

To Cummins Shareholders:

In 2017, we saw growth in many of our most important markets around the globe and continued to manage our business for improved results. We strengthened our position in key global markets, through the successful launch of new products and a strong focus on customer support, which resulted in market share gains. Working closely with our Board of Directors, we also advanced our strategy to create new sources of growth and position the company for a stronger future.

2017 Financial Performance

Revenues for the full-year 2017 were a record \$20.4 billion, 17 percent higher than 2016. Revenues in North America increased 15 percent and international sales increased 19 percent.

Earnings Before Interest and Taxes (EBIT) for the year was \$2.4 billion or 12.2 percent of sales, excluding charges related to tax legislation. This compares to \$2.0 billion or 11.4 percent of sales in 2016.

Net income attributable to Cummins for the full year was \$1.0 billion (\$5.97 per diluted share), compared to \$1.4 billion (\$8.23 per diluted share) in 2016. Excluding charges totaling \$0.8 billion in connection with tax legislation, full-year net income attributable to Cummins was \$1.8 billion and earnings per diluted share was a record \$10.62.

Delivering Shareholder Value

In 2017, Cummins delivered a Return on Equity of 22 percent and a Return on Invested Capital of 18 percent, excluding the impact of tax legislation. We returned \$1.2 billion or 51 percent of Operating Cash Flow to shareholders in the form of dividends and share repurchases.

Overall, total shareholder return for Cummins in 2017 was 33 percent, compared to a 22 percent increase for the S&P 500 index.

We were able to grow profitability and generate record operating cash flow by continuously driving improvement in our business through material cost reduction programs, productivity gains and other actions to improve the long-term financial performance of the company, while investing in new products and technologies.

For example, we launched new engine platforms including the B6.7, L9, X15 Performance Series and X15 Efficiency Series, all of which contributed to stronger market share in North America. We successfully launched a 50-50 joint venture with Eaton to design, develop and sell current and future automated transmissions for heavy- and medium-duty applications globally. This will advance our strategy to be the leading global powertrain provider.

We expect diesel engines to continue to be the technology of choice in many of our markets for years to come, and we will continue to excel at our core strengths, providing innovative and dependable products that enable our customers' success. At the same time, we recognize that future decades may look much different than today. Increasing customer demands, emerging product and information technologies, and global environmental challenges will impact many of our markets.

Where we see technology evolving, we are building capabilities to remain an industry technology leader. In the electrification space, we unveiled the first-ever, fully-electric heavy-duty demonstration truck, AEOS, and announced an electrified powertrain option for urban buses with our first offerings available in 2019. We also acquired energy storage technology company Brammo Inc. to further support our broad portfolio of power solutions.

Cummins has a strong history of capitalizing on new trends in our markets. We welcome changes in technology and the opportunities that they present, and we are investing to ensure that we are ready to power our customers' success in the future, just as we have throughout the past 98 years.

Our Board of Directors has taken an active role in the development and oversight of our strategy, which is discussed at every meeting, and our plans are stronger for the insights and questions that they have brought to our discussions.

Living Our Values

In 2017, we launched our refreshed mission, vision and values to provide clear direction on what matters to us the most. Cummins has always been a values-driven company and this is core to our strategy. As we strive for wealth creation for all stakeholders, what we do is equally as important as how we do it.

For example, I am incredibly proud that 83 percent of global employees participated in the Every Employee Every Community program, and contributed 365,006 hours of service to improving their communities worldwide. Caring comes alive for us in our commitment to understanding the unique challenges our communities face, working with them to provide sustainable solutions and driving outcomes to ensure that our communities are stronger because of Cummins' presence.

The success of our business also depends on our ability to create a diverse and inclusive culture both internally and externally, and use it to our competitive advantage. We recognize and appreciate that the differences brought by our employees, our customers and suppliers ultimately allow us to deliver superior results. It is critical to our ability to innovate, to win in the marketplace and our sustainable success. Our more than 100 affinity groups and local diversity councils for employees help promote diversity and inclusion across the globe, making Cummins one of DiversityInc's "Top Companies for Diversity" for the 11th straight year.

Similarly, our corporate responsibility, sustainability and work environment efforts have been recognized by external organizations. Those include Ethisphere for our ranking on the ethical company list for the 10th year, Employer Excellence Cummins China, Commendation for Significant Achievement in Corporate Social Responsibility at the Confederation of Indian Industry ICT Sustainability Awards, and the "Best Place to Work" for the 13th straight year by the Corporate Equality Index.

Looking Ahead

We are confident that the investments we made in our people, products and services in 2017 will ensure that the company continues to help our customers win in their markets and create long-term value for our shareholders.

A handwritten signature in black ink, appearing to read "Tom", with a stylized flourish above the name.

Tom Linebarger

Chairman and Chief Executive Officer
Cummins Inc.

