

February 9, 2017



Cummins Announces Fourth Quarter and Full Year 2016 Results

- **Fourth quarter revenues of \$4.5 billion; GAAP¹ Net Income of \$378 million**
- **EBIT of 11.7 percent of sales; Diluted EPS of \$2.25**
- **Full year revenues of \$17.5 billion; GAAP¹ Net Income of \$1.39 billion EBIT of 11.4 percent of sales; Diluted EPS of \$8.23**
- **Company expects full year 2017 revenues to be flat to down 5 percent, EBIT expected to be in the range of 11.0 to 11.5 percent**

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

Fourth quarter revenues of \$4.5 billion decreased 6 percent from the same quarter in 2015, largely reflecting lower commercial truck production in North America and weak global demand for industrial engines and power generation equipment. Currency negatively impacted revenues by approximately 2 percent compared to the same period last year, primarily due to a stronger U.S. dollar. Revenues in North America decreased 13 percent while international sales improved by 6 percent primarily due to increased revenues in China.

Net income attributable to Cummins in the fourth quarter was \$378 million (\$2.25 per diluted share), compared to \$161 million (\$0.92 per diluted share) a year ago. Net income for the fourth quarter of 2015 excluding impairment and restructuring charges was \$355 million (\$2.02 per diluted share). The tax rate in the fourth quarter of 2016 was 22 percent.

Earnings before interest and taxes (EBIT) in the fourth quarter was \$526 million, or 11.7 percent of sales, compared to \$230 million or 4.8 percent of sales a year ago. Excluding impairment and restructuring charges, EBIT for the fourth quarter of 2015 was \$531 million or 11.1 percent of sales.

“Despite weak conditions in a number of our largest markets, Cummins delivered fourth quarter results that were a little better than expected due to our strong market share in on-highway markets in North America and the benefits of our cost reduction work,” said Tom Linebarger Chairman and CEO. “We made significant progress in a number of our key

initiatives in 2016, including executing our restructuring actions, completing the acquisition of our distributors in North America and continuing to invest in new products, all of which help position the Company for profitable growth when markets improve. We also returned 75 percent of the Company's Operating Cash Flow to shareholders, consistent with our plan for the year."

Revenues for the full year 2016 were \$17.5 billion, 8 percent lower than 2015. Revenues in North America decreased 12 percent and international sales decreased 2 percent mainly due to foreign currency movements. Excluding the impact of the currency movements, international revenues increased 2 percent with growth in China and India being offset by weaker demand in Latin America, the Middle East and Africa.

Net income attributable to Cummins for the full year was \$1.39 billion (\$8.23 per diluted share), compared to \$1.4 billion (\$7.84 per diluted share) in 2015. Excluding impairment and restructuring charges, net income was \$1.59 billion (\$8.93 per diluted share) in 2015. The full year tax rate was 24.6 percent in 2016.

EBIT for the year was \$2.0 billion or 11.4 percent of sales, compared to \$2.1 billion or 10.9 percent of sales in 2015. Excluding impairments and restructuring charges, EBIT for 2015 was \$2.4 billion or 12.5 percent of sales.

2017 Outlook:

Based on the current forecast, Cummins projects full year 2017 revenues to be flat to down 5 percent, and EBIT to be in the range of 11.0 to 11.5 percent of sales. Results in the first quarter of the year will continue to be challenged by difficult markets and are expected to mark the low point of the year. The Company expects to return at least 50 percent of Operating Cash Flow to shareholders in 2017 in the form of dividends and share repurchases.

2016 highlights:

- Cummins partnered with Peterbilt to develop and demonstrate technologies under the U.S. Department of Energy's (DOE) SuperTruck II program
- Cummins was recognized with the 2016 United States Overall Best Heavy-Duty Truck Engine Supplier Leadership Award by Frost and Sullivan
- The Environmental Protection Agency (EPA) certified Cummins' full range of heavy- and medium-duty diesel engines for the 2017 Greenhouse Gas Emission Standards
- The Company returned 75 percent of Operating Cash Flow to shareholders in the form of dividends and share repurchases
- For the twelfth straight year, Cummins Inc. was awarded a perfect score in the 2017 Corporate Equality Index (CEI) from the Human Rights Campaign

