

August 2, 2016



Cummins Announces Second Quarter 2016 Results

- **Second quarter revenues of \$4.5 billion, EBIT of 13.1 percent of sales**
- **GAAP profit before tax of 12.7 percent of sales, Diluted EPS of \$2.40**
- **Expects full year 2016 revenues to be down 8 to 10 percent, lower than previous guidance of down 5 to 9 percent**
- **Full year 2016 EBIT expected to be in the range of 11.6 to 12.2 percent, unchanged**
- **Returned more than \$1 billion to shareholders year to date through dividends and share repurchases**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported results for the second quarter of 2016.

Second quarter revenues of \$4.5 billion decreased 10 percent from the same quarter in 2015. Lower truck production in North America and weak global demand for off-highway and power generation equipment were the most significant drivers of the decline in sales. Currency negatively impacted revenues by approximately 1 percent compared to last year, primarily due to a stronger US dollar.

Revenues in North America decreased 13 percent while international sales declined by 4 percent. Within international markets, revenues in the Middle East, Mexico and Brazil declined the most.

Earnings before interest and taxes (EBIT) in the second quarter were \$591 million, or 13.1 percent of sales, down from \$721 million or 14.4 percent of sales a year ago.

Net income attributable to Cummins was \$406 million (\$2.40 per diluted share), compared to \$471 million (\$2.62 per diluted share) in the second quarter of 2015. The tax rate in the second quarter of 2016 was 25.7 percent.

“We made strong progress in our cost reduction initiatives in the second quarter, while continuing to invest in and launch new products that will drive profitable growth in the future,” said Tom Linebarger, Cummins Chairman and CEO. “Benefits from restructuring actions,

material cost reduction initiatives, and improvements in product quality helped to mitigate the impact of weak demand in a number of our largest markets and will position the Company for stronger performance when markets improve. We have returned more than \$1 billion to shareholders so far this year, through a combination of dividends and share repurchases. Our Board of Directors recently approved an increase in our quarterly dividend of 5.1 percent, consistent with our plans to return 75 percent of operating cash flow to shareholders in 2016,” concluded Linebarger.

Based on the current forecast, Cummins expects full year 2016 revenues to be down 8 to 10 percent, lower than our previous guidance of down 5 to 9 percent primarily due to a lower outlook for North America truck production and weaker demand in global off-highway markets. EBIT is expected to be in the range of 11.6 to 12.2 percent of sales, unchanged from three months ago.

Other recent highlights:

- Cummins won the 2016 Award of Excellence in Energy Management from the Clean Energy Ministerial (CEM), a high-level global forum that promotes policies and programs to advance clean energy
- The Board of Directors approved an increase in the Company's quarterly cash dividend from 97.5 cents per share to \$1.025 per share
- Cummins was recently named as one of the Top 50 Companies for Diversity by *DiversityInc* for the tenth consecutive year
- The Company repurchased 1.8 million shares in the second quarter

Second quarter 2016 detail (all comparisons to same period in 2015)

Engine Segment

- Sales - \$2.0 billion, down 14 percent
- Segment EBIT - \$206 million, or 10.3 percent of sales, compared to \$278 million or 12.0 percent of sales
- Segment EBIT reflects a \$39 million charge to increase our estimate for the loss contingency recorded in the fourth quarter of 2015
- On-highway revenues declined 15 percent primarily due to weaker truck production in North America

Distribution Segment

- Sales - \$1.5 billion, up 3 percent
- Segment EBIT - \$87 million, or 5.6 percent of sales, compared to \$113 million or 7.6 percent of sales
- Increased revenue from acquisitions was partially offset by a decline in organic sales in North America and the Middle East and the negative impact from a stronger US dollar

Components Segment

- Sales - \$1.3 billion, down 8 percent
- Segment EBIT - \$190 million, or 14.9 percent of sales, compared to \$223 million or 16.0 percent of sales
- Revenues declined in North America due to lower industry truck production, partially offset by growth in China

