lease of Caterpillar equipment. The segment also earns revenues from Machinery, Energy & Transportation, but the related costs are not allocated to operating segments. Financial Products' segment profit is determined on a pretax basis and includes other income/expense items.
14. **Latin America** – A geographic region including Central and South American countries and Mexico.
15. **Machinery, Energy & Transportation (ME&T)** – The company defines ME&T as Caterpillar Inc. and its subsidiaries, excluding Financial Products. ME&T's information relates to the design, manufacturing and marketing of its products.
16. **Machinery, Energy & Transportation Other Operating (Income) Expenses** – Comprised primarily of gains/losses on disposal of long-lived assets, gains/losses on divestitures and legal settlements and accruals.
17. **Manufacturing Costs** – Manufacturing costs exclude the impacts of currency and represent the volume-adjusted change for variable costs and the absolute dollar change for period manufacturing costs. Variable manufacturing costs are defined as having a direct relationship with the volume of production. This includes material costs, direct labor and other costs that vary directly with production volume, such as freight, power to operate machines and supplies that are consumed in the manufacturing process. Period manufacturing costs support production but are defined as generally not having a direct relationship to short-term changes in volume. Examples include machinery and equipment repair, depreciation on manufacturing assets, facility support, procurement, factory scheduling, manufacturing planning and operations management.

18. **Mark-to-market gains/losses** – Represents the net gain or loss of actual results differing from the company's assumptions and the effects of changing assumptions for our defined benefit pension and OPEB plans. These gains and losses are immediately recognized through earnings upon the annual remeasurement in the fourth quarter, or on an interim basis as triggering events warrant remeasurement.
19. **Pension and Other Postemployment Benefits (OPEB)** – The company's defined-benefit pension and postretirement benefit plans.
20. **Price Realization** – The impact of net price changes excluding currency and new product introductions. Price realization includes geographic mix of sales, which is the impact of changes in the relative weighting of sales prices between geographic regions.
21. **Resource Industries** – A segment primarily responsible for supporting customers using machinery in mining, heavy construction and quarry and aggregates. Responsibilities include business strategy, product design, product management and development, manufacturing, marketing and sales and product support. The product portfolio includes large track-type tractors; large mining trucks; hard rock vehicles; electric rope shovels; draglines; hydraulic shovels; rotary drills; large wheel loaders; off-highway trucks; articulated trucks; wheel tractor scrapers; wheel dozers; landfill compactors; soil compactors; select work tools; machinery components; electronics and control systems and related parts. In addition to equipment, Resource Industries also develops and sells technology products and services to provide customers fleet management, equipment management analytics, autonomous machine capabilities, safety services and mining performance solutions. Resource Industries also manages areas that provide services to other parts of the company, including strategic procurement, lean center of excellence, integrated manufacturing, research and development for hydraulic systems, automation, electronics and software for Cat machines and engines.
22. **Restructuring Costs** – May include costs for employee separation, long-lived asset impairments, contract terminations and divestiture impacts. These costs are included in Other operating (income) expenses except for defined-benefit plan curtailment losses and special termination benefits, which are included in Other income (expense). Restructuring costs also include other exit-related costs, which may consist of accelerated depreciation, inventory write-downs, building demolition, equipment relocation and project management costs and LIFO inventory decrement benefits from inventory liquidations at closed facilities, all of which are primarily included in Cost of goods sold.
23. **Sales Volume** – With respect to sales and revenues, sales volume represents the impact of changes in the quantities sold for Machinery, Energy & Transportation as well as the incremental sales impact of new product introductions, including emissions-related product updates. With respect to operating profit, sales volume represents the impact of changes in the quantities sold for Machinery, Energy & Transportation combined with product mix as well as the net operating profit impact of new product introductions, including emissions-related product updates. Product mix represents the net operating profit impact of changes in the relative weighting of Machinery, Energy & Transportation sales with respect to total sales. The impact of sales volume on segment profit includes inter-segment sales.
24. **Services** – Enterprise services include, but are not limited to, aftermarket parts, Financial Products revenues and other service-related revenues. Machinery, Energy & Transportation segments exclude most Financial Products revenues.

LIQUIDITY AND CAPITAL RESOURCES

Sources of funds

We generate significant capital resources from operating activities, which are the primary source of funding for our ME&T operations. Funding for these businesses is also available from commercial paper and long-term debt issuances. Financial Products' operations are funded primarily from commercial paper, term debt issuances and collections from its existing portfolio. On a consolidated basis, we had positive operating cash flow in the first nine months of 2023 and ended the third quarter with $6.55 billion of cash, a decrease of $459 million from year-end 2022. In addition, ME&T has invested in bank time deposits with varying maturity dates within one year and available-for-sale debt securities that are considered highly liquid and are available for current operations. These ME&T securities were $4.27 billion as of September 30, 2023 and are included in Prepaid expenses and other current assets and Other assets in the Consolidated Statement of Financial Position. We intend to maintain a strong cash and liquidity position.

Consolidated operating cash flow for the first nine months of 2023 was $8.88 billion, up $3.86 billion compared to the same period a year ago. The increase was primarily due to higher profit before taxes adjusted for non-cash items, including the loss on divestiture of the company's Longwall business.

Total debt as of September 30, 2023 was $37.14 billion, an increase of $146 million from year-end 2022. Debt related to ME&T decreased $99 million in the first nine months of 2023 while debt related to Financial Products increased $254 million.

As of September 30, 2023, we had three global credit facilities with a syndicate of banks totaling $10.50 billion (Credit Facility) available in the aggregate to both Caterpillar and Cat Financial for general liquidity purposes. Based on management's allocation decision, which can be revised from time to time, the portion of the Credit Facility available to ME&T as of September 30, 2023 was $2.75 billion. Information on our Credit Facility is as follows:

- In August 2023, we entered into a new 364-day facility. The 364-day facility of $3.15 billion (of which $825 million is available to ME&T) expires in August 2024.
- In August 2023, we amended and extended the three-year facility (as amended and restated, the "three-year facility"). The three-year facility of $2.73 billion (of which $715 million is available to ME&T) expires in August 2026.
- In August 2023, we amended and extended the five-year facility (as amended and restated, the "five-year facility"). The five-year facility of $4.62 billion (of which $1.21 billion is available to ME&T) expires in August 2028.

