

October 27, 2015



## **Cummins Announces Actions to Respond to Slowdown in Global Markets and Reports Third Quarter 2015 Results**

- **Third quarter revenues of \$4.6 billion, EBIT of 12.5 percent of sales**
- **Full year outlook revised down with revenue expected to be flat to down 2 percent and EBIT to be in the range of 12.75 to 13.0 percent of sales**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today announced restructuring and cost reduction actions to respond to a slowdown in global markets and lowered its outlook for 2015. The Company expects to reduce its professional workforce by up to 2,000 people, with the majority completed by the end of this year. These actions are expected to deliver annualized savings in the range of \$160 million to \$200 million and the Company will record pre-tax costs of between \$70 million and \$90 million associated with the workforce reduction in the fourth quarter of 2015. Adjustments to manufacturing capacity are already being made on a facility-by-facility basis and the Company will evaluate if more significant restructuring actions are required in the coming weeks and months.

"We are taking difficult but necessary actions to lower costs in the face of weak demand in many of our markets," said Tom Linebarger, Chairman and Chief Executive Officer, Cummins Inc. "Global off highway and power generation markets have been weak for some time and are worsening. Industry orders in key end markets in Brazil and China are at multi-year lows and showing no signs of improvement in the near-term. Given the uncertainty in the global economy, we expect challenging conditions to persist for some time. We have a very experienced leadership team at Cummins that knows how to manage effectively through periods of weak demand and ensure that the Company emerges stronger, with higher profitability and stronger leadership positions in our largest markets, as it has in prior cycles."

Third quarter revenue of \$4.6 billion decreased six percent from the same quarter in 2014. Currency negatively impacted sales by four percent compared to last year, primarily due to a stronger U.S. dollar. Weaker demand in global off highway and power generation markets was partially offset by distributor acquisitions in North America.

Revenues in North America increased four percent while international sales declined by 18

percent. Within international markets, lower revenues in Brazil, Europe and China were partially offset by growth in India.

Earnings before interest and taxes (EBIT) decreased in the third quarter to \$577 million, or 12.5 percent of sales, down from \$684 million or 14.0 percent of sales a year ago.

Net income attributable to Cummins was \$380 million (\$2.14 per diluted share) in the third quarter, compared to \$423 million (\$2.32 per diluted share) a year ago. The tax rate in the third quarter of 2015, including discrete items, was 30.1 percent.

Based on the current forecast, Cummins expects full year 2015 revenues to be flat to down two percent, compared to the Company's prior guidance of growth between two and four percent. EBIT is expected to be in the range of 12.75 to 13.0 percent of sales, excluding costs associated with restructuring and other cost reduction actions, down from the Company's previous guidance of 13.5 to 14.0 percent.

"We are disappointed with our results in the third quarter, but we are responding quickly to softening demand," said Rich Freeland, President and Chief Operating Officer. "Through a combination of workforce actions and targeted capacity reduction we will position the Company for stronger financial performance when market conditions improve."

Other recent highlights:

- Cummins announced that the company has been named to the 2015 Dow Jones North American Sustainability Index for a 10th consecutive year. The index, part of the global Dow Jones Sustainability Indices, identifies the leading companies for sustainability worldwide.
- Readers of *Consulting-Specifying Engineer (CSE)* have voted Cummins Power Generation's latest QSK95 Series generator as a 2015 Product of the Year winner.
- Cummins was named as a winner of the Golden Peacock Global Award for Excellence in Corporate Governance for the year 2015.
- The Company increased its quarterly cash dividend by 25 percent and has returned \$1.1 billion to shareholders in the form of dividends and share repurchases throughout the year.

### **Third quarter 2015 detail (all comparisons to same period in 2014)**

#### **Engine Segment**

- Sales - \$2.5 billion, down 10 percent.
- Segment EBIT - \$252 million, or 10.0 percent of sales, compared to \$330 million or 11.7 percent of sales.
- Weak demand in global off highway and power generation markets and the Brazilian truck market were partially offset by stronger demand in global bus markets.

#### **Distribution Segment**

- Sales - \$1.6 billion, up 20 percent. Acquisitions added 27 percent.

- Segment EBIT - \$123 million, or 7.9 percent of sales, compared to \$131 million or 10.1 percent of sales.
- Higher revenues from acquisitions were partially offset by an 8 percent negative impact from foreign currency movements.

### **Components Segment**

- Sales - \$1.2 billion, down 4 percent.
- Segment EBIT - \$156 million, or 12.6 percent of sales, compared to \$172 million or 13.4 percent of sales.
- Increased sales in on-highway markets in North America and China were more than offset by negative foreign currency movements of 4 percent and lower demand in Brazil.

