

April 28, 2015



Cummins Announces First Quarter 2015 Results

First quarter revenues of \$4.7 billion, EBIT of 11.9 percent of sales; Full year revenue expected to grow between 2 and 4 percent and EBIT to be in the range of 13.5 to 14.0 percent of sales

Columbus, IND., April 28, 2015 (GLOBE NEWSWIRE) -- Cummins Inc. (NYSE: CMI) today reported results for the first quarter of 2015.

First quarter revenue of \$4.7 billion increased 7 percent from the same quarter in 2014. The increase year-over-year was driven by stronger demand in on-highway markets and distributor acquisitions in North America. Currency negatively impacted revenues by 3 percent compared to last year, primarily due to a stronger US dollar.

Revenues in North America increased 17 percent while international sales declined by 6 percent. Within international markets, lower revenues in Europe and Brazil more than offset growth in China.

Earnings before interest and taxes (EBIT) increased to \$562 million for the first quarter or 11.9 percent of sales, up from \$528 million or 12.0 percent of sales a year ago.

Net income attributable to Cummins grew 14 percent in the first quarter to \$387 million (\$2.14 per diluted share), compared to \$338 million (\$1.83 per diluted share) in the first quarter of 2014. The tax rate in the first quarter of 2015, including discrete items, was 26.3 percent.

"Record profitability in our Components Segment, execution of our distributor acquisition strategy, the successful launch of new products in China and improved results in our Power Generation Business all contributed to earnings growth in the first quarter. Strong performance in these areas more than offset the impact of weak demand in a number of international markets." said Cummins Chairman and CEO Tom Linebarger. "We expect profitability for the remainder of the year to increase from first quarter levels as revenues improve and we capture more benefits from cost reduction activities. During the quarter, we returned \$277 million to shareholders in the form of dividends and share repurchase, consistent with our plans to return 50 percent of full year operating cash flow."

Based on the current forecast, Cummins expects full year 2015 revenues to grow between 2 and 4 percent, and EBIT to be in the range of 13.5 to 14.0 percent of sales.

Other recent highlights:

- For the eighth consecutive year, Cummins was named one of the world's most ethical companies by The Ethisphere Institute
- *Forbes* magazine named Cummins 21st in its Top 25 Employers in America list
- Cummins was selected by Halliburton as the engine supplier for the first EPA Tier 4 Final-compliant fracking spread in North America
- The Company repurchased one million shares in the first quarter

First quarter 2015 detail (all comparisons to same period in 2014)

Engine Segment

- Sales - \$2.6 billion, up 1 percent
- Segment EBIT - \$253 million, or 9.7 percent of sales, compared to \$269 million or 10.5 percent of sales
- Increased demand in on-highway markets in North America and power generation offset weaker demand in construction, marine and mining markets

Distribution Segment

- Sales - \$1.5 billion, up 55 percent overall and down 2 percent excluding acquisitions
- Segment EBIT - \$88 million, or 6.0 percent of sales, compared to \$76 million or 8.0 percent of sales
- Higher revenues were primarily driven by acquisitions and stronger demand in Asia Pacific, partially offset by the negative impact of currency movements
- Segment EBIT included \$8m of amortization of intangibles related to prior year acquisitions

Components Segment

- Sales - \$1.3 billion, up 6 percent
- Segment EBIT - \$195 million, or 15.0 percent of sales, compared to \$167 million or 13.6 percent of sales
- Stronger demand in on-highway markets in North America and China

Power Generation Segment

- Sales - \$680 million, up 6 percent
- Segment EBIT - \$49 million, or 7.2 percent of sales, compared to \$25 million or 3.9 percent of sales
- Higher revenues in Asia, Africa and the Middle East more than offset weaker demand in Eastern Europe

About Cummins

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins currently employs approximately 54,600 people worldwide and serves customers in approximately 190 countries and territories through a network of approximately 600 company-owned and independent distributor locations and approximately 7,200 dealer locations. Cummins earned \$1.65 billion on sales of \$19.2 billion in 2014. Press releases can be found on the Web at www.cummins.com. Follow Cummins on Twitter at www.twitter.com/cummins and on YouTube at www.youtube.com/cummininc.

