

October 31, 2017



Cummins Reports Third Quarter 2017 Results

- **Third quarter revenues of \$5.3 billion, GAAP^d Net Income of \$453 million**
- **EBIT of 12.1% of sales, Diluted EPS of \$2.71**
- **Cummins expects full-year 2017 revenues to be up 14% to 15%**
- **EBIT is expected to be in the range of 11.8% to 12.2%**

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

Third quarter revenues of \$5.3 billion increased 26% from the same quarter in 2016. Revenues in North America increased 25% due to higher demand in truck, oil and gas and construction markets. International sales grew 28% primarily due to strong truck and construction demand in China, sales of new products in India, and increased demand from global mining customers.

Net income attributable to Cummins in the third quarter was \$453 million, or \$2.71 per diluted share, compared to \$289 million, or \$1.72 per diluted share. The tax rate in the third quarter of 2017 was 26.5%.

Earnings before interest and taxes (EBIT) was \$640 million, or 12.1% of sales, an increase from \$398 million, or 9.5% of sales, a year ago.

“Cummins experienced positive momentum in demand in a number of important markets, resulting in strong sales growth in the third quarter,” said Chairman and CEO Tom Linebarger. “Earnings improved over the year-ago period due to stronger volumes and operational improvements that more than offset increased quality costs. Year to date, we have returned \$913 million to shareholders in the form of dividends and share repurchases consistent with our plan to return 50% of Operating Cash Flow in 2017.”

Outlook

Based on its current forecast, Cummins expects full-year 2017 revenues to grow 14% to 15%, an increase from the company’s previous projection of 9% to 11% growth. EBIT is

expected to be in the range of 11.8% to 12.2% of sales, which is unchanged from the prior guidance except for the inclusion of the impact of the new Eaton Cummins Automated Transmission Technologies joint venture. The joint venture, which is consolidated within the Components segment, is expected to report 2017 sales of approximately \$150 million and negative EBIT of \$25 million due in part to the amortization of intangible assets.

Third quarter 2017 highlights:

- The Company entered into an asset purchase agreement with Brammo, Inc., which designs and develops battery packs for mobile and stationary applications. When complete, this will be an important milestone in Cummins' efforts to become a global electrified power leader.
- The Eaton Cummins Automated Transmission Technologies joint venture became fully operational on schedule on August 1. The joint venture will capitalize on the secular shift to more automated transmissions in commercial vehicle markets.

¹ Generally Accepted Accounting Principles

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

Engine Segment

- Sales - \$2.3 billion, up 26%
- Segment EBIT - \$229 million, or 9.8% of sales, compared to \$89 million or 4.8% of sales
- EBIT includes a \$63 million warranty charge related to a quality campaign
- On-highway revenues increased by 25%, and off-highway revenues increased 30% primarily due to increased demand globally in truck and construction markets

Distribution Segment

- Sales - \$1.8 billion, up 17%
- Segment EBIT - \$91 million, or 5.2% of sales, compared to \$96 million or 6.4% of sales
- Organic sales increased 12% due to improved sales to off-highway markets
- The impact of acquisitions and the disposal of power generation rental assets in North America resulted in a net percent increase in revenues

Components Segment

- Sales - \$1.5 billion, up 34%.
- Segment EBIT - \$217 million, or 14.2% of sales, compared to \$148 million or 12.9% of sales
- International revenue increased 45%, primarily due to higher truck demand in China and the sale of new products in India

- Sales in North America increased 26% due to stronger orders from on-highway customers

Power Systems Segment

- Sales - \$1.1 billion, up 23%
- Segment EBIT - \$81 million, or 7.7% of sales, compared to \$59 million, or 6.9% of sales
- Increased demand for industrial engines from mining and oil & gas customers was the main contributor to the 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. 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	
	October 1, 2017	October 2, 2016
NET SALES	\$ 5,285	\$ 4,187
Cost of sales	3,946	3,108
GROSS MARGIN	1,339	1,079
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	624	513
Research, development and engineering expenses	213	157
Equity, royalty and interest income from investees	95	74
Loss contingency	—	99
Other operating income (expense), net	32	—
OPERATING INCOME	629	384
Interest income	4	6
Interest expense	18	16
Other income (expense), net	7	8
INCOME BEFORE INCOME TAXES	622	382
Income tax expense	165	82
CONSOLIDATED NET INCOME	457	300
Less: Net income attributable to noncontrolling interests	4	11
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 453	\$ 289
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 2.72	\$ 1.72
Diluted	\$ 2.71	\$ 1.72
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	166.3	167.8
Diluted	167.0	168.2
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.08	\$ 1.025