At September 30, 2023, Caterpillar's consolidated net worth was $20.55 billion, which was above the $9.00 billion required under the Credit Facility. The consolidated net worth is defined in the Credit Facility as the consolidated shareholders' equity including preferred stock but excluding the pension and other postretirement benefits balance within Accumulated other comprehensive income (loss).

At September 30, 2023, Cat Financial's covenant interest coverage ratio was 1.78 to 1. This was above the 1.15 to 1 minimum ratio calculated as (1) profit excluding income taxes, interest expense and net gain (loss) from interest rate derivatives to (2) interest expense calculated at the end of each fiscal quarter for the prior four consecutive fiscal quarter period, required by the Credit Facility.

In addition, at September 30, 2023, Cat Financial's six-month covenant leverage ratio was 6.80 to 1. This was below the maximum ratio of debt to net worth of 10 to 1, calculated (1) on a monthly basis as the average of the leverage ratios determined on the last day of each of the six preceding calendar months and (2) at each December 31, required by the Credit Facility.

In the event Caterpillar or Cat Financial does not meet one or more of their respective financial covenants under the Credit Facility in the future (and are unable to obtain a consent or waiver), the syndicate of banks may terminate the commitments allocated to the party that does not meet its covenants. Additionally, in such event, certain of Cat Financial's other lenders under other loan agreements where similar financial covenants or cross default provisions are applicable may, at their election, choose to pursue remedies under those loan agreements, including accelerating the repayment of outstanding borrowings. At September 30, 2023, there were no borrowings under the Credit Facility.

Our total credit commitments and available credit as of September 30, 2023 were:

	September 30, 2023		
(Millions of dollars)	**Consolidated**	**Machinery, Energy & Transportation**	**Financial Products**
Credit lines available:			
Global credit facilities	$ 10,500	$ 2,750	$ 7,750
Other external	4,076	571	3,505
Total credit lines available	14,576	3,321	11,255
Less: Commercial paper outstanding	(3,738)	—	(3,738)
Less: Utilized credit	(1,036)	—	(1,036)
Available credit	$ 9,802	$ 3,321	$ 6,481

The other external consolidated credit lines with banks as of September 30, 2023 totaled $4.08 billion. These committed and uncommitted credit lines, which may be eligible for renewal at various future dates or have no specified expiration date, are used primarily by our subsidiaries for local funding requirements. Caterpillar or Cat Financial may guarantee subsidiary borrowings under these lines.

We receive debt ratings from the major credit rating agencies. Fitch maintains a "high-A" debt rating, while Moody’s and S&P maintain a “mid-A” debt rating. A downgrade of our credit ratings by any of the major credit rating agencies could result in increased borrowing costs and could make access to credit in certain markets more difficult. In the event economic conditions deteriorate such that access to debt markets becomes unavailable, ME&T’s operations would rely on cash flow from operations, use of existing cash balances, borrowings from Cat Financial and access to our committed credit facilities. Our Financial Products’ operations would rely on cash flow from its existing portfolio, existing cash balances, access to our committed credit facilities and other credit line facilities of Cat Financial, and potential borrowings from Caterpillar. In addition, we maintain a support agreement with Cat Financial, which requires Caterpillar to remain the sole owner of Cat Financial and may, under certain circumstances, require Caterpillar to make payments to Cat Financial should Cat Financial fail to maintain certain financial ratios.

We facilitate voluntary supplier finance programs (the “Programs”) through participating financial institutions. We account for the payments made under the Programs, the same as our other accounts payable, as a reduction to our cash flows from operations. We do not believe that changes in the availability of the Programs will have a significant impact on our liquidity. Additional information related to the Programs is included in Note 2 - "New accounting guidance" of Part I, Item 1 "Financial Statements".

Machinery, Energy & Transportation

Net cash provided by operating activities was $7.96 billion in the first nine months of 2023, compared with net cash provided of $3.19 billion for the same period in 2022. The increase was primarily due to higher profit before taxes, adjusted for non-cash items, including the loss on divestiture of the company's Longwall business and lower working capital requirements. Within working capital, changes in inventories and accrued expenses favorably impacted cash flow but were partially offset by changes in accounts payable, customer advances and accounts receivable.

Net cash used for investing activities in the first nine months of 2023 was $3.89 billion, compared with net cash used of $881 million in the first nine months of 2022. The increase was due to higher investment in securities, net of proceeds from sale of securities, and an increase in capital spend.

Net cash used for financing activities during the first nine months of 2023 was $4.18 billion, compared with net cash used of $5.29 billion in the same period of 2022. The change was primarily due to lower share repurchases in the first nine months of 2023 along with favorable impacts from borrowing activity, partially offset by increased dividends paid.

While our short-term priorities for the use of cash may vary from time to time as business needs and conditions dictate, our long-term cash deployment strategy is focused on the following priorities. Our top priority is to maintain a strong financial position in support of a mid-A rating. Next, we intend to fund operational requirements and commitments. Then, we intend to fund priorities that profitably grow the company and return capital to shareholders through dividend growth and share repurchases. Additional information on cash deployment is as follows:

Strong financial position – Our top priority is to maintain a strong financial position in support of a mid-A rating. We track a diverse group of financial metrics that focus on liquidity, leverage, cash flow and margins which align with our cash deployment actions and the various methodologies used by the major credit rating agencies.

Operational excellence and commitments – Capital expenditures were $1.11 billion during the first nine months of 2023, compared to $880 million for the same period in 2022. We expect ME&T’s capital expenditures in 2023 to be about $1.50 billion. We made $320 million of contributions to our pension and other postretirement benefit plans during the first nine months of 2023. We currently anticipate full-year 2023 contributions of approximately $372 million. In comparison, we made $299 million of contributions to our pension and other postretirement benefit plans during the first nine months of 2022.

Fund strategic growth initiatives and return capital to shareholders – We intend to utilize our liquidity and debt capacity to fund targeted investments that drive long-term profitable growth focused in the areas of expanded offerings, services and sustainability, including acquisitions.