Power Systems Segment

- Sales - \$921 million, down 16 percent
- Segment EBIT - \$90 million, or 9.8 percent of sales, compared to \$127 million, or 11.6 percent of sales
- Revenues declined in most major markets due to weak demand for power generation equipment and industrial engines

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 55,000 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 \$1.4 billion on sales of \$19.1 billion in 2015. 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 2016. 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 2015 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 generally accepted accounting principles (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 | |
|---|---------------------------|--------------------------|
| | July 3, 2016 | June 28, 2015 |
| NET SALES | \$ 4,528 | \$ 5,015 |
| Cost of sales | 3,331 | 3,683 |
| GROSS MARGIN | 1,197 | 1,332 |
| OPERATING EXPENSES AND INCOME | | |
| Selling, general and administrative expenses | 524 | 537 |
| Research, development and engineering expenses | 155 | 166 |
| Equity, royalty and interest income from investees | 88 | 94 |
| Other operating expense, net | (39) | — |
| OPERATING INCOME | 567 | 723 |
| Interest income | 6 | 6 |
| Interest expense | 16 | 17 |
| Other income (expense), net | 18 | (8) |
| INCOME BEFORE INCOME TAXES | 575 | 704 |
| Income tax expense | 148 | 208 |
| CONSOLIDATED NET INCOME | 427 | 496 |
| Less: Net income attributable to noncontrolling interests | 21 | 25 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$ 406 | \$ 471 |

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.

| | | |
|---------|---------|---------|
| Basic | \$ 2.41 | \$ 2.63 |
| Diluted | \$ 2.40 | \$ 2.62 |

WEIGHTED AVERAGE SHARES OUTSTANDING

| | | |
|---------|-------|-------|
| Basic | 168.8 | 179.2 |
| Diluted | 169.0 | 179.6 |

| | | |
|---|-----------------|----------------|
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.975 | \$ 0.78 |
|---|-----------------|----------------|

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

| In millions, except per share amounts | Six months ended | |
|---|-------------------------|----------------------|
| | July 3, 2016 | June 28, 2015 |
| NET SALES | \$ 8,819 | \$ 9,724 |
| Cost of sales | 6,566 | 7,197 |
| GROSS MARGIN | 2,253 | 2,527 |
| OPERATING EXPENSES AND INCOME | | |
| Selling, general and administrative expenses | 1,014 | 1,054 |
| Research, development and engineering expenses | 321 | 361 |
| Equity, royalty and interest income from investees | 160 | 162 |
| Other operating expense, net | (41) | (3) |
| OPERATING INCOME | 1,037 | 1,271 |
| Interest income | 12 | 11 |
| Interest expense | 35 | 31 |
| Other income, net | 26 | 1 |
| INCOME BEFORE INCOME TAXES | 1,040 | 1,252 |
| Income tax expense | 280 | 352 |
| CONSOLIDATED NET INCOME | 760 | 900 |
| Less: Net income attributable to noncontrolling interests | 33 | 42 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$ 727 | \$ 858 |

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.

| | | |
|---------|---------|---------|
| Basic | \$ 4.27 | \$ 4.77 |
| Diluted | \$ 4.26 | \$ 4.76 |

WEIGHTED AVERAGE SHARES OUTSTANDING

| | | |
|-------|-------|-------|
| Basic | 170.3 | 179.9 |
|-------|-------|-------|