¹ Generally Accepted Accounting Principles

Fourth quarter 2016 detail (all comparisons to same period in 2015) excluding restructuring and impairment charges in 2015

Engine Segment

- Sales - \$2.0 billion, down 6 percent
- Segment EBIT - \$194 million, or 9.9 percent of sales, compared to \$160 million or 7.6 percent of sales
- On-highway revenues declined 9 percent primarily due to a decline in commercial truck production in North America, partially offset by an 8 percent increase in off-highway sales

Distribution Segment

- Sales - \$1.7 billion, down 2 percent
- Segment EBIT - \$122 million, or 7.3 percent of sales, compared to \$111 million or 6.5 percent of sales
- Weaker sales to off-highway markets and an unfavorable impact of 1 percent from a stronger US dollar more than offset 5 percent revenue growth from acquisitions

Components Segment

- Sales - \$1.2 billion, down 5 percent.
- Segment EBIT - \$140 million, or 11.9 percent of sales, compared to \$175 million or 14.2 percent of sales
- Revenues in North America declined due to lower commercial truck production, but were partially offset by higher revenues in China

Power Systems Segment

- Sales - \$932 million, down 5 percent
- Segment EBIT - \$68 million, or 7.3 percent of sales, compared to \$59 million, or 6 percent of sales
- Revenues declined due to lower power generation and industrial engine demand in most regions

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 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 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)

Three months ended

In millions, except per share amounts	December 31, December 31, 2016 2015	
NET SALES	\$ 4,503	\$ 4,766
Cost of sales	3,383	3,554
GROSS MARGIN	1,120	1,212
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	519	508
Research, development and engineering expenses	158	177
Equity, royalty and interest income from investees	67	75
Loss contingency charge	—	60
Impairment of light-duty diesel assets	—	211
Restructuring actions and other charges	—	90
Other operating expense, net	(3)	(12)
OPERATING INCOME	507	229
Interest income	5	4
Interest expense	18	18
Other income (expense), net	14	(3)
INCOME BEFORE INCOME TAXES	508	212
Income tax expense	112	34
CONSOLIDATED NET INCOME	396	178
Less: Net income attributable to noncontrolling interests	18	17
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 378	\$ 161
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 2.26	\$ 0.92
Diluted	\$ 2.25	\$ 0.92
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	167.6	175.5
Diluted	168.1	175.8
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.

In millions, except per share amounts	Years ended December 31, 2016 2015	
NET SALES	\$ 17,509	\$ 19,110
Cost of sales	13,057	14,163

GROSS MARGIN	4,452	4,947
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	2,046	2,092
Research, development and engineering expenses	636	735
Equity, royalty and interest income from investees	301	315
Loss contingency charges	138	60
Impairment of light-duty diesel assets	—	211
Restructuring actions and other charges	—	90
Other operating expense, net	(5)	(17)
OPERATING INCOME	1,928	2,057
Interest income	23	24
Interest expense	69	65
Other income, net	48	9
INCOME BEFORE INCOME TAXES	1,930	2,025
Income tax expense	474	555
CONSOLIDATED NET INCOME	1,456	1,470
Less: Net income attributable to noncontrolling interests	62	71
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 1,394	\$ 1,399

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.

Basic	\$ 8.25	\$ 7.86
Diluted	\$ 8.23	\$ 7.84

WEIGHTED AVERAGE SHARES OUTSTANDING

Basic	169.0	178.0
Diluted	169.3	178.4

CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 4.00	\$ 3.51
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(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	December 31, 2016	December 31, 2015
ASSETS		
Current assets		