Forward-looking disclosure statement

Information provided in this release that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our forecasts, guidance, preliminary results, expectations, hopes, beliefs and intentions on strategies regarding the future. These forward looking statements include, without limitation, statements relating to our plans and expectations for our revenues for the full year of 2015. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, including particularly in the Risk Factors section of our 2014 Annual Report on Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

Presentation of Non-GAAP Financial Information

EBIT is a non-GAAP measure used in this release, and is defined and reconciled to what management believes to be the most comparable GAAP measure in a schedule attached to this release. Cummins presents this information as it believes it is useful to understanding the Company's operating performance, and because EBIT is a measure used internally to assess the performance of the operating units.

Webcast information

Cummins management will host a teleconference to discuss these results today at 10 a.m. EST. This teleconference will be webcast and available on the Investor Relations section of the Cummins website at www.cummins.com. Participants wishing to view the visuals available with the audio are encouraged to sign-in a few minutes prior to the start of the

teleconference.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited) (a)

In millions, except per share amounts	Three months ended	
	March 29, 2015	March 30, 2014
NET SALES	\$4,709	\$4,406
Cost of sales	<u>3,514</u>	<u>3,307</u>
GROSS MARGIN	1,195	1,099
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	517	485
Research, development and engineering expenses	195	190
Equity, royalty and interest income from investees	68	90
Other operating income (expense), net	<u>(3)</u>	<u>(1)</u>
OPERATING INCOME	548	513
Interest income	5	5
Interest expense	14	17
Other income, net	<u>9</u>	<u>10</u>
INCOME BEFORE INCOME TAXES	548	511
Income tax expense	<u>144</u>	<u>153</u>
CONSOLIDATED NET INCOME	404	358
Less: Net income attributable to noncontrolling interests	<u>17</u>	<u>20</u>
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	<u>\$387</u>	<u>\$338</u>
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$2.14	\$1.83
Diluted	\$2.14	\$1.83
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	180.6	184.3
Diluted	181.0	184.7
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$0.78	\$0.625

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

In millions, except par value	March 29, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$1,997	\$2,301
Marketable securities	115	93
Total cash, cash equivalents and marketable securities	2,112	2,394
Accounts and notes receivable, net	3,240	2,946
Inventories	2,936	2,866
Prepaid expenses and other current assets	712	849
Total current assets	9,000	9,055
Long-term assets		
Property, plant and equipment	7,046	7,123
Accumulated depreciation	(3,409)	(3,437)
Property, plant and equipment, net	3,637	3,686
Investments and advances related to equity method investees	968	981
Goodwill	470	479
Other intangible assets, net	340	343
Prepaid pensions	714	637
Other assets	607	595
Total assets	\$15,736	\$15,776
LIABILITIES		
Current liabilities		
Loans payable	\$71	\$86
Accounts payable (principally trade)	2,013	1,881
Current maturities of long-term debt	33	23
Current portion of accrued product warranty	379	363
Accrued compensation, benefits and retirement costs	390	508
Deferred revenue	393	401
Other accrued expenses	778	759
Total current liabilities	4,057	4,021
Long-term liabilities		
Long-term debt	1,602	1,589
Pensions	290	289
Postretirement benefits other than pensions	359	369
Other liabilities and deferred revenue	1,359	1,415
Total liabilities	\$7,667	\$7,683
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued	\$2,146	\$2,139
Retained earnings	9,792	9,545
Treasury stock, at cost, 41.0 and 40.1 shares	(2,975)	(2,844)

Common stock held by employee benefits trust, at cost, 1.0 and 1.1 shares	(12)	(13)
Accumulated other comprehensive loss	<u>(1,245)</u>	<u>(1,078)</u>
Total Cummins Inc. shareholders' equity	7,706	7,749
Noncontrolling interests	<u>363</u>	<u>344</u>
Total equity	<u>\$8,069</u>	<u>\$8,093</u>
Total liabilities and equity	<u><u>\$15,736</u></u>	<u><u>\$15,776</u></u>