Diluted 170.5 180.3

CASH DIVIDENDS DECLARED PER COMMON SHARE **\$ 1.95 \$ 1.56**

(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 | July 3, 2016 | December 31, 2015 |
|---|-----------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,045 | \$ 1,711 |
| Marketable securities | 235 | 100 |
| Total cash, cash equivalents and marketable securities | 1,280 | 1,811 |
| Accounts and notes receivable, net | 3,023 | 2,820 |
| Inventories | 2,778 | 2,707 |
| Prepaid expenses and other current assets | 549 | 609 |
| Total current assets | 7,630 | 7,947 |
| Long-term assets | | |
| Property, plant and equipment | 7,432 | 7,322 |
| Accumulated depreciation | (3,729) | (3,577) |
| Property, plant and equipment, net | 3,703 | 3,745 |
| Investments and advances related to equity method investees | 1,073 | 975 |
| Goodwill | 481 | 482 |
| Other intangible assets, net | 328 | 328 |
| Pension assets | 764 | 735 |
| Other assets | 1,041 | 922 |
| Total assets | <u>\$15,020</u> | <u>\$ 15,134</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable (principally trade) | \$ 1,825 | \$ 1,706 |
| Loans payable | 19 | 24 |
| Commercial paper | 200 | — |
| Accrued compensation, benefits and retirement costs | 353 | 409 |
| Current portion of accrued product warranty | 335 | 359 |
| Current portion of deferred revenue | 433 | 403 |
| Other accrued expenses | 947 | 863 |

| | | |
|---|-----------------|----------|
| Current maturities of long-term debt | 38 | 39 |
| Total current liabilities | 4,150 | 3,803 |
| Long-term liabilities | | |
| Long-term debt | 1,614 | 1,576 |
| Postretirement benefits other than pensions | 328 | 349 |
| Pensions | 299 | 298 |
| Other liabilities and deferred revenue | 1,434 | 1,358 |
| Total liabilities | \$ 7,825 | \$ 7,384 |

EQUITY

| | | |
|--|-----------------|-----------|
| Cummins Inc. shareholders' equity | | |
| Common stock, \$2.50 par value, 500 shares authorized, 222.4 and 222.4 shares issued | \$ 2,196 | \$ 2,178 |
| Retained earnings | 10,716 | 10,322 |
| Treasury stock, at cost, 53.7 and 47.2 shares | (4,422) | (3,735) |
| Common stock held by employee benefits trust, at cost, 0.7 and 0.9 shares | (9) | (11) |
| Accumulated other comprehensive loss | (1,620) | (1,348) |
| Total Cummins Inc. shareholders' equity | 6,861 | 7,406 |
| Noncontrolling interests | 334 | 344 |
| Total equity | \$ 7,195 | \$ 7,750 |
| Total liabilities and equity | \$15,020 | \$ 15,134 |

(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 | Six months ended | |
|---|------------------|---------------------|
| | July 3, 2016 | June 28, 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 760 | \$ 900 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities | | |
| Restructuring payments | (42) | — |
| Loss contingency | 39 | — |

| | | |
|--|------------|------------|
| Depreciation and amortization | 259 | 254 |
| Deferred income taxes | 2 | (63) |
| Equity in income of investees, net of dividends | (87) | (68) |
| Pension contributions in excess of expense | (82) | (122) |
| Other post-retirement benefits payments in excess of expense | (17) | (15) |
| Stock-based compensation expense | 20 | 17 |
| Translation and hedging activities | (45) | 27 |
| Changes in current assets and liabilities, net of acquisitions | | |
| Accounts and notes receivable | (252) | (426) |
| Inventories | (101) | (127) |
| Other current assets | 189 | 18 |
| Accounts payable | 139 | 97 |
| Accrued expenses | (209) | (21) |
| Changes in other liabilities and deferred revenue | 129 | 133 |
| Other, net | 32 | (35) |
| Net cash provided by operating activities | <u>734</u> | <u>569</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--------------|--------------|
| Capital expenditures | (189) | (247) |
| Investments in internal use software | (27) | (22) |
| Investments in and advances to equity investees | (17) | (17) |
| Acquisitions of businesses, net of cash acquired | (1) | (15) |
| Investments in marketable securities—acquisitions | (379) | (173) |
| Investments in marketable securities—liquidations | 237 | 155 |
| Cash flows from derivatives not designated as hedges | (21) | 5 |
| Other, net | 6 | 14 |
| Net cash used in investing activities | <u>(391)</u> | <u>(300)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|--------------|--------------|
| Proceeds from borrowings | 109 | 12 |
| Net borrowings of commercial paper | 200 | — |
| Payments on borrowings and capital lease obligations | (133) | (31) |
| Distributions to noncontrolling interests | (24) | (14) |
| Dividend payments on common stock | (333) | (280) |
| Repurchases of common stock | (695) | (514) |
| Other, net | (16) | (2) |
| Net cash used in financing activities | <u>(892)</u> | <u>(829)</u> |