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

In millions, except per share amounts	Nine months ended	
	October 1, 2017	October 2, 2016
NET SALES	\$ 14,952	\$ 13,006
Cost of sales	<u>11,236</u>	<u>9,674</u>
GROSS MARGIN	3,716	3,332
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,757	1,527
Research, development and engineering expenses	545	478
Equity, royalty and interest income from investees	301	234
Loss contingency	—	138
Other operating income (expense), net	<u>55</u>	<u>(2)</u>
OPERATING INCOME	1,770	1,421
Interest income	11	18
Interest expense	57	51
Other income (expense), net	<u>45</u>	<u>34</u>
INCOME BEFORE INCOME TAXES	1,769	1,422
Income tax expense	<u>466</u>	<u>362</u>
CONSOLIDATED NET INCOME	1,303	1,060
Less: Net income attributable to noncontrolling interests	<u>30</u>	<u>44</u>
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 1,273	\$ 1,016
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 7.62	\$ 5.99
Diluted	\$ 7.60	\$ 5.99
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	167.0	169.5
Diluted	167.6	169.7
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 3.13	\$ 2.975

(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	October 1, December 31,	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,290	\$ 1,120
Marketable securities	154	260
Total cash, cash equivalents and marketable securities	<u>1,444</u>	<u>1,380</u>
Accounts and notes receivable, net	3,810	3,025
Inventories	3,146	2,675
Prepaid expenses and other current assets	<u>656</u>	<u>627</u>
Total current assets	<u>9,056</u>	<u>7,707</u>
Long-term assets		
Property, plant and equipment	7,901	7,635
Accumulated depreciation	<u>(4,085)</u>	<u>(3,835)</u>
Property, plant and equipment, net	<u>3,816</u>	<u>3,800</u>
Investments and advances related to equity method investees	1,213	946

Goodwill	1,036	480
Other intangible assets, net	964	332
Pension assets	912	731
Other assets	995	1,015
Total assets	<u>\$ 17,992</u>	<u>\$ 15,011</u>
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	\$ 2,486	\$ 1,854
Loans payable	64	41
Commercial paper	514	212
Accrued compensation, benefits and retirement costs	674	412
Current portion of accrued product warranty	462	333
Current portion of deferred revenue	528	468
Other accrued expenses	968	970
Current maturities of long-term debt	62	35
Total current liabilities	<u>5,758</u>	<u>4,325</u>
Long-term liabilities		
Long-term debt	1,615	1,568
Postretirement benefits other than pensions	319	329
Pensions	328	326
Other liabilities and deferred revenue	1,411	1,289
Total liabilities	<u>\$ 9,431</u>	<u>\$ 7,837</u>
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.4 and 222.4 shares issued	\$ 2,198	\$ 2,153
Retained earnings	11,791	11,040
Treasury stock, at cost, 56.4 and 54.2 shares	(4,849)	(4,489)
Common stock held by employee benefits trust, at cost, 0.6 and 0.7 shares	(7)	(8)
Accumulated other comprehensive loss	(1,504)	(1,821)
Total Cummins Inc. shareholders' equity	<u>7,629</u>	<u>6,875</u>
Noncontrolling interests	932	299
Total equity	<u>\$ 8,561</u>	<u>\$ 7,174</u>
Total liabilities and equity	<u>\$ 17,992</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	<u>Nine months ended</u>	
	<u>October 1,</u>	<u>October 2,</u>
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 1,303	\$ 1,060
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	433	391
Deferred income taxes	26	60
Equity in income of investees, net of dividends	(166)	(94)
Pension contributions in excess of expense	(63)	(92)
Other post retirement benefits payments in excess of expense	(4)	(16)
Stock-based compensation expense	34	28
Restructuring payments	—	(53)
Loss contingency	—	138
Translation and hedging activities	61	(39)
Changes in current assets and liabilities, net of acquisitions		