Cash and cash equivalents	\$ 1,120	\$ 1,711
Marketable securities	260	100
Total cash, cash equivalents and marketable securities	<u>1,380</u>	<u>1,811</u>
Accounts and notes receivable, net	3,025	2,820
Inventories	2,675	2,707
Prepaid expenses and other current assets	627	609
Total current assets	<u>7,707</u>	<u>7,947</u>
Long-term assets		
Property, plant and equipment, net	3,800	3,745
Investments and advances related to equity method investees	946	975
Goodwill and other intangible assets, net	812	810
Other assets	1,746	1,657
Total assets	<u>\$ 15,011</u>	<u>\$ 15,134</u>
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	\$ 1,854	\$ 1,706
Loans payable	41	24
Commercial paper	212	—
Accrued expenses	2,218	2,073
Total current liabilities	<u>4,325</u>	<u>3,803</u>
Long-term liabilities		
Long-term debt	1,568	1,576
Other liabilities	1,944	2,005
Total liabilities	<u>\$ 7,837</u>	<u>\$ 7,384</u>
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.4 and 222.4 shares issued	\$ 2,153	\$ 2,178
Retained earnings	11,040	10,322
Treasury stock, at cost, 54.2 and 47.2 shares	(4,489)	(3,735)
Common stock held by employee benefits trust, at cost, 0.7 and 0.9 shares	(8)	(11)
Accumulated other comprehensive loss	(1,821)	(1,348)
Total Cummins Inc. shareholders' equity	<u>6,875</u>	<u>7,406</u>
Noncontrolling interests	299	344
Total equity	<u>\$ 7,174</u>	<u>\$ 7,750</u>
Total liabilities and equity	<u>\$ 15,011</u>	<u>\$ 15,134</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	Years ended December 31,	
	2016	2015
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,935	\$ 2,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(531)	(744)
Investments in internal use software	(63)	(55)
Investments in and advances to equity investees	(41)	(7)
Acquisitions of businesses, net of cash acquired	(94)	(117)
Investments in marketable securities—acquisitions	(478)	(282)
Investments in marketable securities—liquidations	306	270
Proceeds from sale of equity investees	60	—
Cash flows from derivatives not designated as hedges	(102)	8
Other, net	26	9
Net cash used in investing activities	(917)	(918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	111	44
Net borrowings of commercial paper	212	—
Payments on borrowings and capital lease obligations	(163)	(76)
Net borrowings (payments) under short-term credit agreements	19	(41)
Distributions to noncontrolling interests	(65)	(49)
Dividend payments on common stock	(676)	(622)
Repurchases of common stock	(778)	(900)
Acquisition of noncontrolling interests	(98)	(10)
Other, net	29	10
Net cash used in financing activities	(1,409)	(1,644)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(200)	(87)
Net decrease in cash and cash equivalents	(591)	(590)
Cash and cash equivalents at beginning of year	1,711	2,301
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,120	\$ 1,711

(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	<u>Engine</u>	<u>Distribution</u>	<u>Components</u>	<u>Power Systems</u>	<u>Intersegment Eliminations ⁽¹⁾</u>	<u>Total</u>
Three months ended December 31, 2016						
External sales	\$1,424	\$ 1,664	\$ 860	\$ 555	\$ —	\$4,503
Intersegment sales	543	6	317	377	(1,243)	—
Total sales	1,967	1,670	1,177	932	(1,243)	4,503
Depreciation and amortization ⁽²⁾	42	30	38	28	—	138

Research, development and engineering expenses	60	3	47	48	—	158
Equity, royalty and interest income from investees	28	14	12	13	—	67
Interest income	2	1	1	1	—	5
Segment EBIT	194	122 ⁽³⁾	140	68 ⁽⁴⁾	2	526
Segment EBIT as a percentage of total sales	9.9 %	7.3 %	11.9 %	7.3 %		11.7%

Three months ended December 31, 2015

External sales	\$1,583	\$ 1,699	\$ 906	\$ 578	\$ —	\$4,766
Intersegment sales	515	8	330	408	(1,261)	—
Total sales	2,098	1,707	1,236	986	(1,261)	4,766
Depreciation and amortization ⁽²⁾	47	27	27	29	—	130
Research, development and engineering expenses	68	2	53	54	—	177
Equity, royalty and interest income from investees	39	18	9	9	—	75
Loss contingency charge	60	—	—	—	—	60

Impairment of light-duty diesel assets	202	—	9	—	—	211
Restructuring actions and other charges	17	23	13	26	11	90
Interest income	1	1	1	1	—	4
Segment EBIT	(59)	88	153	33	15	230
Segment EBIT as a percentage of total sales	(2.8)%	5.2 %	12.4 %	3.3 %		4.8%

- (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 December 31, 2016 and 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."
- (3) Distribution segment EBIT included a gain of \$15 million on the fair value adjustment resulting from the acquisition of the controlling interest in a North American distributor for the three months ended December 31, 2016. See "ACQUISITION" for additional information.
- (4) In the fourth quarter of 2016, we sold our remaining 49 percent interest in Cummins Olayan Energy for \$61 million and recognized a gain of \$17 million.