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (a)

In millions	Three months ended	
	March 29, 2015	March 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$404	\$358
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	128	105
Deferred income taxes	(1)	22
Equity in income of investees, net of dividends	(53)	(52)
Pension contributions in excess of expense	(96)	(100)
Other post-retirement benefits payments in excess of expense	(8)	(8)
Stock-based compensation expense	5	10
Translation and hedging activities	7	(3)
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	(276)	(232)
Inventories	(98)	(135)
Other current assets	20	2
Accounts payable	147	302
Accrued expenses	(35)	(95)
Changes in other liabilities and deferred revenue	59	50
Other, net	(30)	39
Net cash provided by operating activities	<u>173</u>	<u>263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(100)	(107)
Investments in internal use software	(8)	(14)
Investments in and advances to equity investees	10	(6)
Acquisitions of businesses, net of cash acquired	(11)	(90)
Investments in marketable securities--acquisitions	(95)	(84)
Investments in marketable securities--liquidations	71	108
Cash flows from derivatives not designated as hedges	4	5
Other, net	<u>4</u>	<u>1</u>
Net cash used in investing activities	<u>(125)</u>	<u>(187)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2	7
Payments on borrowings and capital lease obligations	(18)	(25)
Distributions to noncontrolling interests	(1)	(13)
Dividend payments on common stock	(140)	(115)
Repurchases of common stock	(137)	(419)
Other, net	<u>(2)</u>	<u>(37)</u>
Net cash used in financing activities	<u>(296)</u>	<u>(602)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(56)</u>	<u>5</u>
Net decrease in cash and cash equivalents	(304)	(521)
Cash and cash equivalents at beginning of year	<u>2,301</u>	<u>2,699</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$1,997</u></u>	<u><u>2,178</u></u>

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Distribution	Components	Power Generation	Non- segment Items ⁽¹⁾	Total
Three months ended March 29, 2015						
External sales	\$1,889	\$1,469	\$931	\$420	\$--	\$4,709
Intersegment sales	<u>707</u>	<u>7</u>	<u>368</u>	<u>260</u>	<u>(1,342)</u>	<u>--</u>
Total sales	2,596	1,476	1,299	680	(1,342)	4,709
Depreciation and amortization ⁽²⁾	58	27	26	16	--	127
Research, development and engineering expenses	114	3	61	17	--	195
Equity, royalty and interest income from investees	30	20	9	9	--	68
Interest income	2	1	1	1	--	5
Segment EBIT	253	88	195	49	(23)	562
Segment EBIT as a percentage of total sales	9.7%	6.0%	15.0%	7.2%		11.9%
Three months ended March 30, 2014						
External sales	\$2,090	\$942	\$922	\$452	\$--	\$4,406
Intersegment sales	<u>473</u>	<u>8</u>	<u>308</u>	<u>187</u>	<u>(976)</u>	<u>--</u>
Total sales	2,563	950	1,230	639	(976)	4,406
Depreciation and amortization ⁽²⁾	51	16	26	12	--	105
Research, development and engineering expenses	116	2	53	19	--	190
Equity, royalty and interest income from investees	32	41	9	8	--	90
Interest income	2	1	1	1	--	5
Segment EBIT	269	76 ⁽³⁾	167	25	(9)	528
Segment EBIT as a percentage of total sales	10.5%	8.0%	13.6%	3.9%		12.0%

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended March 29, 2015 and March 30, 2014.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Income* as "Interest expense." The amortization of debt discount and deferred costs were \$1 million and less than a million for the three months ended March 29, 2015 and March 30, 2014, respectively.

(3) Distribution segment EBIT included a gain of \$6 million on the fair value adjustment resulting from the acquisition of a controlling interest in a North American distributor for the three months ended March 30, 2014.