Accounts and notes receivable	(722)	(112)
Inventories	(401)	(150)
Other current assets	(28)	138
Accounts payable	567	101
Accrued expenses	369	(279)
Changes in other liabilities and deferred revenue	177	188
Other, net	(115)	45
Net cash provided by operating activities	<u>1,471</u>	<u>1,314</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(282)	(312)
Investments in internal use software	(59)	(42)
Proceeds from disposals of property, plant and equipment	104	11
Investments in and advances to equity investees	(71)	(29)
Acquisitions of businesses, net of cash acquired	(600)	(1)
Investments in marketable securities—acquisitions	(106)	(447)
Investments in marketable securities—liquidations	218	291
Cash flows from derivatives not designated as hedges	9	(64)
Other, net	1	3
Net cash used in investing activities	<u>(786)</u>	<u>(590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	4	111
Net borrowings of commercial paper	302	273
Payments on borrowings and capital lease obligations	(38)	(156)
Net borrowings under short-term credit agreements	19	25
Distributions to noncontrolling interests	(29)	(42)
Dividend payments on common stock	(522)	(505)
Repurchases of common stock	(391)	(745)
Other, net	55	(6)
Net cash used in financing activities	<u>(600)</u>	<u>(1,045)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>85</u>	<u>(139)</u>
Net increase (decrease) in cash and cash equivalents	170	(460)
Cash and cash equivalents at beginning of year	1,120	1,711
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,290</u>	<u>\$ 1,251</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 ⁽¹⁾	Power Systems	Total Segment	Intersegment Eliminations (2)	Total
Three months ended October 1, 2017							
External sales	\$1,783	\$ 1,748	\$ 1,139	\$ 615	\$ 5,285	\$ —	\$5,285
Intersegment sales	553	5	394	441	1,393	(1,393)	—
Total sales	2,336	1,753	1,533	1,056	6,678	(1,393)	5,285
Depreciation and amortization ⁽³⁾	47	29	42	30	148	—	148
Research, development and engineering expenses	83	6	63	61	213	—	213
Equity, royalty and interest income from investees	58	11	12	14	95	—	95
Interest income	1	2	—	1	4	—	4
EBIT	229	91	217	81	618	22	640
EBIT as a percentage of total sales	9.8%	5.2 %	14.2 %	7.7 %	9.3 %		12.1%

Three months ended October 2, 2016

External sales	\$1,357	\$ 1,497	\$ 824	\$ 509	\$4,187	\$ —	\$4,187
Intersegment sales	502	7	319	347	1,175	(1,175)	—
Total sales	1,859	1,504	1,143	856	5,362	(1,175)	4,187
Depreciation and amortization ⁽³⁾	42	28	32	29	131	—	131
Research, development and engineering expenses	56	3	54	44	157	—	157
Equity, royalty and interest income from investees	38	19	9	8	74	—	74
Loss contingency	99	—	—	—	99	—	99
Interest income	3	1	1	1	6	—	6
EBIT	89	96	148	59	392	6	398
EBIT as a percentage of total sales	4.8%	6.4 %	12.9 %	6.9 %	7.3 %		9.5%

(1) The 2017 disclosures include Eaton Cummins Automated Transmission Technologies joint venture results consolidated during the third quarter of 2017. See "ACQUISITION," footnote for additional information.

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

(3) 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."

CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)

In millions	Engine	Distribution	Components ⁽¹⁾	Power Systems	Total Segment	Intersegment Eliminations ⁽²⁾	Total
Nine months ended October 1, 2017							
External sales	\$4,951	\$ 5,101	\$ 3,183	\$ 1,717	\$14,952	\$ —	\$14,952
Intersegment sales	1,715	19	1,148	1,238	4,120	(4,120)	—
Total sales	6,666	5,120	4,331	2,955	19,072	(4,120)	14,952
Depreciation and amortization ⁽³⁾	137	90	117	87	431	—	431
Research, development and engineering expenses	200	14	170	161	545	—	545
Equity, royalty and interest income from investees	186	35	40	40	301	—	301
Interest income	4	4	1	2	11	—	11
EBIT	735	287	586	199	1,807	19	1,826
EBIT as a percentage of total sales	11.0%	5.6 %	13.5 %	6.7%	9.5%		12.2%
Nine months ended October 2, 2016							
External sales	\$4,350	\$ 4,493	\$ 2,654	\$ 1,509	\$13,006	\$ —	\$13,006
Intersegment sales	1,487	18	1,005	1,076	3,586	(3,586)	—
Total sales	5,837	4,511	3,659	2,585	16,592	(3,586)	13,006
Depreciation and amortization ⁽³⁾	122	85	95	87	389	—	389
Research, development and engineering expenses	166	10	161	141	478	—	478
Equity, royalty and interest income from investees	120	56	29	29	234	—	234
Loss contingency	138	—	—	—	138	—	138
Interest income	8	3	3	4	18	—	18
EBIT	492	270	501	195	1,458	15	1,473
EBIT as a percentage of total sales	8.4%	6.0 %	13.7 %	7.5%	8.8%		11.3%