### **Power Generation Segment**

- Sales - \$659 million, down 13 percent
- Segment EBIT - \$42 million, or 6.4 percent of sales, compared to \$60 million, or 8.0 percent of sales.
- Revenue declined in North America by 11 percent and by 14 percent in international markets. Foreign currency negatively impacted revenue by 3 percent. Lower sales in Europe, China, and Russia, were partially offset by growth in Africa and the Middle East.

### **About Cummins**

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins currently employs approximately 54,600 people worldwide and serves customers in approximately 190 countries and territories through a network of approximately 600 company-owned and independent distributor locations and approximately 7,200 dealer locations. Cummins earned \$1.65 billion on sales of \$19.2 billion in 2014. Press releases can be found on the Web at [www.cummins.com](http://www.cummins.com). Follow Cummins on Twitter at [www.twitter.com/cummins](http://www.twitter.com/cummins) and on YouTube at [www.youtube.com/cumminsinc](http://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 2015. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: the adoption and implementation of global emission standards;

the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental actions; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, including particularly in the Risk Factors section of our 2014 Annual Report on Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

### **Presentation of Non-GAAP Financial Information**

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

### **Webcast information**

*Cummins management will host a teleconference to discuss these results today at 10 a.m. EST. This teleconference will be webcast and available on the Investor Relations section of the Cummins website at [www.cummins.com](http://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	
	September 27, 2015	September 28, 2014
<b>NET SALES</b>	<b>\$ 4,620</b>	<b>\$ 4,890</b>
Cost of sales	3,412	3,606
<b>GROSS MARGIN</b>	<b>1,208</b>	<b>1,284</b>
<b>OPERATING EXPENSES AND INCOME</b>		
Selling, general and administrative expenses	530	529
Research, development and engineering expenses	197	198
Equity, royalty and interest income from investees	78	99
Other operating (expense) income, net	(2)	3
<b>OPERATING INCOME</b>	<b>557</b>	<b>659</b>
Interest income	9	6
Interest expense	16	15
Other income, net	11	19
<b>INCOME BEFORE INCOME TAXES</b>	<b>561</b>	<b>669</b>

Income tax expense	169	230
<b>CONSOLIDATED NET INCOME</b>	<b>392</b>	<b>439</b>
Less: Net income attributable to noncontrolling interests	12	16
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 380</b>	<b>\$ 423</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>		
Basic	\$ 2.15	\$ 2.32
Diluted	\$ 2.14	\$ 2.32
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	177.0	182.2
Diluted	177.4	182.7
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.975</b>	<b>\$ 0.78</b>

(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 INCOME**  
(Unaudited) (a)

In millions, except per share amounts	Nine months ended	
	September 27, 2015	September 28, 2014
<b>NET SALES</b>	<b>\$ 14,344</b>	<b>\$ 14,131</b>
Cost of sales	10,609	10,543
<b>GROSS MARGIN</b>	<b>3,735</b>	<b>3,588</b>
<b>OPERATING EXPENSES AND INCOME</b>		
Selling, general and administrative expenses	1,584	1,527
Research, development and engineering expenses	558	567
Equity, royalty and interest income from investees	240	294
Other operating expense, net	(5)	(4)
<b>OPERATING INCOME</b>	<b>1,828</b>	<b>1,784</b>
Interest income	20	17
Interest expense	47	47
Other income, net	12	68
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,813</b>	<b>1,822</b>
Income tax expense	521	553
<b>CONSOLIDATED NET INCOME</b>	<b>1,292</b>	<b>1,269</b>
Less: Net income attributable to noncontrolling interests	54	62
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 1,238</b>	<b>\$ 1,207</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>		
Basic	\$ 6.92	\$ 6.59
Diluted	\$ 6.90	\$ 6.58
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	178.9	183.1
Diluted	179.3	183.5
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 2.535</b>	<b>\$ 2.03</b>

