

TO CUMMINS SHAREHOLDERS:

In 2019, we delivered record profits and operating cash flow while investing a record \$1 billion in research and development despite challenging conditions in our largest markets in the second half of the year. To strengthen our broad portfolio of power solutions, we launched advanced diesel, natural gas, fuel cell and electric powertrains to continue providing the power of choice for our customers. We implemented several global efforts to optimize our operations including in our supply chain and the North American Distribution business to create positive impact for our customers and employees. I am confident that we have the right strategy in place to continue powering a more prosperous world for our customers and shareholders for the next 100 years.

2019 FINANCIAL PERFORMANCE

Revenues for the full-year 2019 were \$23.6 billion, 1 percent lower than 2018, with growth of 4 percent in the first half of the year offset by lower demand across most of our end markets in the second half of the year. Full year revenues in North America increased 3 percent while international sales decreased 6 percent.

Earnings before interest, tax, depreciation and amortization (EBITDA) for the year was a record \$3.6 billion, or 15.3 percent of sales, or 15.8 percent of sales excluding the impact of a restructuring charge. This compares to \$3.5 billion or 14.6 percent of sales in 2018.

Net income attributable to Cummins for the full year was a record \$2.3 billion (\$14.48 per diluted share), or \$2.4 billion (\$15.05 per diluted share) excluding restructuring. This compares to \$2.1 billion (\$13.15 per diluted share) in 2018.

Despite lower revenue, the company delivered record profits and cash flow in 2019, partially driven by the lowering of inventory in reaction to lower demand in most of our end markets.

DELIVERING SHAREHOLDER VALUE

In 2019, Cummins generated a Return on Invested Capital of 21 percent excluding the impact of restructuring, while returning \$2.0 billion of Operating Cash Flow to shareholders in the form of dividends and share repurchases.

The company increased the dividend by 15 percent in 2019 and repurchased 8.1 million shares. 2019 represented the 10th year of consecutive annual increases in our dividend, and the Board of Directors authorized an additional share repurchase program of \$2 billion. These actions are indicative of the company's commitment to delivering strong returns to shareholders and reflects confidence in our short- and long-term performance.

Cummins has a history of improving cycle-over-cycle financial performance. We have outgrown our end markets by investing in new technologies and delivering value to our customers through product innovation and world-class customer support. Markets did deteriorate in the second half of 2019 at a faster pace than we had anticipated, especially outside of the U.S. We made difficult decisions to lower costs in the fourth quarter, which resulted in a restructuring charge. Our recent actions and continued investments in the business will position us to emerge stronger when demand in our markets improve, just as we have done in prior cycles.

In 2019, we continued launching new products across our segments and applications that are performing more efficiently while reducing the impact on our environment:

- We introduced the new 2020 X15 Efficiency Series that meets the EPA's 2021 greenhouse gas standards for the North America heavy-duty truck market;
- We announced the X12 + Endurant powertrain for regional haul applications will launch in 2020;
- The first Cummins-powered battery-electric bus entered service in Santa Monica, California, (USA);
- The HSK78 natural gas generator series was introduced as the most powerful in our portfolio;
- The new 38-liter natural gas engine marked our entrance into the natural gas compression market.

With this broad portfolio of power solutions, we entered into and built upon important partnerships across our industries and global footprint. We closed on the previously-announced acquisition of the fuel cell and electrolyzer producer Hydrogenics Corporation with a new partner, Air Liquide, one of the world's largest producers of hydrogen. Our joint venture with JAC reached its first full year of production for the light-duty truck market in China. Cummins and RAM celebrated the production of the 3 millionth Cummins engine for the RAM pickup truck. Dongfeng Cummins Engine Company (DCEC) also reached its 3 millionth engine milestone for the Z14,

which meets China's National Standard VI (NSVI). These partnerships, among many others, strengthen our position as a leading global powertrain provider.

A dynamic environment presents a significant opportunity for Cummins to leverage our technology leadership, application knowledge and global distribution network to succeed in our markets, just as we have throughout the past 100 years. Our broad portfolio of power solutions is integrated with data analytics and controls to drive down emissions, deliver the power needed and consume less fuel. We are also leveraging data analytics and connectivity of our products to provide world-class service solutions to support the unique needs of our customers no matter when, where or how they need us.

COMMITMENT TO OUR STAKEHOLDERS

We continue to reaffirm our long-standing commitment to the stakeholder model, the idea that each stakeholder in a company is served best by serving every stakeholder: communities, customers, employees, partners and shareholders. At Cummins, we do this by living our core values inside and outside of the workplace. For example, we know that the success of our business depends on our ability to create a diverse and inclusive culture. We recognize and appreciate the differences brought by our employees, customers and suppliers that ultimately allow us to deliver superior results. Our more than 100 employee resource groups and local diversity councils for employees promote diversity and inclusion across the globe.

Our commitment to our stakeholders includes doing our part as a company to address climate change, engineering solutions to large-scale global issues and improving the communities where we live and work.

Last year, we announced a new environmental sustainability strategy, called PLANET 2050, that includes science-based targets that meet or exceed goals in the United Nations Paris agreement on climate change. By 2050, Cummins is targeting net-zero carbon emissions by focusing our work in three priority areas: addressing climate change and air emissions, using natural resources in the most sustainable way and improving communities.

Since its launch in 2018, Cummins Powers Women has already served more than 50,000 women and girls worldwide through a network of expert non-profits in our effort to accelerate gender equality. We acknowledge that the work is far from finished and intend to keep the work and conversations going.

I am incredibly proud that 82 percent of global employees participated in the Every Employee Every Community (EEEC) program, and contributed 367,728 hours to improving their communities worldwide. Our value of caring comes alive for us in our commitment to understanding the unique challenges our communities face, collaborating to provide sustainable solutions and driving outcomes to ensure that our communities are stronger because of Cummins' presence.

LOOKING AHEAD

At the time of writing this, the COVID-19 pandemic has touched every corner of the world. This global public health emergency comes during an already-challenging period in many of our markets.

With our experienced leadership team, I am confident that we are ready to manage through these extraordinary circumstances.



Tom Linebarger

Chairman and Chief Executive Officer
Cummins Inc.