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

| | | |
|---|-----------------------|-----------------------|
| | (117) | 19 |
| Net decrease in cash and cash equivalents | (666) | (541) |
| Cash and cash equivalents at beginning of year | 1,711 | 2,301 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$1,045</u> | <u>\$1,760</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)

As previously announced, beginning with the second quarter of 2016, we realigned certain of our reportable segments to be consistent with changes to our organizational structure and how the Chief Operating Decision Maker monitors the performance of our segments. We reorganized our business to combine our Power Generation segment and our high horsepower engine business to create the new Power Systems segment. Our reportable operating segments consist of: Engine, Distribution, Components and Power Systems. We began to report results for our new reporting structure in the second quarter of 2016 and also reflected this change for historical periods.

We allocate certain common costs and expenses, primarily corporate functions, among segments. These include certain costs and expenses of shared services, such as information technology, human resources, legal, finance and supply chain management. In addition to the reorganization noted above, we reevaluated the allocation of these costs, considering the new segment structure created in April 2016 and adjusted our allocation methodology accordingly. The revised methodology, which is based on a combination of relative segment sales and relative service usage levels, is effective for the periods beginning after January 1, 2016 and resulted in the revision of our segment operating results, including segment earnings before interest, income taxes and noncontrolling interests (EBIT), for all four segments for the first quarter of 2016 with a greater share of costs allocated to the Distribution and Components segments than in previous years. Prior periods were not revised for the new allocation methodology. These changes had no impact on our consolidated results.

| In millions | Engine | Distribution | Components | Power Systems | Non- segment Items ⁽¹⁾ | Total |
|--|--------------|--------------|--------------|------------------|---|--------------|
| Three months ended July 3, 2016 | | | | | | |
| External sales | \$1,504 | \$ 1,538 | \$ 933 | \$ 553 | \$ — | \$4,528 |
| Intersegment sales | 498 | 6 | 346 | 368 | (1,218) | — |
| Total sales | <u>2,002</u> | <u>1,544</u> | <u>1,279</u> | <u>921</u> | <u>(1,218)</u> | <u>4,528</u> |
| Depreciation and amortization ⁽²⁾ | 41 | 29 | 32 | 29 | — | 131 |
| Research, development and engineering expenses | 53 | 3 | 51 | 48 | — | 155 |
| Equity, royalty and interest income from investees | 46 | 19 | 12 | 11 | — | 88 |

| | | | | | | |
|---|-------|-------|--------|-------|----|-------|
| Interest income | 3 | 1 | 1 | 1 | — | 6 |
| Segment EBIT | 206 | 87 | 190 | 90 | 18 | 591 |
| Segment EBIT as a percentage of total sales | 10.3% | 5.6 % | 14.9 % | 9.8 % | | 13.1% |

**Three months ended
June 28, 2015**

| | | | | | | |
|--|---------|----------|----------|--------|---------|---------|
| External sales | \$1,834 | \$ 1,487 | \$ 1,017 | \$ 677 | \$ — | \$5,015 |
| Intersegment sales | 491 | 8 | 380 | 420 | (1,299) | — |
| Total sales | 2,325 | 1,495 | 1,397 | 1,097 | (1,299) | 5,015 |
| Depreciation and amortization ⁽²⁾ | 47 | 25 | 28 | 26 | — | 126 |
| Research, development and engineering expenses | 53 | 3 | 57 | 53 | — | 166 |
| Equity, royalty and interest income from investees | 51 | 21 | 8 | 14 | — | 94 |
| Interest income | 2 | 1 | 1 | 2 | — | 6 |
| Segment EBIT | 278 | 113 | 223 | 127 | (20) | 721 |
| Segment EBIT as a percentage of total sales | 12.0% | 7.6 % | 16.0 % | 11.6 % | | 14.4% |

(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 July 3, 2016 and June 28, 2015.