(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	September 27, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,688	\$ 2,301
Marketable securities	35	93
Total cash, cash equivalents and marketable securities	1,723	2,394
Accounts and notes receivable, net	3,159	2,946
Inventories	3,059	2,866
Prepaid expenses and other current assets	921	849
Total current assets	8,862	9,055
Long-term assets		
Property, plant and equipment	7,262	7,123
Accumulated depreciation	(3,545)	(3,437)
Property, plant and equipment, net	3,717	3,686
Investments and advances related to equity method investees	959	981
Goodwill	481	479
Other intangible assets, net	337	343
Pension assets	785	637
Other assets	656	595
Total assets	\$ 15,797	\$ 15,776
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable (principally trade)	\$ 1,824	\$ 1,881
Loans payable	27	86
Current portion of accrued product warranty	388	363
Accrued compensation, benefits and retirement costs	505	508
Current portion of deferred revenue	414	401
	779	759
Other accrued expenses		
Current maturities of long-term debt	31	23
Total current liabilities	3,968	4,021
Long-term liabilities		
Long-term debt	1,595	1,589
Postretirement benefits other than pensions	347	369
Pensions	292	289
Other liabilities and deferred revenue	1,514	1,415
Total liabilities	\$ 7,716	\$ 7,683
<b>EQUITY</b>		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued	\$ 2,173	\$ 2,139
Retained earnings	10,331	9,545
Treasury stock, at cost, 44.7 and 40.1 shares	(3,486)	(2,844)
Common stock held by employee benefits trust, at cost, 1.0 and 1.1 shares	(11)	(13)
Accumulated other comprehensive loss	(1,258)	(1,078)
Total Cummins Inc. shareholders' equity	7,749	7,749
Noncontrolling interests	332	344
Total equity	\$ 8,081	\$ 8,093
Total liabilities and equity	\$ 15,797	\$ 15,776

(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	Nine months ended	
	September 27, 2015	September 28, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 1,292	\$ 1,269
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	383	330
Gain on fair value adjustment for consolidated investees	(17)	(38)
Deferred income taxes	(120)	(37)
Equity in income of investees, net of dividends	(68)	(103)
Pension contributions in excess of expense	(119)	(154)
Other post-retirement benefits payments in excess of expense	(18)	(22)
Stock-based compensation expense	24	27
Translation and hedging activities	22	(19)
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	(163)	(236)
Inventories	(179)	(302)
Other current assets	133	(6)
Accounts payable	(52)	316
Accrued expenses	(153)	162
Changes in other liabilities and deferred revenue	219	184
Other, net	(53)	17
Net cash provided by operating activities	<u>1,131</u>	<u>1,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(393)	(409)
Investments in internal use software	(38)	(40)
Investments in and advances to equity investees	(9)	(39)
Acquisitions of businesses, net of cash acquired	(102)	(266)
Investments in marketable securities—acquisitions	(175)	(213)
Investments in marketable securities—liquidations	228	316
Cash flows from derivatives not designated as hedges	17	—
Other, net	(5)	11
Net cash used in investing activities	<u>(477)</u>	<u>(640)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	24	39
Payments on borrowings and capital lease obligations	(64)	(72)
Net payments under short-term credit agreements	(38)	(41)
Distributions to noncontrolling interests	(35)	(52)
Dividend payments on common stock	(452)	(370)
Repurchases of common stock	(650)	(605)
Other, net	—	2
Net cash used in financing activities	<u>(1,215)</u>	<u>(1,099)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(52)</u>	<u>(20)</u>
Net decrease in cash and cash equivalents	(613)	(371)
Cash and cash equivalents at beginning of year	2,301	2,699
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 1,688</u>	<u>\$ 2,328</u>

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

# SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Distribution	Components	Power Generation	Non-segment Items <sup>(1)</sup>	Total
<b>Three months ended September 27, 2015</b>						
External sales	\$1,800	\$ 1,543	\$ 891	\$ 386	\$ —	\$ 4,620
Intersegment sales	728	8	349	273	(1,358)	—
Total sales	2,528	1,551	1,240	659	(1,358)	4,620
Depreciation and amortization <sup>(2)</sup>	60	26	28	14	—	128
Research, development and engineering expenses	116	2	65	14	—	197
Equity, royalty and interest income from investees	40	19	9	10	—	78
Interest income	6	1	1	1	—	9
Segment EBIT	252	123 <sup>(3)</sup>	156	42	4	577
Segment EBIT as a percentage of total sales	10.0%	7.9%	12.6%	6.4%		12.5%
<b>Three months ended September 28, 2014</b>						
External sales	\$2,181	\$ 1,282	\$ 946	\$ 481	\$ —	\$ 4,890
Intersegment sales	635	10	341	273	(1,259)	—
Total sales	2,816	1,292	1,287	754	(1,259)	4,890
Depreciation and amortization <sup>(2)</sup>	50	22	27	13	—	112
Research, development and engineering expenses	114	2	64	18	—	198
Equity, royalty and interest income from investees	40	37	9	13	—	99
Interest income	3	1	1	1	—	6
Segment EBIT	330	131 <sup>(3)</sup>	172	60	(9)	684
Segment EBIT as a percentage of total sales	11.7%	10.1%	13.4%	8.0%		14.0%

(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 September 27, 2015 and September 28, 2014.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Income* as "Interest expense."