In millions	Engine	Distribution	Components	Power Systems	Intersegment Eliminations ⁽¹⁾	Total
Year ended December 31, 2016						
External sales	\$5,774	\$ 6,157	\$ 3,514	\$ 2,064	\$ —	\$17,509
Intersegment sales	2,030	24	1,322	1,453	(4,829)	—
Total sales	7,804	6,181	4,836	3,517	(4,829)	17,509

Depreciation and amortization (2)	163	116	133	115	—	527
Research, development and engineering expenses	226	13	208	189	—	636
Equity, royalty and interest income from investees	148	70	41	42	—	301
Loss contingency charges	138	—	—	—	—	138
Interest income	10	4	4	5	—	23
Segment EBIT	686	392 (3)	641	263 (4)	17	1,999
Segment EBIT as a percentage of total sales	8.8%	6.3 %	13.3 %	7.5%		11.4%

**Year ended
December
31, 2015**

External sales	\$6,733	\$ 6,198	\$ 3,745	\$2,434	\$ —	\$19,110
Intersegment sales	1,937	31	1,427	1,633	(5,028)	—
Total sales	8,670	6,229	5,172	4,067	(5,028)	19,110
Depreciation and amortization (2)	187	105	109	110	—	511
Research, development and engineering expenses	263	10	236	226	—	735

Equity, royalty and interest income from investees	146	78	35	56	—	315	
Loss contingency charge	60	—	—	—	—	60	
Impairment of light-duty diesel assets	202	—	9	—	—	211	
Restructuring charges and other actions	17	23	13	26	11	90	
Interest income	11	4	4	5	—	24	
Segment EBIT	636	412	(3)	727	335	(20)	2,090
Segment EBIT as a percentage of total sales	7.3%	6.6 %	14.1 %	8.2%			10.9%

- (1) Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the years ended December 31, 2016 and 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 were \$3 million for both the years ended December 31, 2016 and December 31, 2015.
- (3) Distribution segment EBIT included gains of \$15 million and \$18 million on the fair value adjustments resulting from the acquisition of the controlling interests in North American distributors for the years ended December 31, 2016 and December 31, 2015.
- (4) In the fourth quarter of 2016, we sold our remaining 49 percent interest in Cummins Olayan Energy for \$61 million and recognized a gain of \$17 million.

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		Years ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Total segment EBIT	\$ 526	\$ 230	\$ 1,999	\$ 2,090

Less: Interest expense	18	18	69	65
Income before income taxes	<u>\$ 508</u>	<u>\$ 212</u>	<u>\$ 1,930</u>	<u>\$ 2,025</u>

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		Years ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Distribution entities				
Komatsu Cummins Chile, Ltd.	\$ 8	\$ 8	\$ 34	\$ 31
North American distributors	3	6	21	33
All other distributors	(2)	1	—	3
Manufacturing entities				
Dongfeng Cummins Engine Company, Ltd.	14	11	46	51
Chongqing Cummins Engine Company, Ltd.	10	9	38	41
Beijing Foton Cummins Engine Co., Ltd.	(7)	15	52	62
All other manufacturers	29	11	69	52
Cummins share of net income	55	61	260	273
Royalty and interest income	12	14	41	42
Equity, royalty and interest income from investees	<u>\$ 67</u>	<u>\$ 75</u>	<u>\$ 301</u>	<u>\$ 315</u>

ACQUISITION

The Distribution segment North American distributor acquisition in the fourth quarter of 2016 was as follows:

Entity Acquired	Date of Acquisition	Additional Percent Interest Acquired	Payments to Former Owners	Acquisition Related Debt Retirements	Total Purchase Consideration	Type of Acquisition ⁽¹⁾
Cummins Pacific LLC (Pacific)	10/04/16	50%	\$ 30	\$ 67	\$ 99 ⁽²⁾	COMB

(1) The results from Pacific were included in Distribution segment results subsequent to the acquisition date. Pacific was accounted for as business combination (COMB) with gains recognized based on the requirement to remeasure our pre-existing ownership to fair value in accordance with GAAP.