CUMMINS INC. AND SUBSIDIARIES
RECONCILIATION OF SEGMENT INFORMATION

(Unaudited)

A reconciliation of our segment information to the corresponding amounts in the *Condensed Consolidated Statements of Income* is shown in the table below:

In millions	Three months ended	
	March 29, 2015	March 30, 2014
Total EBIT	\$562	\$528
Less: Interest expense	14	17
Income before income taxes	<u>\$548</u>	<u>\$511</u>

CUMMINS INC. AND SUBSIDIARIES

SELECTED FOOTNOTE DATA

(Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

Equity, royalty and interest income from investees included in our *Condensed Consolidated Statements of Income* for the reporting periods was as follows:

In millions	Three months ended	
	March 29, 2015	March 30, 2014
Distribution Entities		
North American distributors	\$10	\$32
Komatsu Cummins Chile, Ltda.	7	6
All other distributors	1	1
Manufacturing Entities		
Dongfeng Cummins Engine Company, Ltd.	14	14
Chongqing Cummins Engine Company, Ltd.	12	11
Beijing Foton Cummins Engine Co., Ltd. (Light-duty)	8	6
Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty)	(1)	(6)
All other manufacturers	<u>7</u>	<u>15</u>
Cummins share of net income	58	79
Royalty and interest income	<u>10</u>	<u>11</u>
Equity, royalty and interest income from investees	<u>\$68</u>	<u>\$90</u>

NOTE 2. INCOME TAXES

The effective tax rate for the three month period ended March 29, 2015, was 26.3 percent. This tax rate included an \$18 million discrete tax benefit to reflect the release of reserves for uncertain tax positions related to a favorable federal audit settlement.

CUMMINS INC. AND SUBSIDIARIES
FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding special items

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to special items including tax adjustments. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. to net income attributable to Cummins Inc. excluding special items for the following periods:

In millions	Three months ended			
	March 29, 2015		March 30, 2014	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc.	\$387	\$2.14	\$338	\$1.83
Less				
Tax benefit	18	0.10	--	--
Net income attributable to Cummins Inc. excluding special items	<u>\$369</u>	<u>\$2.04</u>	<u>\$338</u>	<u>\$1.83</u>

CUMMINS INC. AND SUBSIDIARIES
FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes and noncontrolling interests

We define EBIT as earnings before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (EBIT). We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. This measure is not in accordance with, or an alternative for, GAAP and may not be consistent with measures used by other companies. It should be considered supplemental data. Below is a reconciliation of EBIT to "Net income attributable to Cummins Inc.," for each of the applicable periods:

In millions	Three months ended	
	March 29, 2015	March 30, 2014
Earnings before interest expense and income taxes	<u>\$562</u>	<u>\$528</u>
<i>EBIT as a percentage of net sales</i>	<i>11.9%</i>	<i>12.0%</i>
Less		
Interest expense	14	17
Income tax expense	<u>144</u>	<u>153</u>
Consolidated net income	<u>404</u>	<u>358</u>
Less		
Net income attributable to noncontrolling interests	<u>17</u>	<u>20</u>
Net income attributable to Cummins Inc.	<u>\$387</u>	<u>\$338</u>
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<i>8.2%</i>	<i>7.7%</i>

CUMMINS INC. AND SUBSIDIARIES

BUSINESS UNIT SALES DATA

(Unaudited)

Engine Segment Net Sales by Market

In the first quarter of 2015, our Engine segment reorganized its reporting structure to include the following markets: heavy-duty truck, medium-duty truck and bus, light-duty automotive (pickup and light commercial vehicle), industrial and stationary power. Sales by market for our Engine segment by business (including 2014 and 2013 reorganized balances) were as follows:

2015

In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$757	\$--	\$--	\$--	\$757
Medium-duty truck and bus	608	--	--	--	608
Light-duty automotive	381	--	--	--	381
Industrial	616	--	--	--	616
Stationary power	234	--	--	--	234
Total sales	<u>\$2,596</u>	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>	<u>\$2,596</u>