(3) Distribution segment EBIT included gains of \$17 million and \$18 million on the fair value adjustments resulting from acquisitions of the controlling interests in North American distributors for the three months ended September 27, 2015 and September 28, 2014, respectively.

## CUMMINS INC. AND SUBSIDIARIES

### SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Distribution	Components	Power Generation	Non-segment Items <sup>(1)</sup>	Total
<b>Nine months ended September 27, 2015</b>						
External sales	\$5,747	\$ 4,499	\$ 2,839	\$ 1,259	\$ —	\$14,344
Intersegment sales	2,174	23	1,097	827	(4,121)	—
Total sales	7,921	4,522	3,936	2,086	(4,121)	14,344
Depreciation and amortization <sup>(2)</sup>	178	78	82	43	—	381
Research, development and engineering expenses	321	8	183	46	—	558
Equity, royalty and interest income from investees	127	60	26	27	—	240
Interest income	11	3	3	3	—	20
Segment EBIT	846	324 <sup>(3)</sup>	574	148	(32)	1,860
Segment EBIT as a percentage of total sales	10.7%	7.2%	14.6%	7.1%		13.0%

**Nine months ended September 28, 2014**



External sales	\$6,449	\$ 3,453	\$ 2,821	\$ 1,408	\$ —	\$14,131
Intersegment sales	1,674	27	976	728	(3,405)	—
Total sales	8,123	3,480	3,797	2,136	(3,405)	14,131
Depreciation and amortization <sup>(2)</sup>	153	58	79	38	—	328
Research, development and engineering expenses	335	7	170	55	—	567
Equity, royalty and interest income from investees	117	120	27	30	—	294
Interest income	9	2	3	3	—	17
Segment EBIT	910	333 <sup>(3)</sup>	524	146	(44)	1,869
Segment EBIT as a percentage of total sales	11.2%	9.6%	13.8%	6.8%		13.2%

(1) Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the nine months ended September 27, 2015 and September 28, 2014.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Income* as "Interest expense." The amortization of debt discount and deferred costs were \$2 million for both the nine months ended September 27, 2015 and September 28, 2014.

(3) Distribution segment EBIT included gains of \$17 million and \$38 million on the fair value adjustments resulting from the acquisitions of the controlling interests in North American distributors for the nine months ended September 27, 2015 and September 28, 2014, respectively.

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

In millions	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Total EBIT	\$ 577	\$ 684	\$ 1,860	\$ 1,869
Less: Interest expense	16	15	47	47
Income before income taxes	<u>\$ 561</u>	<u>\$ 669</u>	<u>\$ 1,813</u>	<u>\$ 1,822</u>

**CUMMINS INC. AND SUBSIDIARIES**  
**SELECTED FOOTNOTE DATA**  
(Unaudited)

**NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES**

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

In millions	Three months ended		Nine months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<b>Distribution Entities</b>				
North American distributors	\$ 9	\$ 27	\$ 27	\$ 89
Komatsu Cummins Chile, Ltda.	8	8	23	22
All other distributors	1	—	2	2
<b>Manufacturing Entities</b>				
Beijing Foton Cummins Engine Co., Ltd	18	5	47	6
Dongfeng Cummins Engine Company, Ltd.	11	15	40	51
Chongqing Cummins Engine Company, Ltd.	9	13	32	39
All other manufacturers	13	20	41	54
Cummins share of net income	69	88	212	263
Royalty and interest income	9	11	28	31
Equity, royalty and interest income from investees	<u>\$ 78</u>	<u>\$ 99</u>	<u>\$ 240</u>	<u>\$ 294</u>

## NOTE 2. INCOME TAXES

The effective tax rate for the three and nine month periods ended September 27, 2015, was 30.1 percent and 28.7 percent, respectively. The tax rate for the nine month period ended September 27, 2015, included a net \$14 million discrete tax benefit primarily to reflect the release of reserves for uncertain tax positions related to a favorable federal audit settlement.

## NOTE 3. ACQUISITIONS

The Distribution segment North American distributor acquisitions in the third quarter of 2015 were 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 <sup>(1)</sup>	Gain Recognized <sup>(1)</sup>	Goodwill Acquired	Intangible Recognized
Cummins Crosspoint LLC <sup>(4)</sup>	08/03/15	50%	\$ 20	\$ 36	\$ 65 <sup>(5)</sup>	COMB	\$ 10	\$ 7	\$
Cummins Atlantic LLC <sup>(4)</sup>	08/03/15	51%	14	28	48 <sup>(5)</sup>	COMB	7	2	
Cummins Central Power LLC	06/29/15	20.01%	8	—	8 <sup>(5)</sup>	EQUITY	—	—	-

(1) All results from acquired entities were included in Distribution segment results subsequent to the acquisition date. Previously consolidated entities were accounted for as equity transactions (EQUITY). Newly consolidated entities were accounted for as business combinations (COMB) with gains recognized based on the requirement to remeasure our pre-existing ownership to fair value in accordance with GAAP.