(2) The "Total Purchase Consideration" represents the total amount that will or is estimated to be paid to complete the acquisition. A portion of the acquisition payment has not yet been made and will be paid in future periods in accordance with the purchase contract. The total outstanding consideration at December 31, 2016, for this entity was \$2 million.

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	Three months ended			
	December 31, 2016		December 31, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc.	\$ 378	\$ 2.25	\$ 161	\$ 0.92
Add				
Impairment of light-duty diesel assets, net of tax ⁽¹⁾	—	—	133	0.75
Restructuring actions and other charges, net of tax ⁽²⁾	—	—	61	0.35

Net income attributable to Cummins Inc. excluding special items	<u>\$ 378</u>	<u>\$ 2.25</u>	<u>\$ 355</u>	<u>\$ 2.02</u>
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In millions	Years ended			
	December 31, 2016		December 31, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc.	\$ 1,394	\$ 8.23	\$ 1,399	\$ 7.84
Add				
Impairment of light-duty diesel assets, net of tax ⁽¹⁾	—	—	133	0.75
Restructuring actions and other charges, net of tax ⁽²⁾	—	—	61	0.34
Net income attributable to Cummins Inc. excluding special items	<u>\$ 1,394</u>	<u>\$ 8.23</u>	<u>\$ 1,593</u>	<u>\$ 8.93</u>

(1) In the fourth quarter of 2015, we recorded a \$211 million charge for impairment of our light-duty diesel assets.

(2) In the fourth quarter of 2015, we recorded a \$90 million charge for restructuring actions and other charges.

Earnings before interest, income taxes, noncontrolling interests and special items

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, GAAP 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		Years ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income attributable to Cummins Inc.	\$ 378	\$ 161	\$ 1,394	\$ 1,399
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	8.4 %	3.4 %	8.0 %	7.8 %

Add					
Net income attributable to noncontrolling interests	18	17	62		
Consolidated net income	396	178	1,456	1,471	
Add					
Interest expense	18	18	69		
Income tax expense	112	34	474	516	
Earnings before interest expense and income taxes	526	230	1,999	2,013	
<i>EBIT as a percentage of net sales</i>	11.7 %	4.8 %	11.4 %	10.6 %	
Add					
Impairment of light-duty diesel assets	—	211	—	211	
Restructuring actions and other charges	—	90	—	90	
Earnings before interest expense, income taxes and special items	\$ 526	\$ 531	\$ 1,999	\$ 2,304	
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	11.7 %	11.1 %	11.4 %	12.0 %	

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 and natural gas engines that range from 310 to 605 horsepower serving global heavy-duty truck customers worldwide, primarily in North America, Latin America and Australia.
- **Medium-duty truck and bus** - We manufacture diesel and natural gas engines ranging from 130 to 450 horsepower serving medium-duty truck and bus customers worldwide, with key markets including North America, Latin America, China, Europe and India. Applications include pickup and delivery trucks, vocational truck, school bus, transit bus and shuttle bus. We also provide 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 manufacture diesel engines that range from 48 to 715 horsepower to key global markets including mining, marine, rail, oil and gas, defense, agriculture and construction 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 were as follows:

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>

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>

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	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>

2015

Units	Q1	Q2	Q3	Q4	YTD
Heavy-duty	28,700	32,800	28,600	24,300	114,400
Medium-duty	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
Medium-duty	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	\$ 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>

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	\$ 540	\$ 546	\$2,317
Turbo technologies	265	276	241	254	1,036
Filtration	252	262	244	252	1,010
Fuel systems	113	117	118	125	473
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	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 into the following product lines:

- **Power generation** - We design, manufacture, sell and support back-up and prime power generators ranging from 2 kilowatts to 3.5 megawatts, as well as controls, paralleling systems and transfer switches, for applications such as consumer, 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, the 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 were as follows:

2016

In millions	Q1	Q2	Q3	Q4	YTD
Power generation	\$ 520	\$ 597	\$545	\$573	\$2,235
Industrial	215	240	233	275	963
Generator technologies	73	84	78	84	319
Total sales	<u>\$ 808</u>	<u>\$ 921</u>	<u>\$856</u>	<u>\$932</u>	<u>\$3,517</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 were as follows:

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>

2015

Units	Q1	Q2	Q3	Q4	YTD
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	YTD
Power generation	8,700
Industrial	<u>6,100</u>

Total units 14,800

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