

May 2, 2017



Cummins Announces First Quarter Results; Raises Outlook for 2017

- **First quarter revenues of \$4.6 billion, GAAP¹ Net Income of \$396 million**
- **EBIT of 12.3 percent of sales, Diluted EPS of \$2.36**
- **Full year 2017 revenues expected to be up 4 to 7 percent, compared to prior guidance of flat to down 5 percent**
- **EBIT expected to be in the range of 11.75 to 12.5 percent, up from 11 to 11.5 percent**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported results for the first quarter of 2017.

First quarter revenues of \$4.6 billion increased 7 percent from the same quarter in 2016. Stronger demand from construction and mining customers and higher sales from a distributor acquisition in the fourth quarter of last year, more than offset the impact of weaker truck production in North America. Currency negatively impacted revenues by approximately 1 percent compared to last year, primarily due to a stronger US dollar. International sales improved by 17 percent primarily due to growth in China and Europe while revenues in North America increased 1 percent.

Net income attributable to Cummins in the first quarter was \$396 million (\$2.36 per diluted share), compared to \$321 million (\$1.87 per diluted share). The tax rate in the first quarter of 2017 was 26.1 percent.

Earnings before interest and taxes (EBIT) were \$566 million, or 12.3 percent of sales, an increase from \$484 million or 11.3 percent of sales a year ago.

“Cummins delivered solid financial results, successfully launched new products and returned \$222 million in cash to shareholders in the form of dividends and share repurchases in the first quarter,” said Chairman and CEO Tom Linebarger. “We launched our fully updated range of engines for North American truck and bus markets offering improved performance and better fuel economy for our customers. As recently announced, we also advanced our strategy to be the leading global powertrain supplier through our agreement with Eaton to form the Eaton Cummins Automated Transmission Technologies joint venture. This new

venture will design, develop and produce the next generation of Automated Transmissions which will be fully integrated with our engine development to deliver up to an additional 7 percent improvement in fuel economy. The joint venture will benefit from the continuing shift away from fully manual transmissions in commercial vehicles, launch new products that will gain market share, leverage Cummins' strong presence in international markets for growth and generate aftermarket sales."

Based on the current forecast, Cummins expects full year 2017 revenues to be up 4 to 7 percent, compared to prior guidance of flat to down 5 percent. EBIT is projected to be in the range of 11.75 to 12.5 percent of sales, up from 11 to 11.5 percent. This forecast excludes the impact of the new joint venture with Eaton, which will be consolidated within Cummins' financial results and is expected to be operational in the third quarter of this year, subject to regulatory approvals.

First quarter 2017 highlights:

- The Company returned \$222 million to shareholders in the form of dividends and share repurchase, consistent with its plan to return 50 percent of Operating Cash Flow in 2017
- Cummins was named to Ethisphere's 2017 list of World's Most Ethical Companies for a 10th consecutive year by the Ethisphere Institute
- In March, the Company announced its plans to reach a 50 percent intensity reduction in water use at its facilities by 2020

¹ Generally Accepted Accounting Principles

First quarter 2017 detail (all comparisons to same period in 2016)

Engine Segment

- Sales - \$2.0 billion, up 2 percent.
- Segment EBIT - \$229 million, or 11.3 percent of sales, compared to 197 million or 10 percent of sales
- Off-highway revenues increased 20 percent primarily due to higher engines sales to global construction markets, while on-highway revenues declined by 2 percent

Distribution Segment

- Sales - \$1.6 billion, up 12 percent
- Segment EBIT - \$100 million, or 6.1 percent of sales, compared to \$87 million or 5.9 percent of sales
- Organic sales increased 6 percent, and revenue from the acquisition completed in the fourth quarter of 2016 added 6 percent

Components Segment

- Sales - \$1.3 billion, up 9 percent.

- Segment EBIT - \$179 million , or 13.3 percent of sales, compared to \$163 million or 13.2 percent of sales
- Strong international revenue growth, primarily in China, more than offset sales declines in North America due to lower commercial truck production

Power Systems Segment

- Sales - \$882 million, up 9 percent
- Segment EBIT - \$57 million, or 6.5 percent of sales, compared to \$46 million, or 5.7 percent of sales
- Increased demand for industrial engines sales primarily for mining and oil & gas markets was the primary driver of revenue growth

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 55,400 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 7,400 dealer locations. Cummins earned \$1.39 billion on sales of \$17.5 billion in 2016. 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/cumminsinc.