2014

In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$718	\$769	\$801	\$784	\$3,072
Medium-duty truck and bus	575	605	599	652	2,431
Light-duty automotive	391	392	396	388	1,567
Industrial	669	739	768	775	2,951
Stationary power	210	239	252	240	941
Total sales	<u>\$2,563</u>	<u>\$2,744</u>	<u>\$2,816</u>	<u>\$2,839</u>	<u>\$10,962</u>

2013

In millions	YTD
Heavy-duty truck	\$2,618
Medium-duty truck and bus	2,064
Light-duty automotive	1,465
Industrial	2,921
Stationary power	<u>945</u>
Total sales	<u>\$10,013</u>

Unit shipments by engine classification (including unit shipments to Power Generation):

2015

Units	Q1	Q2	Q3	Q4	YTD
Midrange	112,400	--	--	--	112,400
Heavy-duty	28,700	--	--	--	28,700
High-horsepower	3,500	--	--	--	3,500
Total units	<u>144,600</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>144,600</u>

2014

Units	Q1	Q2	Q3	Q4	YTD
Midrange	118,900	118,700	117,700	115,900	471,200
Heavy-duty	28,800	30,300	32,300	30,700	122,100
High-horsepower	<u>3,400</u>	<u>3,900</u>	<u>3,900</u>	<u>3,600</u>	<u>14,800</u>
Total units	<u>151,100</u>	<u>152,900</u>	<u>153,900</u>	<u>150,200</u>	<u>608,100</u>

Distribution Segment Sales by Business

2015

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$573	\$--	\$--	\$--	\$573
Engines	321	--	--	--	321
Power generation	298	--	--	--	298
Service	284	--	--	--	284
Total sales	<u>\$1,476</u>	<u>\$--</u>	<u>\$--</u>	<u>\$</u> <u>\$--</u>	<u>\$1,476</u>

2014

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$382	\$461	\$4491	\$590	\$1,924
Engines	174	249	270	368	1,061
Power generation	193	278	279	413	1,163
Service	201	250	252	323	1,026
Total sales	<u>\$950</u>	<u>\$1,238</u>	<u>\$1,292</u>	<u>\$1,694</u>	<u>\$5,174</u>

Component Segment Sales by Business**2015**

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$613	\$--	\$--	\$--	\$613
Turbo technologies	301	--	--	--	301
Filtration	255	--	--	--	255
Fuel systems	130	--	--	--	130
Total sales	<u>\$1,299</u>	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>	<u>\$1,299</u>

2014

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$543	\$582	\$598	\$620	\$2,343
Turbo technologies	313	307	297	305	1,222
Filtration	265	275	268	267	1,075
Fuel systems	109	116	124	129	478
Total sales	<u>\$1,230</u>	<u>\$1,280</u>	<u>\$1,287</u>	<u>\$1,321</u>	<u>\$5,118</u>

Power Generation Segment Sales by Business

In the first quarter of 2015, our Power Generation segment reorganized its reporting structure to include the following businesses: power systems, alternators and power solutions. Sales for our Power Generation segment by business (including 2014 and 2013 reorganized balances) were as follows:

2015

In millions	Q1	Q2	Q3	Q4	YTD
Power systems	\$543	\$--	\$--	\$--	\$543
Alternators	98	--	--	--	98
Power solutions	39	--	--	--	39
Total sales	<u>\$680</u>	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>	<u>\$680</u>

2014

In millions	Q1	Q2	Q3	Q4	YTD
Power systems	\$510	\$586	\$598	\$606	\$2,300
Alternators	105	126	115	103	449
Power solutions	<u>24</u>	<u>31</u>	<u>41</u>	<u>51</u>	<u>147</u>
Total sales	<u>\$639</u>	<u>\$743</u>	<u>\$754</u>	<u>\$760</u>	<u>\$2,896</u>

2013

In millions	YTD
Power systems	\$2,381
Alternators	496
Power solutions	<u>154</u>
Total sales	<u>\$3,031</u>

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Source: Cummins, Inc.