As part of our capital allocation strategy, ME&T free cash flow is a liquidity measure we use to determine the cash generated and available for financing activities including debt repayments, dividends and share repurchases. We define ME&T free cash flow as cash from ME&T operations less capital expenditures, excluding discretionary pension and other postretirement benefit plan contributions and cash payments related to settlements with the U.S. Internal Revenue Service. A goal of our capital allocation strategy is to return substantially all ME&T free cash flow to shareholders over time in the form of dividends and share repurchases, while maintaining a mid-A rating.

Our share repurchase plans are subject to the company's cash deployment priorities and are evaluated on an ongoing basis considering the financial condition of the company, corporate cash flow, the company's liquidity needs, the economic outlook, and the health and stability of global credit markets. The timing and amount of future repurchases may vary depending on market conditions and investing priorities. In May 2022, the Board approved a share repurchase authorization (the 2022 Authorization) of up to $15.0 billion of Caterpillar common stock effective August 1, 2022, with no expiration. In the first nine months of 2023, we repurchased $2.21 billion of Caterpillar common stock, with $10.59 billion remaining under the 2022 Authorization as of September 30, 2023. Our basic shares outstanding as of September 30, 2023 were approximately 509 million.

Each quarter, our Board of Directors reviews the company's dividend for the applicable quarter. The Board evaluates the financial condition of the company and considers corporate cash flow, the company's liquidity needs, the economic outlook, and the health and stability of global credit markets to determine whether to maintain or change the quarterly dividend. In October 2023, the Board of Directors approved maintaining our quarterly dividend representing $1.30 per share, and we continue to expect our strong financial position to support the dividend. Dividends paid totaled $1.90 billion in the first nine months of 2023.

Financial Products

Net cash provided by operating activities was $905 million in the first nine months of 2023, compared with $1.25 billion for the same period in 2022. Net cash used for investing activities was $1.25 billion for the first nine months of 2023, compared with net cash used of $228 million for the same period in 2022. The change was primarily due to portfolio related activity. Net cash provided by financing activities was $122 million in the first nine months of 2023 compared with net cash used of $872 million for the same period in 2022. The change was primarily due to higher portfolio funding requirements.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of recent accounting pronouncements, see Part I, Item 1. Note 2 - "New accounting guidance".

CRITICAL ACCOUNTING ESTIMATES

For a discussion of the company's critical accounting estimates, see Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2022 Annual Report on Form 10-K. There have been no significant changes to our critical accounting estimates since our 2022 Annual Report on Form 10-K.

OTHER MATTERS

Information related to legal proceedings appears in Note 14—Environmental and Legal Matters of Part II, Item 8 "Financial Statements and Supplementary Data."

Retirement Benefits

We recognize ***mark-to-market gains and losses*** immediately through earnings upon the remeasurement of our pension and OPEB plans. Mark-to-market gains and losses represent the effects of actual results differing from our assumptions and the effects of changing assumptions. We will record the annual mark-to-market adjustment as of the measurement date, December 31, 2023. It is difficult to predict the December 31, 2023 adjustment amount, as it will be dependent primarily on changes in discount rates during 2023, and actual returns on plan assets differing from our expected returns for 2023.

Order Backlog

At the end of the third quarter of 2023, the dollar amount of backlog believed to be firm was approximately $28.1 billion, about $2.6 billion lower than the second quarter of 2023. The order backlog decreased across the three primary segments. Of the total backlog at September 30, 2023, approximately $6.1 billion was not expected to be filled in the following twelve months.

NON-GAAP FINANCIAL MEASURES

We provide the following definitions 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.

We believe it is important to separately quantify the profit impact of three significant items in order for our results to be meaningful to our readers. These items consist of (i) restructuring costs related to the divestiture of the company's Longwall business, (ii) other restructuring costs and (iii) certain deferred tax valuation allowance adjustments. We do not consider these items indicative of earnings from ongoing business activities and believe the non-GAAP measure provides investors with useful perspective on underlying business results and trends and aids with assessing our period-over-period results. In addition, we provide a calculation of ME&T free cash flow as we believe it is an important measure for investors to determine the cash generation available for financing activities including debt repayments, dividends and share repurchases.

Reconciliations of adjusted results to the most directly comparable GAAP measures are as follows:

(Dollars in millions except per share data)	Operating Profit	Operating Profit Margin	Profit Before Taxes	Provision (Benefit) for Income Taxes	Effective Tax Rate	Profit	Profit per Share
Three Months Ended September 30, 2023 - U.S. GAAP	**$ 3,449**	**20.5 %**	**$ 3,515**	**$ 734**	**20.9 %**	**$ 2,794**	**$ 5.45**
Restructuring costs	46	0.3 %	46	10	20.0 %	36	0.07
Three Months Ended September 30, 2023 - Adjusted	$ 3,495	20.8 %	$ 3,561	$ 744	20.9 %	$ 2,830	$ 5.52
Three Months Ended September 30, 2022 - U.S. GAAP	**$ 2,425**	**16.2 %**	**$ 2,558**	**$ 527**	**20.6 %**	**$ 2,041**	**$ 3.87**
Restructuring costs	49	0.3 %	49	9	18.4 %	40	0.08
Three Months Ended September 30, 2022 - Adjusted	$ 2,474	16.5 %	$ 2,607	$ 536	20.6 %	$ 2,081	$ 3.95
Nine Months Ended September 30, 2023- U.S. GAAP	**$ 9,832**	**19.7 %**	**$ 9,801**	**$ 2,194**	**22.4 %**	**$ 7,659**	**$ 14.85**
Restructuring costs - Longwall divestiture	586	1.2 %	586	—	— %	586	1.13
Other restructuring costs	102	0.1 %	102	21	20.0 %	81	0.17
Deferred tax valuation allowance adjustments	—	— %	—	88	— %	(88)	(0.17)
Nine Months Ended September 30, 2023 - Adjusted	$ 10,520	21.0 %	$ 10,489	$ 2,303	22.0 %	$ 8,238	$ 15.98
Nine Months Ended September 30, 2022 - U.S. GAAP	**$ 6,224**	**14.5 %**	**$ 6,653**	**$ 1,423**	**21.4 %**	**$ 5,251**	**$ 9.85**
Restructuring costs	90	0.2 %	90	13	14.0 %	77	0.14
Nine Months Ended September 30, 2022 - Adjusted	$ 6,314	14.7 %	$ 6,743	$ 1,436	21.3 %	$ 5,328	$ 9.99

Reconciliations of ME&T free cash flow to the most directly comparable GAAP measure, net cash provided by operating activities are as follows:

(Millions of dollars)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
ME&T net cash provided by operating activities [1]	$ 7,955	$ 3,191
ME&T capital expenditures	(1,108)	(880)
Cash payments related to settlements with the U.S. Internal Revenue Service	—	467
ME&T free cash flow	$ 6,847	$ 2,778

[1] See reconciliation of ME&T net cash provided by operating activities to consolidated net cash provided by operating activities on pages 73 - 74.