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 2017. 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 2016 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. EDT. 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	
	April 2, 2017	April 3, 2016
NET SALES	\$ 4,589	\$ 4,291
Cost of sales	3,461	3,235
GROSS MARGIN	1,128	1,056
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	537	490
Research, development and engineering expenses	158	166
Equity, royalty and interest income from investees	108	72
Other operating income (expense), net	5	(2)
OPERATING INCOME	546	470
Interest income	2	6
Interest expense	18	19
Other income (expense), net	18	8
INCOME BEFORE INCOME TAXES	548	465
Income tax expense	143	132
CONSOLIDATED NET INCOME	405	333
Less: Net income attributable to noncontrolling interests	9	12
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 396	\$ 321
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 2.36	\$ 1.87
Diluted	\$ 2.36	\$ 1.87
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	167.5	171.8
Diluted	168.0	172.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.025	\$ 0.975

(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	April 2, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,322	\$ 1,120
Marketable securities	145	260
Total cash, cash equivalents and marketable securities	1,467	1,380
Accounts and notes receivable, net	3,247	3,025
Inventories	2,894	2,675
Prepaid expenses and other current assets	551	627
Total current assets	8,159	7,707
Long-term assets		
Property, plant and equipment	7,746	7,635
Accumulated depreciation	(3,944)	(3,835)
Property, plant and equipment, net	3,802	3,800
Investments and advances related to equity method investees	1,059	946
Goodwill	482	480
Other intangible assets, net	345	332
Pension assets	785	731
Other assets	1,002	1,015
Total assets	<u>\$ 15,634</u>	<u>\$ 15,011</u>
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	\$ 2,168	\$ 1,854
Loans payable	48	41
Commercial paper	274	212
Accrued compensation, benefits and retirement costs	334	412
Current portion of accrued product warranty	352	333
Current portion of deferred revenue	498	468
Other accrued expenses	941	970
	47	35
Current maturities of long-term debt		
Total current liabilities	4,662	4,325
Long-term liabilities		
Long-term debt	1,576	1,568
Postretirement benefits other than pensions	317	329
Pensions	325	326
Other liabilities and deferred revenue	1,278	1,289
Total liabilities	<u>\$ 8,158</u>	<u>\$ 7,837</u>
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.4 shares issued	\$ 2,163	\$ 2,153
Retained earnings	11,265	11,040
Treasury stock, at cost, 54.4 and 54.2 shares	(4,524)	(4,489)
Common stock held by employee benefits trust, at cost, 0.6 and 0.7 shares	(7)	(8)
Accumulated other comprehensive loss	(1,732)	(1,821)
Total Cummins Inc. shareholders' equity	7,165	6,875
Noncontrolling interests	311	299
Total equity	<u>\$ 7,476</u>	<u>\$ 7,174</u>
Total liabilities and equity	<u>\$ 15,634</u>	<u>\$ 15,011</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	
	April 2, 2017	April 3, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 405	\$ 333
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	139	128
Deferred income taxes	10	(2)
Equity in income of investees, net of dividends	(83)	(48)
Pension contributions in excess of expense	(23)	(50)
Other post-retirement benefits payments in excess of expense	(10)	(8)
Stock-based compensation expense	7	5
Restructuring charges and other actions, net of cash payments	—	(25)
Translation and hedging activities	11	(14)
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	(205)	(98)
Inventories	(202)	(54)
Other current assets	73	188
Accounts payable	296	107
Accrued expenses	(90)	(283)
Changes in other liabilities and deferred revenue	48	78
Other, net	3	10
Net cash provided by operating activities	<u>379</u>	<u>267</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(81)	(71)
Investments in internal use software	(27)	(13)
Investments in and advances to equity investees	(20)	(25)
Investments in marketable securities—acquisitions	(26)	(291)
Investments in marketable securities—liquidations	147	35
Cash flows from derivatives not designated as hedges	(24)	(26)
Other, net	4	3
Net cash used in investing activities	<u>(27)</u>	<u>(388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	—	105
Net borrowings of commercial paper	62	50
Payments on borrowings and capital lease obligations	(11)	(15)
Distributions to noncontrolling interests	(10)	(10)
Dividend payments on common stock	(171)	(170)
Repurchases of common stock	(51)	(575)
Other, net	17	(21)
Net cash used in financing activities	<u>(164)</u>	<u>(636)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>14</u>	<u>(39)</u>
Net increase (decrease) in cash and cash equivalents	<u>202</u>	<u>(796)</u>
Cash and cash equivalents at beginning of year	<u>1,120</u>	<u>1,711</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,322</u>	<u>\$ 915</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 Systems	Intersegment	Total
					Eliminations (1)	