(2) Intangible assets acquired in business combinations were mostly customer related, the majority of which will be amortized over a period of up to five years from the date of the acquisition.

(3) Sales amounts are not fully incremental to our consolidated sales as the amount would be reduced by the elimination of sales to the previously unconsolidated entity.

(4) Purchase accounting for this acquisition is preliminary awaiting customary adjustments to purchase price in accordance with the purchase agreements.

(5) The "Total Purchase Consideration" represents the total amount that will or is estimated to be paid to complete the acquisition. In some instances 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 September 27, 2015 for these entities was \$15 million.

### 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 (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:

Three months ended

Nine months ended

<b>In millions</b>	<b>September 27, 2015</b>	<b>September 28, 2014</b>	<b>September 27, 2015</b>	<b>September 28, 2014</b>
Earnings before interest expense and income taxes	<u>\$ 577</u>	<u>\$ 684</u>	<u>\$ 1,860</u>	<u>\$ 1,869</u>
<i>EBIT as a percentage of net sales</i>	<i>12.5%</i>	<i>14.0%</i>	<i>13.0%</i>	<i>13.2%</i>
Less				
Interest expense	16	15	47	47
Income tax expense	<u>169</u>	<u>230</u>	<u>521</u>	<u>553</u>
Consolidated net income	<u>392</u>	<u>439</u>	<u>1,292</u>	<u>1,269</u>
Less				
Net income attributable to noncontrolling interests	12	16	54	62
Net income attributable to Cummins Inc.	<u>\$ 380</u>	<u>\$ 423</u>	<u>\$ 1,238</u>	<u>\$ 1,207</u>
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<i>8.2%</i>	<i>8.7%</i>	<i>8.6%</i>	<i>8.5%</i>

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

#### Engine Segment Sales by Market and Unit Shipments by Engine Classification

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

#### 2015

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Heavy-duty truck	\$ 757	\$ 875	\$ 784	\$ —	\$ 2,416
Medium-duty truck and bus	608	674	585	—	1,867
Light-duty automotive	381	354	339	—	1,074
Industrial	616	624	617	—	1,857
Stationary power	234	270	203	—	707
Total sales	<u>\$ 2,596</u>	<u>\$2,797</u>	<u>\$2,528</u>	<u>\$ —</u>	<u>\$ 7,921</u>

#### 2014

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

#### 2013

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

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

#### 2015

Units	Q1	Q2	Q3	Q4	YTD
Mid-range	112,400	120,000	107,400	—	339,800
Heavy-duty	28,700	32,800	28,600	—	90,100
High-horsepower	3,500	3,700	3,200	—	10,400
Total units	144,600	156,500	139,200	—	440,300

#### 2014

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

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

#### Distribution Segment Sales by Business

#### 2015

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 573	\$ 598	\$ 604	\$ —	\$1,775
Engines	321	318	323	—	962
Power generation	298	272	323	—	893
Service	284	307	301	—	892
Total sales	\$1,476	\$1,495	\$1,551	\$ —	\$4,522

#### 2014

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 382	\$ 461	\$ 491	\$ 590	\$1,924
Engines	174	249	270	368	1,061
Power generation	193	278	279	413	1,163
Service	201	250	252	323	1,026
Total sales	\$ 950	\$1,238	\$1,292	\$1,694	\$5,174

#### Component Segment Sales by Business

#### 2015

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 613	\$ 679	\$ 607	\$ —	\$1,899
Turbo technologies	301	307	266	—	874
Filtration	255	266	240	—	761
Fuel systems	130	145	127	—	402
Total sales	\$1,299	\$1,397	\$1,240	\$ —	\$3,936

#### 2014

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

## Power Generation Segment Sales by Business

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

### 2015

In millions	Q1	Q2	Q3	Q4	YTD
Power systems	\$ 543	\$611	<b>\$551</b>	\$ —	\$1,705
Alternators	98	92	<b>86</b>	—	276
Power solutions	39	44	<b>22</b>	—	105
Total sales	<u>\$ 680</u>	<u>\$747</u>	<u><b>\$659</b></u>	<u>\$ —</u>	<u>\$2,086</u>

### 2014

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

### 2013

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

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