Supplemental Consolidating Data

We are providing supplemental consolidating data for the purpose of additional analysis. The data has been grouped as follows:

Consolidated – Caterpillar Inc. and its subsidiaries.

Machinery, Energy & Transportation – We define ME&T as it is presented in the supplemental data as Caterpillar Inc. and its subsidiaries, excluding Financial Products. ME&T's information relates to the design, manufacturing and marketing of our products.

Financial Products – We define Financial Products as it is presented in the supplemental data as our finance and insurance subsidiaries, primarily Caterpillar Financial Services Corporation (Cat Financial) and Caterpillar Insurance Holdings Inc. (Insurance Services). Financial Products' information relates to the financing to customers and dealers for the purchase and lease of Caterpillar and other equipment.

Consolidating Adjustments – Eliminations of transactions between ME&T and Financial Products.

The nature of the ME&T and Financial Products businesses is different, especially with regard to the financial position and cash flow items. Caterpillar management utilizes this presentation internally to highlight these differences. We believe this presentation will assist readers in understanding our business.

Pages 67 to 74 reconcile ME&T and Financial Products to Caterpillar Inc. consolidated financial information. Certain amounts for prior periods have been reclassified to conform to the current period presentation.

Caterpillar Inc.
Supplemental Data for Results of Operations
For the Three Months Ended September 30, 2023
(Unaudited)
(Millions of dollars)

		Supplemental Consolidating Data		
	Consolidated	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Sales and revenues:				
Sales of Machinery, Energy & Transportation	$ 15,988	$ 15,988	$ —	$ —
Revenues of Financial Products	822	—	1,017	(195) [1]
Total sales and revenues	16,810	15,988	1,017	(195)
Operating costs:				
Cost of goods sold	10,583	10,586	—	(3) [2]
Selling, general and administrative expenses	1,624	1,430	206	(12) [2]
Research and development expenses	554	554	—	—
Interest expense of Financial Products	280	—	280	—
Other operating (income) expenses	320	25	310	(15) [2]
Total operating costs	13,361	12,595	796	(30)
Operating profit	3,449	3,393	221	(165)
Interest expense excluding Financial Products	129	129	—	—
Other income (expense)	195	42	(12)	165 [3]
Consolidated profit before taxes	3,515	3,306	209	—
Provision (benefit) for income taxes	734	654	80	—
Profit of consolidated companies	2,781	2,652	129	—
Equity in profit (loss) of unconsolidated affiliated companies	12	12	—	—
Profit of consolidated and affiliated companies	2,793	2,664	129	—
Less: Profit (loss) attributable to noncontrolling interests	(1)	(1)	—	—
Profit [4]	$ 2,794	$ 2,665	$ 129	$ —

1 Elimination of Financial Products' revenues earned from ME&T.
2 Elimination of net expenses recorded by ME&T paid to Financial Products.
3 Elimination of discount recorded by ME&T on receivables sold to Financial Products and of interest earned between ME&T and Financial Products as well as dividends paid by Financial Products to ME&T.
4 Profit attributable to common shareholders.

Caterpillar Inc.
Supplemental Data for Results of Operations
For the Nine Months Ended September 30, 2023
(Unaudited)
(Millions of dollars)

		Supplemental Consolidating Data		
	Consolidated	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Sales and revenues:				
Sales of Machinery, Energy & Transportation	$ 47,632	$ 47,632	$ —	$ —
Revenues of Financial Products	2,358	—	2,907	(549) [1]
Total sales and revenues	49,990	47,632	2,907	(549)
Operating costs:				
Cost of goods sold	31,751	31,758	—	(7) [2]
Selling, general and administrative expenses	4,615	4,139	507	(31) [2]
Research and development expenses	1,554	1,554	—	—
Interest expense of Financial Products	742	—	742	—
Other operating (income) expenses	1,496	624	923	(51) [2]
Total operating costs	40,158	38,075	2,172	(89)
Operating profit	9,832	9,557	735	(460)
Interest expense excluding Financial Products	385	385	—	—
Other income (expense)	354	18	(49)	385 [3]
Consolidated profit before taxes	9,801	9,190	686	(75)
Provision (benefit) for income taxes	2,194	1,993	201	—
Profit of consolidated companies	7,607	7,197	485	(75)
Equity in profit (loss) of unconsolidated affiliated companies	52	55	—	(3) [4]
Profit of consolidated and affiliated companies	7,659	7,252	485	(78)
Less: Profit (loss) attributable to noncontrolling interests	—	(2)	5	(3) [5]
Profit [6]	$ 7,659	$ 7,254	$ 480	$ (75)

1 Elimination of Financial Products' revenues earned from ME&T.
2 Elimination of net expenses recorded by ME&T paid to Financial Products.
3 Elimination of discount recorded by ME&T on receivables sold to Financial Products and of interest earned between ME&T and Financial Products as well as dividends paid by Financial Products to ME&T.
4 Elimination of equity profit (loss) earned from Financial Products' subsidiaries partially owned by ME&T subsidiaries.
5 Elimination of noncontrolling interest profit (loss) recorded by Financial Products for subsidiaries partially owned by ME&T subsidiaries.
6 Profit attributable to common shareholders.