(1) The 2017 disclosures include Eaton Cummins Automated Transmission Technologies joint venture results consolidated during the third quarter of 2017. See "ACQUISITION," footnote for additional information.

- (2) Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the nine months ended October 1, 2017 and October 2, 2016.
- (3) 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 was \$2 million for both of the nine months ended October 1, 2017 and October 2, 2016.

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		Nine months ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
	Total EBIT	\$ 640	\$ 398	\$ 1,826
Less: Interest expense	18	16	57	51
Income before income taxes	\$ 622	\$ 382	\$ 1,769	\$ 1,422

CUMMINS INC. AND SUBSIDIARIES SELECT FOOTNOTE DATA (Unaudited)

EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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		Nine months ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Distribution entities				
Komatsu Cummins Chile, Ltda.	\$ 8	\$ 8	\$ 23	\$ 26
North American distributors	—	7	—	18
All other distributors	(1)	1	(1)	2
Manufacturing entities				
Beijing Foton Cummins Engine Co., Ltd.	24	19	79	59
Dongfeng Cummins Engine Company, Ltd.	15	10	56	32
Chongqing Cummins Engine Company, Ltd.	11	11	30	28
All other manufacturers	27	8	78	40
Cummins share of net income	84	64	265	205
Royalty and interest income	11	10	36	29
Equity, royalty and interest income from investees	\$ 95	\$ 74	\$ 301	\$ 234

ACQUISITION

In April 2017, we entered into an agreement to form a joint venture with Eaton Corporation PLC (Eaton), which closed on July 31, 2017 (the acquisition date). We purchased a 50 percent interest in the new venture named Eaton Cummins Automated Transmission Technologies for \$600 million in cash. In addition, each partner contributed \$20 million for working capital. The joint venture will design, assemble, sell and support medium-duty and heavy-duty automated transmissions for the commercial vehicle market, including new product launches. We consolidated the results of the joint venture in our Components segment as we have a majority voting interest in the venture by virtue of a tie-breaking vote on the joint venture's board of directors. We do not expect this new venture to have a significant impact on our consolidated results in 2017.

ENGINE SYSTEM LOSS CONTINGENCY

During 2017, the CARB and U.S. EPA began selecting certain of our pre-2013 model year engine systems for additional emissions testing. We have been notified that a portion of the CARB and EPA selected engine systems have failed emissions testing due to the unexpected degradation of an aftertreatment component. Although we have no official notice from the CARB or EPA on these engine systems to date, we are working with the agencies on a resolution of these matters. We are developing and testing solutions to address the technical issues, which could include a combination of calibration changes, service practices and hardware changes. We recorded a charge of \$29 million to "cost of sales" in our *Condensed Consolidated Statements of Income* in the third quarter of 2017 for the expected cost of field campaigns to repair some of these engine systems.

In addition, we are currently evaluating other engine systems for model years 2010 through 2015 that could potentially be subject to similar degradation issues. At this point in time, we have not yet determined the impact to other model years and engine systems or the percentage of the engine system populations affected.

Because this remains under review with a number of yet unresolved variables, we are not yet able to estimate the outcome for these matters. It is possible, however, that they could have a material effect on our results of operations in the periods in which the uncertainties are resolved.

We do not currently expect any fines or penalties from the EPA or CARB related to this matter.

