

**CUMMINS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

In millions, except per share amounts	Years ended December 31,		
	2016	2015	2014
<b>NET SALES</b> <sup>(a)</sup>	<b>\$ 17,509</b>	<b>\$ 19,110</b>	<b>\$ 19,221</b>
Cost of sales	13,057	14,163	14,360
<b>GROSS MARGIN</b>	<b>4,452</b>	<b>4,947</b>	<b>4,861</b>
<b>OPERATING EXPENSES AND INCOME</b>			
Selling, general and administrative expenses	2,046	2,092	2,095
Research, development and engineering expenses	636	735	754
Equity, royalty and interest income from investees (Note 2)	301	315	370
Loss contingency charges (Note 12)	138	60	—
Impairment of light-duty diesel assets (Note 19)	—	211	—
Restructuring actions and other charges (Note 20)	—	90	—
Other operating expense, net	(5)	(17)	(17)
<b>OPERATING INCOME</b>	<b>1,928</b>	<b>2,057</b>	<b>2,365</b>
Interest income	23	24	23
Interest expense (Note 9)	69	65	64
Other income, net	48	9	110
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,930</b>	<b>2,025</b>	<b>2,434</b>
Income tax expense (Note 3)	474	555	698
<b>CONSOLIDATED NET INCOME</b>	<b>1,456</b>	<b>1,470</b>	<b>1,736</b>
Less: Net income attributable to noncontrolling interests	62	71	85
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 1,394</b>	<b>\$ 1,399</b>	<b>\$ 1,651</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. (Note 17)</b>			
Basic	\$ 8.25	\$ 7.86	\$ 9.04
Diluted	\$ 8.23	\$ 7.84	\$ 9.02

<sup>(a)</sup> Includes sales to nonconsolidated equity investees of \$1,028 million, \$1,209 million and \$2,063 million for the years ended December 31, 2016, 2015 and 2014, respectively.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

In millions	Years ended December 31,		
	2016	2015	2014
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 1,456</b>	<b>\$ 1,470</b>	<b>\$ 1,736</b>
Other comprehensive (loss) income, net of tax (Note 14)			
Foreign currency translation adjustments	(448)	(305)	(234)
Unrealized (loss) gain on derivatives	(12)	6	(1)
Change in pension and other postretirement defined benefit plans	(31)	15	(58)
Unrealized gain (loss) on marketable securities	1	(1)	(12)
Total other comprehensive loss, net of tax	(490)	(285)	(305)
<b>COMPREHENSIVE INCOME</b>	<b>966</b>	<b>1,185</b>	<b>1,431</b>
Less: Comprehensive income attributable to noncontrolling interests	45	56	74
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 921</b>	<b>\$ 1,129</b>	<b>\$ 1,357</b>

*The accompanying notes are an integral part of our Consolidated Financial Statements.*

**CUMMINS INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

In millions, except par value	December 31,	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,120	\$ 1,711
Marketable securities (Note 4)	260	100
Total cash, cash equivalents and marketable securities	1,380	1,811
Accounts and notes receivable, net		
Trade and other	2,803	2,640
Nonconsolidated equity investees	222	180
Inventories (Note 5)	2,675	2,707
Prepaid expenses and other current assets	627	609
Total current assets	7,707	7,947
Long-term assets		
Property, plant and equipment, net (Note 6)	3,800	3,745
Investments and advances related to equity method investees (Note 2)	946	975
Goodwill (Note 7)	480	482
Other intangible assets, net (Note 7)	332	328
Pension assets (Note 8)	731	735
Other assets	1,015	922
Total assets	\$ 15,011	\$ 15,134
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable (principally trade)	\$ 1,854	\$ 1,706
Loans payable (Note 9)	41	24
Commercial paper (Note 9)	212	—
Accrued compensation, benefits and retirement costs	412	409
Current portion of accrued product warranty (Note 10)	333	359
Current portion of deferred revenue	468	403
Other accrued expenses	970	863
Current maturities of long-term debt (Note 9)	35	39
Total current liabilities	4,325	3,803
Long-term liabilities		
Long-term debt (Note 9)	1,568	1,576
Postretirement benefits other than pensions (Note 8)	329	349
Pensions (Note 8)	326	298
Other liabilities and deferred revenue (Note 11)	1,289	1,358
Total liabilities	\$ 7,837	\$ 7,384
Commitments and contingencies (Note 12)		
<b>EQUITY</b>		
Cummins Inc. shareholders' equity (Note 13)		
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 (Note 14)	(1,821)	(1,348)
Total Cummins Inc. shareholders' equity	6,875	7,406
Noncontrolling interests (Note 16)	299	344
Total equity	\$ 7,174	\$ 7,750
Total liabilities and equity	\$ 15,011	\$ 15,134

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**CUMMINS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

In millions	Years ended December 31,		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated net income	\$ 1,456	\$ 1,470	\$ 1,736
Adjustments to reconcile consolidated net income to net cash provided by operating activities			
Loss contingency charges, net of payments (Note 12)	122	60	—
Depreciation and amortization	530	514	455
Gains on fair value adjustment for consolidated investees (Note 18)	(15)	(18)	(73)
Deferred income taxes (Note 3)	50	(108)	31
Equity in income of investees, net of dividends (Note 2)	(46)	(36)	(100)
Pension contributions in excess of expense (Note 8)	(92)	(127)	(148)
Other post-retirement benefits payments in excess of expense (Note 8)	(25)	(23)	(28)
Stock-based compensation expense (Note 15)	32	24	36
Impairment of light-duty diesel assets (Note 19)	—	211	—
Restructuring charges and other actions, net of cash payments (Note 20)	(59)	64	—
Translation and hedging activities	(55)	26	(13)
Changes in current assets and liabilities, net of acquisitions			
Accounts and notes receivable	(265)	103	(89)
Inventories	(4)	150	(256)
Other current assets	14	(151)	1
Accounts payable	184	(136)	244
Accrued expenses	(195)	(226)	168
Changes in other liabilities and deferred revenue	200	292	282
Other, net	103	(30)	20
Net cash provided by operating activities	1,935	2,059	2,266
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(531)	(744)	(743)
Investments in internal use software	(63)	(55)	(55)
Investments in and advances to equity investees	(41)	(7)	(60)
Acquisitions of businesses, net of cash acquired (Note 18)	(94)	(117)	(436)
Investments in marketable securities—acquisitions (Note 4)	(478)	(282)	(275)
Investments in marketable securities—liquidations (Note 4)	306	270	336
Proceeds from sale of equity investees (Note 2)	60	—	4
Cash flows from derivatives not designated as hedges	(102)	8	(14)
Other, net	26	9	9
Net cash used in investing activities	(917)	(918)	(1,234)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	111	44	55
Net borrowings of commercial paper (Note 9)	212	—	—
Payments on borrowings and capital lease obligations	(163)	(76)	(94)
Net borrowings (payments) under short-term credit agreements	19	(41)	(40)
Distributions to noncontrolling interests	(65)	(49)	(83)
Dividend payments on common stock (Note 13)	(676)	(622)	(512)
Repurchases of common stock (Note 13)	(778)	(900)	(670)
Acquisitions of noncontrolling interests (Note 18)	(98)	(10)	(14)
Other, net	29	10	15
Net cash used in financing activities	(1,409)	(1,644)	(1,343)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(200)</b>	<b>(87)</b>	<b>(87)</b>
Net decrease in cash and cash equivalents	(591)	(590)	(398)
Cash and cash equivalents at beginning of year	1,711	2,301	2,699
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,120</b>	<b>\$ 1,711</b>	<b>\$ 2,301</b>

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