

To Cummins Shareholders:

2015 was a tough year with weak or slowing economies in a number of important international markets, compounded by the impact of a strong U.S. dollar. In the U.S., demand in the heavy-duty truck market declined significantly in the second half of the year. As the outlook for the global economy weakened, we responded quickly by taking difficult but necessary actions to reduce costs and restructure our business to best position our company for future profitable growth and long-term sustainability.

2015 Financial Performance

Last year's revenue of \$19.1 billion was 1 percent lower than 2014. Sales in North America increased 7 percent, but international revenues declined 11 percent due to lower sales in Latin America, Europe and Asia Pacific, and the negative impact of currency movements, primarily a stronger U.S. dollar.

Earnings Before Interest and Taxes (EBIT) for the year were \$2.09 billion or 10.9 percent of sales. Excluding asset impairment charges and restructuring actions, EBIT was \$2.39 billion or 12.5 percent of sales, compared to \$2.53 billion or 13.2 percent of sales in 2014.

Net income attributable to Cummins for the full year 2015 was \$1.4 billion (\$7.84 per diluted share), or \$1.59 billion

(\$8.93 per diluted share) excluding asset impairment charges and restructuring actions.

We generated operating cash flow of more than \$2 billion in 2015, the third straight year above \$2 billion.

Delivering Shareholder Value

Cummins believes that Return On Equity (ROE) provides a strong correlation with shareholder returns over the long run. Long-term executive compensation at Cummins is tied to ROE. Over the 5- and 10-year periods through the end of 2015, Cummins delivered ROE of 23 percent and 21 percent respectively, above our own target of 20 percent and well ahead of our peer group average of 12 percent and 13 percent respectively.

We delivered strong returns over the past 10 years through a combination of disciplined investment in organic programs, joint ventures and acquisitions. Cummins has four complementary businesses that together provide a scale advantage in manufacturing, leading technologies that deliver more efficient and cleaner power, an unmatched global distribution system, strong partnerships and customer relationships. We will continue to invest in technology, manufacturing and our distribution network in order to maintain and grow our leadership position and will look to increase

long-term returns by adding additional growth platforms that can leverage these key capabilities. Our Board of Directors regularly reviews our plans for delivering strong returns, including a review of key investments, our long-term technology roadmap and any new partnerships and acquisitions. The board also approves our plans for returning cash to shareholders.

Cummins operates in cyclical markets around the world, and inevitably our business faces periods of weak demand and reduced short-term earnings when global economic growth slows. Due to our financial strength, we are able to continue to invest for future growth through economic cycles and have emerged from the past two downturns with significantly improved financial performance and a stronger competitive position in a number of our important markets. We believe that our recent restructuring actions and our continued investment in our business will position us to deliver stronger earnings and high returns when demand in our markets improves.

Due to investor concerns about slowing demand in the global industrial economy, the total shareholder return for Cummins in 2015 was negative 37 percent, compared

to a 1 percent increase for the S&P 500 index and an average decline of 15 percent for our peer group. As a result of our financial strength, we were able to support all of our business investments, fully fund our pension plans and increase returns to shareholders. In 2015, we returned a record \$1.5 billion or 74 percent of operating cash flow to shareholders by increasing the dividend per share 25 percent and repurchasing 7.2 million shares. This compared to \$1.2 billion, or 52 percent of operating cash flow a year ago. In addition, the board of directors approved a new \$1 billion dollar share repurchase program in November.

We continued to strengthen our business by investing in leading technologies and launching innovative products that will help our customers win in their markets. In 2015 alone, we invested more than \$1.6 billion in capital, acquisitions, joint ventures and R&D. As a result, we expanded our global network, grew key partnerships and launched 76 new and improved products.

We successfully increased sales of our new heavy-duty ISG engine in China, the world's largest market for trucks, increasing our market share in the medium- and heavy-duty truck market from 11 percent to more

than 16 percent in one year. Along with the ISG heavy-duty engine, we launched our telematics system in China. This technology provides our end-use customers with fuel economy information and diagnostic data at the moment an engine fault occurs, maximizing uptime and saving money. In the United States, we have deployed this technology in 30,000 trucks and buses, and plan to triple our number of connections by expanding to more applications including power generation, marine and construction equipment.

Finally, in 2015, we acquired three more of our distributors in North America, for a total of 10 distributor acquisitions in the past two years, enhancing the breadth and depth of our global network in more than 190 countries, and exceeding our financial targets for the acquired businesses. Equally important, during the process we have successfully integrated more than 9,000 employees from these independent businesses to Cummins without disrupting our service and support to our customers. Owning the distributors will enable us to provide better, more seamless and consistent service and support to our customers across all geographies, regardless of product type, ultimately driving more growth in key end markets in the long run.

Living Our Values

At Cummins, we believe that a company is only as healthy as the communities where we do business, and I am incredibly proud of our global employees who, despite the challenging year, continued to live our core values.

For example, through our Every Employee, Every Community program, 80 percent of our global workforce contributed more than 390,000 hours of service to their communities last year.

We continued our work on closing the technical skills gap around the world by expanding our Technical Education for Communities (TEC) program. We currently have 14 TEC sites across the globe and plan to expand to 20 sites by the end of 2016, including our first site in the U.S.

Reflecting our commitment to environmental sustainability, we added two new goals in 2015 that improve the fuel efficiency of our products in use and the logistics of our managed freight by 2020. With these new goals, we expect to achieve environmental results equivalent to taking 3.2 million passenger vehicles off the road.

In this past year, a number of outside organizations recognized Cummins' achievements in sustainability, corporate responsibility and being an ethical and inclusive place to work.

- Cummins was named to the 2015 Dow Jones North American Sustainability Index for the tenth consecutive year
- For the eleventh consecutive year, Cummins was awarded a perfect score in the 2016 Corporate Equality Index based on corporate policies and practices related to lesbian, gay, bisexual and transgender (LGBT) workplace equality
- For the ninth consecutive year, Cummins was named one of the world's most ethical companies by the Ethisphere Institute
- DiversityInc named Cummins as one of the Top 50 companies for diversity for the ninth consecutive year

Finally, we have been more vocal over the past year about the vital role diversity and inclusion play in our business, and our moral responsibility to speak up when we see intolerance and discrimination against our friends, neighbors and colleagues. I am proud of our employees who embody our company's values by speaking up for those who need a voice.

Looking Ahead

In 2016, we expect to see continued challenging economic conditions and weak or slowing demand in many of our markets. Our goal during this period of economic weakness is to deliver the best operating performance of any industrial company, outgrow our end markets and continue to invest to position the business for long-term success.

As we continue to build a stronger Cummins, I firmly believe that it is the talent, dedication and teamwork among our people that will ultimately ensure our success. I am also grateful to our customers, shareholders and global partners who trust us to deliver on our brand promise of dependability. I am honored and privileged to be part of the world-class team that makes people's lives better every day.



Tom Linebarger

Chairman and Chief Executive Officer
Cummins Inc.