Caterpillar Inc.
Supplemental Data for Results of Operations
For the Three Months Ended September 30, 2022
(Unaudited)
(Millions of dollars)

	Consolidated	Supplemental Consolidating Data: Machinery, Energy & Transportation	Supplemental Consolidating Data: Financial Products	Supplemental Consolidating Data: Consolidating Adjustments
Sales and revenues:				
Sales of Machinery, Energy & Transportation	$ 14,278	$ 14,278	$ —	$ —
Revenues of Financial Products	716	—	852	(136) [1]
Total sales and revenues	14,994	14,278	852	(136)
Operating costs:				
Cost of goods sold	10,202	10,203	—	(1) [2]
Selling, general and administrative expenses	1,401	1,271	136	(6) [2]
Research and development expenses	476	476	—	—
Interest expense of Financial Products	151	—	151	—
Other operating (income) expenses	339	43	315	(19) [2]
Total operating costs	12,569	11,993	602	(26)
Operating profit	2,425	2,285	250	(110)
Interest expense excluding Financial Products	109	110	—	(1) [3]
Other income (expense)	242	160	(27)	109 [4]
Consolidated profit before taxes	2,558	2,335	223	—
Provision (benefit) for income taxes	527	464	63	—
Profit of consolidated companies	2,031	1,871	160	—
Equity in profit (loss) of unconsolidated affiliated companies	9	11	—	(2) [5]
Profit of consolidated and affiliated companies	2,040	1,882	160	(2)
Less: Profit (loss) attributable to noncontrolling interests	(1)	(1)	2	(2) [6]
Profit [7]	$ 2,041	$ 1,883	$ 158	$ —

1 Elimination of Financial Products' revenues earned from ME&T.
2 Elimination of net expenses recorded by ME&T paid to Financial Products.
3 Elimination of interest expense recorded between Financial Products and ME&T.
4 Elimination of discount recorded by ME&T on receivables sold to Financial Products and of interest earned between ME&T and Financial Products as well as dividends paid by Financial Products to ME&T.
5 Elimination of equity profit (loss) earned from Financial Products' subsidiaries partially owned by ME&T subsidiaries.
6 Elimination of noncontrolling interest profit (loss) recorded by Financial Products for subsidiaries partially owned by ME&T subsidiaries.
7 Profit attributable to common shareholders.

Caterpillar Inc.
Supplemental Data for Results of Operations
For the Nine Months Ended September 30, 2022
(Unaudited)
(Millions of dollars)

		Supplemental Consolidating Data		
	Consolidated	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Sales and revenues:				
Sales of Machinery, Energy & Transportation	$ 40,703	$ 40,703	$ —	$ —
Revenues of Financial Products	2,127	—	2,493	(366) [1]
Total sales and revenues	42,830	40,703	2,493	(366)
Operating costs:				
Cost of goods sold	29,736	29,741	—	(5) [2]
Selling, general and administrative expenses	4,172	3,714	475	(17) [2]
Research and development expenses	1,413	1,413	—	—
Interest expense of Financial Products	377	—	377	—
Other operating (income) expenses	908	31	936	(59) [2]
Total operating costs	36,606	34,899	1,788	(81)
Operating profit	6,224	5,804	705	(285)
Interest expense excluding Financial Products	326	327	—	(1) [3]
Other income (expense)	755	497	(26)	284 [4]
Consolidated profit before taxes	6,653	5,974	679	—
Provision (benefit) for income taxes	1,423	1,250	173	—
Profit of consolidated companies	5,230	4,724	506	—
Equity in profit (loss) of unconsolidated affiliated companies	20	26	—	(6) [5]
Profit of consolidated and affiliated companies	5,250	4,750	506	(6)
Less: Profit (loss) attributable to noncontrolling interests	(1)	(1)	6	(6) [6]
Profit [7]	$ 5,251	$ 4,751	$ 500	$ —

1 Elimination of Financial Products' revenues earned from ME&T.
2 Elimination of net expenses recorded by ME&T paid to Financial Products.
3 Elimination of interest expense recorded between Financial Products and ME&T.
4 Elimination of discount recorded by ME&T on receivables sold to Financial Products and of interest earned between ME&T and Financial Products as well as dividends paid by Financial Products to ME&T.
5 Elimination of equity profit (loss) earned from Financial Products' subsidiaries partially owned by ME&T subsidiaries.
6 Elimination of noncontrolling interest profit (loss) recorded by Financial Products for subsidiaries partially owned by ME&T subsidiaries.
7 Profit attributable to common shareholders.

Caterpillar Inc.
Supplemental Data for Financial Position
At September 30, 2023
(Unaudited)
(Millions of dollars)

	Consolidated	Supplemental Consolidating Data: Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Assets				
Current assets:				
Cash and cash equivalents	$ 6,545	$ 5,874	$ 671	$ —
Receivables – trade and other	9,134	3,550	602	4,982 [1,2]
Receivables – finance	9,608	—	14,782	(5,174) [2]
Prepaid expenses and other current assets	5,138	4,957	332	(151) [3]
Inventories	17,580	17,580	—	—
Total current assets	48,005	31,961	16,387	(343)
Property, plant and equipment – net	12,287	8,243	4,044	—
Long-term receivables – trade and other	1,110	497	119	494 [1,2]
Long-term receivables – finance	11,907	—	12,441	(534) [2]
Noncurrent deferred and refundable income taxes	2,719	3,265	118	(664) [4]
Intangible assets	604	604	—	—
Goodwill	5,268	5,268	—	—
Other assets	4,891	3,936	1,998	(1,043) [5]
Total assets	$ 86,791	$ 53,774	$ 35,107	$ (2,090)
Liabilities				
Current liabilities:				
Short-term borrowings	$ 4,218	$ —	$ 4,218	$ —
Accounts payable	7,827	7,734	297	(204) [6,7]
Accrued expenses	4,669	4,218	451	—
Accrued wages, salaries and employee benefits	2,300	2,252	48	—
Customer advances	2,333	2,320	1	12 [7]
Other current liabilities	3,115	2,515	775	(175) [4,8]
Long-term debt due within one year	8,662	1,043	7,619	—
Total current liabilities	33,124	20,082	13,409	(367)
Long-term debt due after one year	24,259	8,510	15,789	(40) [9]
Liability for postemployment benefits	4,060	4,060	—	—
Other liabilities	4,841	3,895	1,659	(713) [4]
Total liabilities	66,284	36,547	30,857	(1,120)
Commitments and contingencies				
Shareholders' equity				
Common stock	6,698	6,698	905	(905) [10]
Treasury stock	(33,865)	(33,865)	—	—
Profit employed in the business	49,888	45,352	4,526	10 [10]
Accumulated other comprehensive income (loss)	(2,232)	(978)	(1,254)	—
Noncontrolling interests	18	20	73	(75) [10]
Total shareholders' equity	20,507	17,227	4,250	(970)
Total liabilities and shareholders' equity	$ 86,791	$ 53,774	$ 35,107	$ (2,090)