(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."

| In millions | Engine | Distribution | Components | Power Systems | Non-segment Items ⁽¹⁾ | Total |
|--|---------|--------------|------------|---------------|----------------------------------|---------|
| Six months ended July 3, 2016 | | | | | | |
| External sales | \$2,993 | \$ 2,996 | \$ 1,830 | \$1,000 | \$ — | \$8,819 |
| Intersegment sales | 985 | 11 | 686 | 729 | (2,411) | — |
| Total sales | 3,978 | 3,007 | 2,516 | 1,729 | (2,411) | 8,819 |

| | | | | | | |
|--|-------|-------|--------|------|---|-------|
| Depreciation and amortization ⁽²⁾ | 80 | 57 | 63 | 58 | — | 258 |
| Research, development and engineering expenses | 110 | 7 | 107 | 97 | — | 321 |
| Equity, royalty and interest income from investees | 82 | 37 | 20 | 21 | — | 160 |
| Interest income | 5 | 2 | 2 | 3 | — | 12 |
| Segment EBIT | 403 | 174 | 353 | 136 | 9 | 1,075 |
| Segment EBIT as a percentage of total sales | 10.1% | 5.8 % | 14.0 % | 7.9% | | 12.2% |

**Six months ended
June 28, 2015**

| | | | | | | |
|--|---------|----------|----------|----------|---------|---------|
| External sales | \$3,523 | \$ 2,956 | \$ 1,948 | \$ 1,297 | \$ — | \$9,724 |
| Intersegment sales | 947 | 15 | 748 | 802 | (2,512) | — |
| Total sales | 4,470 | 2,971 | 2,696 | 2,099 | (2,512) | 9,724 |
| Depreciation and amortization ⁽²⁾ | 93 | 52 | 54 | 54 | — | 253 |
| Research, development and engineering expenses | 122 | 6 | 118 | 115 | — | 361 |
| Equity, royalty and interest income from investees | 74 | 41 | 17 | 30 | — | 162 |
| Interest income | 4 | 2 | 2 | 3 | — | 11 |
| Segment EBIT | 478 | 201 | 418 | 228 | (42) | 1,283 |
| Segment EBIT as a percentage of total sales | 10.7% | 6.8 % | 15.5 % | 10.9% | | 13.2% |

(1) Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the six months ended July 3, 2016 and June 28, 2015.

(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 was \$1 million for both of the six months ended July 3, 2016 and June 28, 2015.

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 | | Six months ended | |
|----------------------------|--------------------|------------------|------------------|------------------|
| | July 3, 2016 | June 28, 2015 | July 3, 2016 | June 28, 2015 |
| Total segment EBIT | \$ 591 | \$ 721 | \$1,075 | \$ 1,283 |
| Less: Interest expense | 16 | 17 | 35 | 31 |
| Income before income taxes | <u>\$ 575</u> | <u>\$ 704</u> | <u>\$1,040</u> | <u>\$ 1,252</u> |

| | | | | |
|---|--------|--------|-------|-------|
| Income before income taxes as a percentage of net sales | 12.7 % | 14.0 % | 11.8% | 12.9% |
|---|--------|--------|-------|-------|

**CUMMINS INC. AND SUBSIDIARIES
EQUITY INVESTEEES 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 | | Six months ended | |
|--|--------------------|------------------|------------------|------------------|
| | July 3, 2016 | June 28, 2015 | July 3, 2016 | June 28, 2015 |
| Distribution Entities | | | | |
| Komatsu Cummins Chile, Ltda. | \$ 8 | \$ 8 | \$ 18 | \$ 15 |
| North American distributors | 6 | 8 | 11 | 18 |
| All other distributors | 1 | — | 1 | 1 |
| Manufacturing Entities | | | | |
| Beijing Foton Cummins Engine Co., Ltd. | 22 | 22 | 40 | 29 |
| Dongfeng Cummins Engine Company, Ltd. | 15 | 15 | 22 | 29 |
| Chongqing Cummins Engine Company, Ltd. | 9 | 11 | 17 | 23 |
| All other manufacturers | 16 | 21 | 32 | 28 |
| Cummins share of net income | <u>77</u> | <u>85</u> | <u>141</u> | <u>143</u> |
| Royalty and interest income | <u>11</u> | <u>9</u> | <u>19</u> | <u>19</u> |
| Equity, royalty and interest income from investees | <u>\$ 88</u> | <u>\$ 94</u> | <u>\$ 160</u> | <u>\$ 162</u> |