SUBSEQUENT EVENT

On October 12, 2017, we entered into an asset purchase agreement with Brammo Inc., an engineer and manufacturer of lithium ion batteries primarily related to the utility vehicle markets, for approximately \$70 million to be paid in cash at closing. In addition to the closing consideration, the agreement contains an earnout based on future results of the acquired business, which could result in a maximum additional \$100 million payment to the former owners. The majority of the purchase price will likely be assigned to intangible assets and goodwill. We expect the transaction to close in the fourth quarter of 2017.

CUMMINS INC. AND SUBSIDIARIES FINANCIAL MEASURES THAT SUPPLEMENT GAAP (Unaudited)

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		Nine months ended	
	October 1, 2017	October 2, 2016	October 1, 2017	October 2, 2016
Net income attributable to Cummins Inc.	\$ 453	\$ 289	\$ 1,273	\$ 1,016
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	8.6%	6.9%	8.5%	7.8%
Add				
Net income attributable to noncontrolling interests	4	11	30	44
Consolidated net income	<u>457</u>	<u>300</u>	<u>1,303</u>	<u>1,060</u>
Add				
Interest expense	18	16	57	51
Income tax expense	165	82	466	362
Earnings before interest expense and income taxes	<u>\$ 640</u>	<u>\$ 398</u>	<u>\$ 1,826</u>	<u>\$ 1,473</u>
<i>EBIT as a percentage of net sales</i>	12.1%	9.5%	12.2%	11.3%

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	\$ 714	\$ 776	\$ —	\$2,110
Medium-duty truck and bus	544	701	625	—	1,870
Light-duty automotive	423	429	452	—	1,304
Off-highway	436	463	483	—	1,382
Total sales	<u>\$2,023</u>	<u>\$2,307</u>	<u>\$2,336</u>	<u>\$ —</u>	<u>\$6,666</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	24,100	28,100	—	71,400
Medium-duty	60,300	71,600	68,500	—	200,400
Light-duty	63,100	65,600	66,300	—	195,000
Total units	<u>142,600</u>	<u>161,300</u>	<u>162,900</u>	<u>—</u>	<u>466,800</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

Sales for our Distribution segment by product line were as follows:

2017					
In millions	Q1	Q2	Q3	Q4	YTD
Parts	\$ 745	\$ 759	\$ 768	\$ —	\$2,272
Service	319	320	326	—	965
Power generation	306	329	317	—	952
Engines	275	314	342	—	931
Total sales	<u>\$1,645</u>	<u>\$1,722</u>	<u>\$1,753</u>	<u>\$ —</u>	<u>\$5,120</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 an element of the emission solutions business to the fuel systems business to enhance operational, administrative and product development efficiencies. Prior year sales were reclassified to conform with this change.

In the third quarter of 2017, we completed the Eaton Cummins Automated Transmission Technologies joint venture (ECJV), which was consolidated and included in our Components segment as the automated transmissions business.

Sales for our Components segment by product line were as follows:

2017					
In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 616	\$ 674	\$ 696	\$ —	\$1,986
Turbo technologies	287	307	297	—	891
Filtration	277	291	287	—	855
Fuel systems	164	182	184	—	530
Automated transmissions	—	—	69	—	69
Total sales	<u>\$1,344</u>	<u>\$1,454</u>	<u>\$1,533</u>	<u>\$ —</u>	<u>\$4,331</u>

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, our Power Systems segment reorganized its product lines to better reflect how the segment is managed. Prior year sales were 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	\$ 570	\$ 580	\$ —	\$1,676
Industrial	275	353	385	—	1,013
Generator technologies	81	94	91	—	266
Total sales	<u>\$ 882</u>	<u>\$1,017</u>	<u>\$1,056</u>	<u>\$ —</u>	<u>\$2,955</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>

2015	
In millions	YTD
Power generation	\$2,588
Industrial	1,121
Generator technologies	358
Total sales	<u>\$4,067</u>

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

2017					
Units	Q1	Q2	Q3	Q4	YTD
Power generation	1,900	2,100	2,200	—	6,200
Industrial	1,300	1,700	1,600	—	4,600
Total units	<u>3,200</u>	<u>3,800</u>	<u>3,800</u>	<u>—</u>	<u>10,800</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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Cummins Inc.

Carole Casto, 317-610-2480
Vice President - Marketing and Communications
carole.casto@cummins.com

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