1 Elimination of receivables between ME&T and Financial Products.
2 Reclassification of ME&T's trade receivables purchased by Financial Products and Financial Products' wholesale inventory receivables.
3 Elimination of ME&T's insurance premiums that are prepaid to Financial Products.
4 Reclassification reflecting required netting of deferred tax assets/liabilities by taxing jurisdiction.
5 Elimination of other intercompany assets between ME&T and Financial Products.
6 Elimination of payables between ME&T and Financial Products.
7 Reclassification of Financial Products' payables to accrued expenses or customer advances.
8 Elimination of prepaid insurance in Financial Products' other liabilities.
9 Elimination of debt between ME&T and Financial Products.
10 Eliminations associated with ME&T's investments in Financial Products' subsidiaries.

Caterpillar Inc.
Supplemental Data for Financial Position
At December 31, 2022
(Unaudited)
(Millions of dollars)

	Consolidated	Supplemental Consolidating Data: Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Assets				
Current assets:				
Cash and cash equivalents	$ 7,004	$ 6,042	$ 962	$ —
Receivables – trade and other	8,856	3,710	519	4,627 [1,2]
Receivables – finance	9,013	—	13,902	(4,889) [2]
Prepaid expenses and other current assets	2,642	2,488	290	(136) [3]
Inventories	16,270	16,270	—	—
Total current assets	43,785	28,510	15,673	(398)
Property, plant and equipment – net	12,028	8,186	3,842	—
Long-term receivables – trade and other	1,265	418	339	508 [1,2]
Long-term receivables – finance	12,013	—	12,552	(539) [2]
Noncurrent deferred and refundable income taxes	2,213	2,755	115	(657) [4]
Intangible assets	758	758	—	—
Goodwill	5,288	5,288	—	—
Other assets	4,593	3,882	1,892	(1,181) [5]
Total assets	$ 81,943	$ 49,797	$ 34,413	$ (2,267)
Liabilities				
Current liabilities:				
Short-term borrowings	$ 5,957	$ 3	$ 5,954	$ —
Accounts payable	8,689	8,657	294	(262) [6]
Accrued expenses	4,080	3,687	393	—
Accrued wages, salaries and employee benefits	2,313	2,264	49	—
Customer advances	1,860	1,860	—	—
Dividends payable	620	620	—	—
Other current liabilities	2,690	2,215	635	(160) [4,7]
Long-term debt due within one year	5,322	120	5,202	—
Total current liabilities	31,531	19,426	12,527	(422)
Long-term debt due after one year	25,714	9,529	16,216	(31) [8]
Liability for postemployment benefits	4,203	4,203	—	—
Other liabilities	4,604	3,677	1,638	(711) [4]
Total liabilities	66,052	36,835	30,381	(1,164)
Commitments and contingencies				
Shareholders' equity				
Common stock	6,560	6,560	905	(905) [9]
Treasury stock	(31,748)	(31,748)	—	—
Profit employed in the business	43,514	39,435	4,068	11 [9]
Accumulated other comprehensive income (loss)	(2,457)	(1,310)	(1,147)	—
Noncontrolling interests	22	25	206	(209) [9]
Total shareholders' equity	15,891	12,962	4,032	(1,103)
Total liabilities and shareholders' equity	$ 81,943	$ 49,797	$ 34,413	$ (2,267)

[1] Elimination of receivables between ME&T and Financial Products.
[2] Reclassification of ME&T's trade receivables purchased by Financial Products and Financial Products' wholesale inventory receivables.
[3] Elimination of ME&T's insurance premiums that are prepaid to Financial Products.
[4] Reclassification reflecting required netting of deferred tax assets/liabilities by taxing jurisdiction.
[5] Elimination of other intercompany assets between ME&T and Financial Products.
[6] Elimination of payables between ME&T and Financial Products.
[7] Elimination of prepaid insurance in Financial Products' other liabilities.
[8] Elimination of debt between ME&T and Financial Products.
[9] Eliminations associated with ME&T's investments in Financial Products' subsidiaries.

Caterpillar Inc.
Supplemental Data for Cash Flow
For the Nine Months Ended September 30, 2023
(Unaudited)
(Millions of dollars)