Three months ended April 2, 2017

External sales	\$1,457	\$ 1,637	\$ 980	\$ 515	\$ —	\$ 4,589
Intersegment sales	566	8	364	367	(1,305)	—
Total sales	2,023	1,645	1,344	882	(1,305)	4,589
Depreciation and amortization ⁽²⁾	44	30	37	28	—	139
Research, development and engineering expenses	54	4	50	50	—	158
Equity, royalty and interest income from investees	72	11	13	12	—	108
Interest income	1	1	—	—	—	2
Segment EBIT	229	100	179	57	1	566
Segment EBIT as a percentage of total sales	11.3%	6.1%	13.3%	6.5%		12.3%

Three months ended April 3, 2016

External sales	\$1,489	\$ 1,458	\$ 897	\$ 447	\$ —	\$ 4,291
Intersegment sales	487	5	340	361	(1,193)	—
Total sales	1,976	1,463	1,237	808	(1,193)	4,291
Depreciation and amortization ⁽²⁾	39	28	31	29	—	127
Research, development and engineering expenses	57	4	56	49	—	166
Equity, royalty and interest income from investees	36	18	8	10	—	72
Interest income	2	1	1	2	—	6
Segment EBIT	197	87	163	46	(9)	484
Segment EBIT as a percentage of total sales	10.0%	5.9%	13.2%	5.7%		11.3%

(1) Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended April 2, 2017 and April 3, 2016.

(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 less than \$1 million and \$1 million for the three months ended April 2, 2017 and April 3, 2016, respectively.

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	
	April 2, 2017	April 3, 2016
Total segment EBIT	\$ 566	\$ 484
Less: Interest expense	18	19
Income before income taxes	\$ 548	\$ 465

CUMMINS INC. AND SUBSIDIARIES
SELECTED FOOTNOTE DATA
(Unaudited)

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	
	April 2, 2017	April 3, 2016
Distribution entities		
Komatsu Cummins Chile, Ltda.	\$ 7	\$ 10
North American distributors	—	5
Manufacturing entities		

Beijing Foton Cummins Engine Co., Ltd.	33	18
Dongfeng Cummins Engine Company, Ltd.	22	7
Chongqing Cummins Engine Company, Ltd.	9	8
All other manufacturers	24	16
Cummins share of net income	95	64
Royalty and interest income	13	8
Equity, royalty and interest income from investees	<u>\$ 108</u>	<u>\$ 72</u>

Earnings before interest, income taxes and noncontrolling interests

We define EBIT as earnings before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries. 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, accounting principles generally accepted in the United States and may not be consistent with measures used by other companies. It should be considered supplemental data. Below is a reconciliation of "Net income attributable to Cummins Inc." to EBIT for each of the applicable periods:

In millions	Three months ended	
	April 2, 2017	April 3, 2016
Net income attributable to Cummins Inc.	\$ 396	\$ 321
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<i>8.6%</i>	<i>7.5%</i>
Add		
Net income attributable to noncontrolling interests	9	12
Consolidated net income	<u>405</u>	<u>333</u>
Add		
Interest expense	18	19
Income tax expense	143	132
Earnings before interest expense and income taxes	<u>566</u>	<u>484</u>
<i>EBIT as a percentage of net sales</i>	<i>12.3%</i>	<i>11.3%</i>

CUMMINS INC. AND SUBSIDIARIES BUSINESS UNIT SALES DATA (Unaudited)

Engine Segment Sales by Market and Unit Shipments by Engine Classification

Sales for our Engine segment by market were as follows:

2017					
In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$ 620	\$ —	\$ —	\$ —	\$ 620
Medium-duty truck and bus	544	—	—	—	544
Light-duty automotive	423	—	—	—	423
Off-highway	436	—	—	—	436
Total sales	<u>\$2,023</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$2,023</u>
2016					
In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$ 631	\$ 622	\$ 625	\$ 565	\$2,443