**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 these are useful measures of our operating performance for the periods presented as they illustrate our operating performance without regard to special items including tax adjustments. These measures are 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 | Six months ended | | | |
|---|------------------|-------------|---------------|-------------|
| | July 3, 2016 | | June 28, 2015 | |
| | Net Income | Diluted EPS | Net Income | Diluted EPS |
| Net income attributable to Cummins Inc. | \$ 727 | \$ 4.26 | \$ 858 | \$ 4.76 |
| Less | | | | |
| Tax benefit | — | — | 18 | 0.10 |
| Net income attributable to Cummins Inc. excluding special items | \$ 727 | \$ 4.26 | \$ 840 | \$ 4.66 |

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 (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 | | Six months ended | |
|---|--------------------|---------------|------------------|---------------|
| | July 3, 2016 | June 28, 2015 | July 3, 2016 | June 28, 2015 |
| Earnings before interest expense and income taxes | \$ 591 | \$ 721 | \$ 1,075 | \$ 1,283 |
| <i>EBIT as a percentage of net sales</i> | 13.1 % | 14.4 % | 12.2 % | 13.2 % |
| Less | | | | |
| Interest expense | 16 | 17 | 35 | 31 |
| Income tax expense | 148 | 208 | 280 | 352 |
| Consolidated net income | 427 | 496 | 760 | 900 |

Less

Net income attributable to
noncontrolling interests

Net income attributable to
Cummins Inc.

| | | | |
|---------------|---------------|---------------|---------------|
| 21 | 25 | 33 | 42 |
| <u>\$ 406</u> | <u>\$ 471</u> | <u>\$ 727</u> | <u>\$ 858</u> |

Net income attributable to
Cummins Inc. as a percentage of
net sales

| | | | |
|-------|-------|-------|-------|
| 9.0 % | 9.4 % | 8.2 % | 8.8 % |
|-------|-------|-------|-------|

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

Engine Segment Sales by Market and Unit Shipments by Engine Classification

In the second quarter of 2016, in conjunction with the reorganization of our segments, our Engine segment reorganized its reporting structure as follows:

- **Heavy-duty truck** - We manufacture diesel engines that range from 310 to 600 horsepower serving global heavy-duty truck customers worldwide, primarily in North America.
- **Medium-duty truck and bus** - We manufacture diesel engines ranging from 200 to 450 horsepower serving medium-duty truck and bus customers worldwide, with key markets including North America, Latin America, Europe and Mexico. We also provide diesel and natural gas engines for school buses, transit buses and shuttle buses worldwide, with key markets including North America, Europe, Latin America and Asia, and diesel engines for Class A motor homes (RVs), primarily in North America.
- **Light-duty automotive (Pickup and Light Commercial Vehicle (LCV))** - We manufacture 105 to 385 horsepower diesel engines, including engines for the pickup truck market for Chrysler and Nissan in North America, and LCV markets in Europe, Latin America and Asia.
- **Off-highway** - We provide diesel engines that range from 60 to 755 horsepower to key global markets including construction, mining, rail, defense, agriculture, marine, and oil and gas equipment and also to the power generation business for standby, mobile and distributed power generation solutions throughout the world.