		Supplemental Consolidating Data		
	Consolidated	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Cash flow from operating activities:				
Profit of consolidated and affiliated companies	$ 7,659	$ 7,252	$ 485	$ (78) [1,5]
Adjustments for non-cash items:				
Depreciation and amortization	1,599	1,015	584	—
Provision (benefit) for deferred income taxes	(448)	(456)	8	—
Loss on divestiture	572	572	—	—
Other	205	309	(463)	359 [2]
Changes in assets and liabilities, net of acquisitions and divestitures:				
Receivables – trade and other	(319)	(46)	70	(343) [2,3]
Inventories	(1,424)	(1,420)	—	(4) [2]
Accounts payable	(532)	(628)	26	70 [2]
Accrued expenses	588	557	31	—
Accrued wages, salaries and employee benefits	—	1	(1)	—
Customer advances	516	515	1	—
Other assets – net	128	107	17	4 [2]
Other liabilities – net	338	177	147	14 [2]
Net cash provided by (used for) operating activities	8,882	7,955	905	22
Cash flow from investing activities:				
Capital expenditures – excluding equipment leased to others	(1,061)	(1,088)	(16)	43 [2]
Expenditures for equipment leased to others	(1,177)	(20)	(1,165)	8 [2]
Proceeds from disposals of leased assets and property, plant and equipment	563	46	564	(47) [2]
Additions to finance receivables	(11,082)	—	(12,493)	1,411 [3]
Collections of finance receivables	10,391	—	11,554	(1,163) [3]
Net intercompany purchased receivables	—	—	429	(429) [3]
Proceeds from sale of finance receivables	40	—	40	—
Net intercompany borrowings	—	—	7	(7) [4]
Investments and acquisitions (net of cash acquired)	(67)	(67)	—	—
Proceeds from sale of businesses and investments (net of cash sold)	(14)	(14)	—	—
Proceeds from sale of securities	747	553	194	—
Investments in securities	(3,689)	(3,340)	(349)	—
Other – net	32	43	(11)	—
Net cash provided by (used for) investing activities	(5,317)	(3,887)	(1,246)	(184)
Cash flow from financing activities:				
Dividends paid	(1,901)	(1,901)	(155)	155 [5]
Common stock issued, including treasury shares reissued	36	36	—	—
Common shares repurchased	(2,209)	(2,209)	—	—
Net intercompany borrowings	—	(7)	—	7 [4]
Proceeds from debt issued (original maturities greater than three months)	6,360	—	6,360	—
Payments on debt (original maturities greater than three months)	(4,459)	(99)	(4,360)	—
Short-term borrowings – net (original maturities three months or less)	(1,726)	(3)	(1,723)	—
Net cash provided by (used for) financing activities	(3,899)	(4,183)	122	162
Effect of exchange rate changes on cash	(119)	(55)	(64)	—
Increase (decrease) in cash, cash equivalents and restricted cash	(453)	(170)	(283)	—
Cash, cash equivalents and restricted cash at beginning of period	7,013	6,049	964	—
Cash, cash equivalents and restricted cash at end of period	$ 6,560	$ 5,879	$ 681	$ —

[1] Elimination of equity profit earned from Financial Products' subsidiaries partially owned by ME&T subsidiaries.
[2] Elimination of non-cash adjustments and changes in assets and liabilities related to consolidated reporting.
[3] Reclassification of Financial Products' cash flow activity from investing to operating for receivables that arose from the sale of inventory.
[4] Elimination of net proceeds and payments to/from ME&T and Financial Products.
[5] Elimination of dividend activity between Financial Products and ME&T.

Caterpillar Inc.
Supplemental Data for Cash Flow
For the Nine Months Ended September 30, 2022
(Unaudited)
(Millions of dollars)

		Supplemental Consolidating Data		
	Consolidated	Machinery, Energy & Transportation	Financial Products	Consolidating Adjustments
Cash flow from operating activities:				
Profit of consolidated and affiliated companies	$ 5,250	$ 4,750	$ 506	$ (6) [1]
Adjustments for non-cash items:				
Depreciation and amortization	1,661	1,072	589	—
Provision (benefit) for deferred income taxes	(349)	(294)	(55)	—
Other	132	(83)	(123)	338 [2]
Changes in assets and liabilities, net of acquisitions and divestitures:				
Receivables – trade and other	365	97	21	247 [2,3]
Inventories	(3,088)	(3,074)	—	(14) [2]
Accounts payable	786	701	74	11 [2]
Accrued expenses	70	28	42	—
Accrued wages, salaries and employee benefits	15	27	(12)	—
Customer advances	751	752	(1)	—
Other assets – net	57	128	(28)	(43) [2]
Other liabilities – net	(623)	(913)	239	51 [2]
Net cash provided by (used for) operating activities	5,027	3,191	1,252	584
Cash flow from investing activities:				
Capital expenditures – excluding equipment leased to others	(868)	(860)	(10)	2 [2]
Expenditures for equipment leased to others	(1,023)	(20)	(1,024)	21 [2]
Proceeds from disposals of leased assets and property, plant and equipment	666	63	612	(9) [2]
Additions to finance receivables	(9,914)	—	(10,584)	670 [3]
Collections of finance receivables	9,738	—	10,328	(590) [3]
Net intercompany purchased receivables	—	—	678	(678) [3]
Proceeds from sale of finance receivables	50	—	50	—
Net intercompany borrowings	—	—	5	(5) [4]
Investments and acquisitions (net of cash acquired)	(44)	(44)	—	—
Proceeds from sale of businesses and investments (net of cash sold)	1	1	—	—
Proceeds from sale of securities	2,080	1,820	260	—
Investments in securities	(2,399)	(1,925)	(474)	—
Other – net	15	84	(69)	—
Net cash provided by (used for) investing activities	(1,698)	(881)	(228)	(589)
Cash flow from financing activities:				
Dividends paid	(1,820)	(1,820)	—	—
Common stock issued, including treasury shares reissued	2	2	—	—
Common shares repurchased	(3,309)	(3,309)	—	—
Net intercompany borrowings	—	(5)	—	5 [4]
Proceeds from debt issued (original maturities greater than three months)	5,570	—	5,570	—
Payments on debt (original maturities greater than three months)	(5,289)	(20)	(5,269)	—
Short-term borrowings – net (original maturities three months or less)	(1,311)	(138)	(1,173)	—
Other – net	(1)	(1)	—	—
Net cash provided by (used for) financing activities	(6,158)	(5,291)	(872)	5
Effect of exchange rate changes on cash	(79)	(42)	(37)	—
Increase (decrease) in cash, cash equivalents and restricted cash	(2,908)	(3,023)	115	—
Cash, cash equivalents and restricted cash at beginning of period	9,263	8,433	830	—
Cash, cash equivalents and restricted cash at end of period	$ 6,355	$ 5,410	$ 945	$ —

[1] Elimination of equity profit earned from Financial Products' subsidiaries partially owned by ME&T subsidiaries.
[2] Elimination of non-cash adjustments and changes in assets and liabilities related to consolidated reporting.
[3] Reclassification of Financial Products’ cash flow activity from investing to operating for receivables that arose from the sale of inventory.
[4] Elimination of net proceeds and payments to/from ME&T and Financial Products.