Medium-duty truck and bus	549	600	517	606	2,272
Light-duty automotive	433	394	345	409	1,581
Off-highway	363	386	372	387	1,508
Total sales	<u>\$1,976</u>	<u>\$2,002</u>	<u>\$1,859</u>	<u>\$1,967</u>	<u>\$7,804</u>

Unit shipments by engine classification (including unit shipments to Power Systems and off-highway engine units included in their respective classification) were as follows:

2017

Units	Q1	Q2	Q3	Q4	YTD
Heavy-duty	19,200	—	—	—	19,200
Medium-duty	60,300	—	—	—	60,300
Light-duty	63,100	—	—	—	63,100
Total units	<u>142,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>142,600</u>

2016

Units	Q1	Q2	Q3	Q4	YTD
Heavy-duty	19,700	20,700	20,100	18,500	79,000
Medium-duty	55,400	62,300	53,400	58,000	229,100
Light-duty	61,700	57,100	49,800	60,000	228,600
Total units	<u>136,800</u>	<u>140,100</u>	<u>123,300</u>	<u>136,500</u>	<u>536,700</u>

Distribution Segment Sales by Product Line

2017

In millions	Q1	Q2	Q3	Q4	YTD
Parts	\$ 745	\$ —	\$ —	\$ —	\$ 745
Service	319	—	—	—	319
Power generation	306	—	—	—	306
Engines	275	—	—	—	275
Total sales	<u>\$1,645</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,645</u>

2016

In millions	Q1	Q2	Q3	Q4	YTD
Parts	\$ 648	\$ 642	\$ 643	\$ 694	\$2,627
Service	299	297	299	320	1,215
Power generation	275	326	291	347	1,239
Engines	241	279	271	309	1,100
Total sales	<u>\$1,463</u>	<u>\$1,544</u>	<u>\$1,504</u>	<u>\$1,670</u>	<u>\$6,181</u>

Component Segment Sales by Business

In the first quarter of 2017, our Components segment reorganized its reporting structure to move a small piece of the emission solutions business to the fuel systems business to enhance operational, administrative and product development efficiencies. Prior year balances were reclassified to conform with this change.

2017

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 616	\$ —	\$ —	\$ —	\$ 616
Turbo technologies	287	—	—	—	287
Filtration	277	—	—	—	277
Fuel systems	164	—	—	—	164

Total sales	<u>\$1,344</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,344</u>
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2016

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 589	\$ 603	\$ 522	\$ 524	\$2,238
Turbo technologies	265	276	241	254	1,036
Filtration	252	262	244	252	1,010
Fuel systems	131	138	136	147	552
Total sales	<u>\$1,237</u>	<u>\$1,279</u>	<u>\$1,143</u>	<u>\$1,177</u>	<u>\$4,836</u>

2015

In millions	YTD
Emission solutions	\$2,449
Turbo technologies	1,141
Filtration	1,010
Fuel systems	572
Total sales	<u>\$5,172</u>

Power Systems Segment Sales by Product Line and Unit Shipments by Engine Classification

In the first quarter of 2017, the Power Systems segment reorganized its product lines to better reflect how the business is managed. Prior year sales have been reclassified to reflect these changes.

Sales for our Power Systems segment by product line were as follows:

2017

In millions	Q1	Q2	Q3	Q4	YTD
Power generation	\$526	\$ —	\$ —	\$ —	\$ 526
Industrial	275	—	—	—	275
Generator technologies	81	—	—	—	81
Total sales	<u>\$882</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 882</u>

2016

In millions	Q1	Q2	Q3	Q4	YTD
Power generation	\$518	\$602	\$543	\$593	\$2,256
Industrial	215	236	235	255	941
Generator technologies	75	83	78	84	320
Total sales	<u>\$808</u>	<u>\$921</u>	<u>\$856</u>	<u>\$932</u>	<u>\$3,517</u>

High-horsepower unit shipments by engine classification were as follows:

2017

Units	Q1	Q2	Q3	Q4	YTD
Power generation	1,900	—	—	—	1,900
Industrial	1,300	—	—	—	1,300
Total units	<u>3,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,200</u>

2016

Units	Q1	Q2	Q3	Q4	YTD
Power generation	1,800	2,200	2,000	1,900	7,900
Industrial	1,000	1,100	1,000	1,300	4,400
Total units	<u>2,800</u>	<u>3,300</u>	<u>3,000</u>	<u>3,200</u>	<u>12,300</u>

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Source: Cummins Inc.