Sales for our Engine segment by market (including 2016, 2015 and 2014 revised balances) were as follows:

2016

In millions

| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>YTD</u> |
|---------------------------|-----------|-----------|-----------|-----------|------------|
| Heavy-duty truck | \$ 631 | \$ 622 | \$ — | \$ — | \$1,253 |
| Medium-duty truck and bus | 549 | 600 | — | — | 1,149 |
| Light-duty automotive | 433 | 394 | — | — | 827 |
| Off-highway | 363 | 386 | — | — | 749 |

| | | | | | |
|-------------|----------------|----------------|-------------|-------------|----------------|
| Total sales | <u>\$1,976</u> | <u>\$2,002</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$3,978</u> |
|-------------|----------------|----------------|-------------|-------------|----------------|

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Heavy-duty truck | \$ 757 | \$ 875 | \$ 784 | \$ 700 | \$3,116 |
| Medium-duty truck and bus | 608 | 674 | 585 | 640 | 2,507 |
| Light-duty automotive | 381 | 354 | 339 | 401 | 1,475 |
| Off-highway | 399 | 422 | 394 | 357 | 1,572 |
| Total sales | <u>\$2,145</u> | <u>\$2,325</u> | <u>\$2,102</u> | <u>\$2,098</u> | <u>\$8,670</u> |

2014

| In millions | YTD |
|---------------------------|----------------|
| Heavy-duty truck | \$3,072 |
| Medium-duty truck and bus | 2,431 |
| Light-duty automotive | 1,567 |
| Off-highway | 1,897 |
| Total sales | <u>\$8,967</u> |

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

2016

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|-------------|----------------|----------------|----------|----------|----------------|
| Heavy-duty | 19,700 | 20,700 | — | — | 40,400 |
| Mid-range | 55,400 | 62,300 | — | — | 117,700 |
| Light-duty | 61,700 | 57,100 | — | — | 118,800 |
| Total units | <u>136,800</u> | <u>140,100</u> | <u>—</u> | <u>—</u> | <u>276,900</u> |

2015

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|-------------|----------------|----------------|----------------|----------------|----------------|
| Heavy-duty | 28,700 | 32,800 | 28,600 | 24,300 | 114,400 |
| Mid-range | 61,200 | 66,600 | 59,600 | 59,700 | 247,100 |
| Light-duty | 51,200 | 53,400 | 47,800 | 56,900 | 209,300 |
| Total units | <u>141,100</u> | <u>152,800</u> | <u>136,000</u> | <u>140,900</u> | <u>570,800</u> |

2014

| Units | YTD |
|-------------|----------------|
| Heavy-duty | 122,100 |
| Mid-range | 266,800 |
| Light-duty | 204,400 |
| Total units | <u>593,300</u> |

Distribution Segment Sales by Product Line

2016

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|----------------|----------------|-------------|-------------|----------------|
| Parts | \$ 648 | \$ 642 | \$ — | \$ — | \$1,290 |
| Service | 299 | 297 | — | — | 596 |
| Power generation | 275 | 326 | — | — | 601 |
| Engines | 241 | 279 | — | — | 520 |
| Total sales | <u>\$1,463</u> | <u>\$1,544</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$3,007</u> |

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Parts | \$ 573 | \$ 598 | \$ 604 | \$ 648 | \$2,423 |
| Service | 284 | 307 | 301 | 330 | 1,222 |
| Power generation | 298 | 272 | 323 | 397 | 1,290 |
| Engines | 321 | 318 | 323 | 332 | 1,294 |
| Total sales | <u>\$1,476</u> | <u>\$1,495</u> | <u>\$1,551</u> | <u>\$1,707</u> | <u>\$6,229</u> |

Component Segment Sales by Business**2016**

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|----------------|----------------|-------------|-------------|----------------|
| Emission solutions | \$ 607 | \$ 624 | \$ — | \$ — | \$1,231 |
| Turbo technologies | 265 | 276 | — | — | 541 |
| Filtration | 252 | 262 | — | — | 514 |
| Fuel systems | 113 | 117 | — | — | 230 |
| Total sales | <u>\$1,237</u> | <u>\$1,279</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$2,516</u> |