Forward-looking Statements

Certain statements in this Form 10-Q 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,” “forecast,” “target,” “guide,” “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) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; (vi) our ability to develop, produce and market quality products that meet our customers’ needs; (vii) the impact of the highly competitive environment in which we operate on our sales and pricing; (viii) information technology security threats and computer crime; (ix) inventory management decisions and sourcing practices of our dealers and our OEM customers; (x) a failure to realize, or a delay in realizing, all of the anticipated benefits of our acquisitions, joint ventures or divestitures; (xi) union disputes or other employee relations issues; (xii) adverse effects of unexpected events; (xiii) disruptions or volatility in global financial markets limiting our sources of liquidity or the liquidity of our customers, dealers and suppliers; (xiv) 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; (xv) our Financial Products segment’s risks associated with the financial services industry; (xvi) changes in interest rates or market liquidity conditions; (xvii) an increase in delinquencies, repossessions or net losses of Cat Financial’s customers; (xviii) currency fluctuations; (xix) our or Cat Financial’s compliance with financial and other restrictive covenants in debt agreements; (xx) increased pension plan funding obligations; (xxi) alleged or actual violations of trade or anti-corruption laws and regulations; (xxii) additional tax expense or exposure, including the impact of U.S. tax reform; (xxiii) significant legal proceedings, claims, lawsuits or government investigations; (xxiv) new regulations or changes in financial services regulations; (xxv) compliance with environmental laws and regulations; (xxvi) catastrophic events, including global pandemics such as the COVID-19 pandemic; and (xxvii) other factors described in more detail under the section entitled "Part I - Item 1A. Risk Factors" of Caterpillar's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as such factors may be updated from time to time in Caterpillar's periodic filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this Item is incorporated by reference from Note 5 – “Derivative financial instruments and risk management” included in Part I, Item 1 and Management’s Discussion and Analysis included in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision and with the participation of the company’s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the company’s disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report. Based on that evaluation, the CEO and CFO concluded that the company’s disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in internal control over financial reporting

During the third quarter of 2023, there has been no change in the company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference from Note 14 – "Environmental and legal matters" included in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[2,3]		Average Price Paid per Share[2,3]	Total Number of Shares Purchased as Part of Publicly Announced Program		Approximate Dollar Value of Shares that May Yet be Purchased under the Program (in billions)[1]
July 1-31, 2023	518,457	$	228.66	518,457	$	10.970
August 1-31, 2023	684,126	$	277.72	684,126	$	10.780
September 1-30, 2023	680,904	$	279.03	680,904	$	10.590
Total	1,883,487	$	264.69	1,883,487		

[1] In May 2022, the Board approved a share repurchase authorization (the 2022 Authorization) of up to $15.0 billion of Caterpillar common stock effective August 1, 2022, with no expiration. As of September 30, 2023, $10.6 billion remained available under the 2022 Authorization.

[2] During the second quarter of 2023, we entered into an accelerated share repurchase agreement ("ASR") with a third-party financial institution to purchase $750 million of our common stock. In May 2023, upon payment of the $750 million to the financial institution, we received 2.8 million shares. In July 2023, upon final settlement of the ASR, we received an additional 0.5 million shares. In total, we repurchased 3.3 million shares under this ASR at an average price per share of $228.66.

[3] In both August and September of 2023, we repurchased 0.7 million shares, respectively, for an aggregate of $380 million in open market transactions at an average price per share of $277.72 and $279.03, respectively.

Non-U.S. Employee Stock Purchase Plans

As of September 30, 2023, we had 28 employee stock purchase plans (the "EIP Plans") that are administered outside the United States for our non-U.S. employees, which had approximately 14,000 active participants in the aggregate. During the third quarter of 2023, approximately 61,000 shares of Caterpillar common stock were purchased by the EIP Plans pursuant to the terms of such plans.

Item 5. Other Information

On August 22, 2023, Andrew Bonfield, the Company's Chief Financial Officer, entered into a Rule 10b5-1 sales plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended. The sales plan will be in effect until the earlier of (1) November 20, 2024 and (2) the date on which an aggregate of 30,000 shares of our common stock have been sold under the plan.

Item 6. Exhibits

10.1	364-Day Credit Agreement dated August 31, 2023 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 1, 2023).
10.2	Local Currency Addendum to the 364-Day Credit Agreement dated August 31, 2023 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 1, 2023).
10.3	Japan Local Currency Addendum to the 364-Day Credit Agreement dated August 31, 2023 (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 1, 2023).
10.4	Amendment No. 1 to Third Amended and Restated Credit Agreement (Three-Year Facility) dated August 31, 2023 (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 1, 2023).
10.5	Amendment No. 1 to Third Amended and Restated Credit Agreement (Five-Year Facility) dated August 31, 2023 (incorporated by reference from Exhibit 10.5 to the Company's Current Report on Form 8-K filed September 1, 2023).
31.1	Certification of Chief Executive Officer of Caterpillar Inc., as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of Caterpillar Inc., as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer of Caterpillar Inc. and Chief Financial Officer of Caterpillar Inc., as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive File (embedded within the Inline XBRL document and included in Exhibit 101)

*Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 6 of this report.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CATERPILLAR INC.

November 1, 2023	*/s/ D. James Umpleby III* D. James Umpleby III	Chairman of the Board and Chief Executive Officer
November 1, 2023	*/s/ Andrew R.J. Bonfield* Andrew R.J. Bonfield	Chief Financial Officer
November 1, 2023	*/s/ Derek Owens* Derek Owens	Senior Vice President and General Counsel
November 1, 2023	*/s/ William E. Schaupp* William E. Schaupp	Vice President and Chief Accounting Officer

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, D. James Umpleby III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 1, 2023	*/s/ D. James Umpleby III*	Chief Executive Officer
	D. James Umpleby III	

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Andrew R.J. Bonfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Caterpillar Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 1, 2023	*/s/ Andrew R.J. Bonfield*	Chief Financial Officer
	Andrew R.J. Bonfield	

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Caterpillar Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2023	*/s/ D. James Umpleby III*	Chief Executive Officer
	D. James Umpleby III	
November 1, 2023	*/s/ Andrew R.J. Bonfield*	Chief Financial Officer
	Andrew R.J. Bonfield	

A signed original of this written statement required by Section 906 has been provided to Caterpillar Inc. and will be retained by Caterpillar Inc. and furnished to the Securities and Exchange Commission or its staff upon request.