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Emission solutions | \$ 613 | \$ 679 | \$ 607 | \$ 600 | \$2,499 |
| Turbo technologies | 301 | 307 | 266 | 267 | 1,141 |
| Filtration | 255 | 266 | 240 | 249 | 1,010 |
| Fuel systems | 130 | 145 | 127 | 120 | 522 |
| Total sales | <u>\$1,299</u> | <u>\$1,397</u> | <u>\$1,240</u> | <u>\$1,236</u> | <u>\$5,172</u> |

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

In the second quarter of 2016, in conjunction with the reorganization of our segments, our Power Systems segment reorganized its reporting structure as follows:

- **Power generation** - We design, manufacture, sell and support generators ranging from 2 kilowatts to 3.5 megawatts, as well as paralleling systems and transfer switches, for applications such as residential, commercial, industrial, data centers, health care, telecommunications and waste water treatment plants. We also provide turnkey solutions for distributed generation and energy management applications using natural

gas or biogas as a fuel. We also serve global rental accounts for diesel and gas generator sets.

- **Industrial** - We design, manufacture, sell and support diesel and natural gas high-horsepower engines up to 5,500 horsepower for a wide variety of equipment in the mining, rail, defense, oil and gas, and commercial marine applications throughout the world. Across these markets, we have major customers in North America, Europe, Middle East, Africa, China, Korea, Japan, Latin America, India, Russia, Southeast Asia, South Pacific and Mexico.
- **Generator technologies** - We design, manufacture, sell and support A/C generator/alternator products for internal consumption and for external generator set assemblers. Our products are sold under the Stamford, AVK and Markon brands and range in output from 3 kilovolt-amperes (kVA) to 12,000 kVA.

Sales for our Power Systems segment by product line (including 2016, 2015 and 2014 revised balances) were as follows:

2016

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|------------------------|---------------|---------------|-------------|-------------|----------------|
| Power generation | \$ 520 | \$ 597 | \$ — | \$ — | \$1,117 |
| Industrial | 215 | 240 | — | — | 455 |
| Generator technologies | 73 | 84 | — | — | 157 |
| Total sales | <u>\$ 808</u> | <u>\$ 921</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$1,729</u> |

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|------------------------|----------------|----------------|--------------|--------------|----------------|
| Power generation | \$ 624 | \$ 710 | \$621 | \$615 | \$2,570 |
| Industrial | 280 | 295 | 275 | 287 | 1,137 |
| Generator technologies | 98 | 92 | 86 | 84 | 360 |
| Total sales | <u>\$1,002</u> | <u>\$1,097</u> | <u>\$982</u> | <u>\$986</u> | <u>\$4,067</u> |

2014

| In millions | YTD |
|------------------------|----------------|
| Power generation | \$2,633 |
| Industrial | 1,331 |
| Generator technologies | 450 |
| Total sales | <u>\$4,414</u> |

High-horsepower unit shipments by engine classification (including 2016, 2015 and 2014 revised units) were as follows:

2016

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|------------------|-------|-------|----|----|-------|
| Power generation | 1,800 | 2,200 | — | — | 4,000 |
| Industrial | 1,000 | 1,100 | — | — | 2,100 |

| | | | | | |
|-------------|--------------|---------------------|----------|----------|--------------|
| Total units | <u>2,800</u> | <u>3,300</u> | <u>—</u> | <u>—</u> | <u>6,100</u> |
|-------------|--------------|---------------------|----------|----------|--------------|

2015

| Units | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>YTD</u> |
|------------------|------------------|------------------|------------------|------------------|-------------------|
| Power generation | 2,200 | 2,500 | 2,000 | 1,900 | 8,600 |
| Industrial | 1,300 | 1,200 | 1,200 | 1,500 | 5,200 |
| Total units | <u>3,500</u> | <u>3,700</u> | <u>3,200</u> | <u>3,400</u> | <u>13,800</u> |

2014

| Units | <u>YTD</u> |
|------------------|-------------------|
| Power generation | 8,700 |
| Industrial | 6,100 |
| Total units | <u>14,800</u> |

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Cummins Inc.

Carole Casto, 317-610-2480

Executive Director - Corporate Communications

carole.casto@cummins.com

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