UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 2, 2017

Commission File Number 1-4949

CUMMINS INC.
(Exact name of registrant as specified in its charter)

Indiana	**35-0257090**
(State of Incorporation)	(IRS Employer Identification No.)

500 Jackson Street
Box 3005
Columbus, Indiana 47202-3005
(Address of principal executive offices)

Telephone (812) 377-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 2, 2017, there were 167,975,197 shares of common stock outstanding with a par value of $2.50 per share.

Website Access to Company's Reports

Cummins maintains an internet website at www.cummins.com. Investors can obtain copies of our filings from this website free of charge as soon as reasonably practicable after they are electronically filed with, or furnished, to the Securities and Exchange Commission. Cummins is not including the information provided on the website as part of, or incorporating such information by reference into, this Quarterly Report on Form 10-Q.

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

In millions, except per share amounts	Three months ended April 2, 2017	Three months ended April 3, 2016
NET SALES [(a)]	**$ 4,589**	$ 4,291
Cost of sales	**3,461**	3,235
GROSS MARGIN	**1,128**	1,056
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	**537**	490
Research, development and engineering expenses	**158**	166
Equity, royalty and interest income from investees (Note 4)	**108**	72
Other operating income (expense), net	**5**	(2)
OPERATING INCOME	**546**	470
Interest income	**2**	6
Interest expense (Note 7)	**18**	19
Other income (expense), net	**18**	8
INCOME BEFORE INCOME TAXES	**548**	465
Income tax expense	**143**	132
CONSOLIDATED NET INCOME	**405**	333
Less: Net income attributable to noncontrolling interests	**9**	12
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 396**	$ 321
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	**$ 2.36**	$ 1.87
Diluted	**$ 2.36**	$ 1.87
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	**167.5**	171.8
Dilutive effect of stock compensation awards	**0.5**	0.2
Diluted	**168.0**	172.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	**$ 1.025**	$ 0.975

[(a)] Includes sales to nonconsolidated equity investees of $267 million and $242 million for the three months ended April 2, 2017 and April 3, 2016, respectively.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended	
In millions	**April 2, 2017**	**April 3, 2016**
CONSOLIDATED NET INCOME	**$ 405**	$ 333
Other comprehensive income (loss), net of tax (Note 10)		
Foreign currency translation adjustments	**80**	(57)
Unrealized gain (loss) on derivatives	**1**	(21)
Change in pension and other postretirement defined benefit plans	**21**	9
Total other comprehensive income (loss), net of tax	**102**	(69)
COMPREHENSIVE INCOME	**507**	264
Less: Comprehensive income attributable to noncontrolling interests	**22**	12
COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 485**	$ 252

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions, except par value	April 2, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,322**	$ 1,120
Marketable securities (Note 5)	**145**	260
Total cash, cash equivalents and marketable securities	**1,467**	1,380
Accounts and notes receivable, net		
Trade and other	**2,980**	2,803
Nonconsolidated equity investees	**267**	222
Inventories (Note 6)	**2,894**	2,675
Prepaid expenses and other current assets	**551**	627
Total current assets	**8,159**	7,707
Long-term assets		
Property, plant and equipment	**7,746**	7,635
Accumulated depreciation	**(3,944)**	(3,835)
Property, plant and equipment, net	**3,802**	3,800
Investments and advances related to equity method investees	**1,059**	946
Goodwill	**482**	480
Other intangible assets, net	**345**	332
Pension assets	**785**	731
Other assets	**1,002**	1,015
Total assets	**$ 15,634**	$ 15,011
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	**$ 2,168**	$ 1,854
Loans payable (Note 7)	**48**	41
Commercial paper (Note 7)	**274**	212
Accrued compensation, benefits and retirement costs	**334**	412
Current portion of accrued product warranty (Note 8)	**352**	333
Current portion of deferred revenue	**498**	468
Other accrued expenses	**941**	970
Current maturities of long-term debt (Note 7)	**47**	35
Total current liabilities	**4,662**	4,325
Long-term liabilities		
Long-term debt (Note 7)	**1,576**	1,568
Postretirement benefits other than pensions	**317**	329
Pensions	**325**	326
Other liabilities and deferred revenue	**1,278**	1,289
Total liabilities	**$ 8,158**	$ 7,837
Commitments and contingencies (Note 9)		
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, $2.50 par value, 500 shares authorized, 222.3 and 222.4 shares issued	**$ 2,163**	$ 2,153
Retained earnings	**11,265**	11,040
Treasury stock, at cost, 54.4 and 54.2 shares	**(4,524)**	(4,489)
Common stock held by employee benefits trust, at cost, 0.6 and 0.7 shares	**(7)**	(8)
Accumulated other comprehensive loss (Note 10)	**(1,732)**	(1,821)
Total Cummins Inc. shareholders' equity	**7,165**	6,875
Noncontrolling interests	**311**	299
Total equity	**$ 7,476**	$ 7,174
Total liabilities and equity	**$ 15,634**	$ 15,011

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In millions	Three months ended April 2, 2017	Three months ended April 3, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	**$ 405**	$ 333
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	**139**	128
Deferred income taxes	**10**	(2)
Equity in income of investees, net of dividends (Note 4)	**(83)**	(48)
Pension contributions in excess of expense (Note 3)	**(23)**	(50)
Other post-retirement benefits payments in excess of expense (Note 3)	**(10)**	(8)
Stock-based compensation expense	**7**	5
Restructuring charges and other actions, net of cash payments	**—**	(25)
Translation and hedging activities	**11**	(14)
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	**(205)**	(98)
Inventories	**(202)**	(54)
Other current assets	**73**	188
Accounts payable	**296**	107
Accrued expenses	**(90)**	(283)
Changes in other liabilities and deferred revenue	**48**	78
Other, net	**3**	10
Net cash provided by operating activities	**379**	267
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(81)**	(71)
Investments in internal use software	**(27)**	(13)
Investments in and advances to equity investees	**(20)**	(25)
Investments in marketable securities—acquisitions (Note 5)	**(26)**	(291)
Investments in marketable securities—liquidations (Note 5)	**147**	35
Cash flows from derivatives not designated as hedges	**(24)**	(26)
Other, net	**4**	3
Net cash used in investing activities	**(27)**	(388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**—**	105
Net borrowings of commercial paper (Note 7)	**62**	50
Payments on borrowings and capital lease obligations	**(11)**	(15)
Distributions to noncontrolling interests	**(10)**	(10)
Dividend payments on common stock	**(171)**	(170)
Repurchases of common stock (Note 2)	**(51)**	(575)
Other, net	**17**	(21)
Net cash used in financing activities	**(164)**	(636)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**14**	(39)
Net increase (decrease) in cash and cash equivalents	**202**	(796)
Cash and cash equivalents at beginning of year	**1,120**	1,711
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 1,322**	$ 915

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

In millions	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Common Stock Held in Trust	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT DECEMBER 31, 2015	$ 556	$ 1,622	$ 10,322	$ (3,735)	$ (11)	$ (1,348)	$ 7,406	$ 344	$ 7,750
Net income			321				321	12	333
Other comprehensive income (loss), net of tax (Note 10)						(69)	(69)	—	(69)
Issuance of common stock		2					2	—	2
Employee benefits trust activity		9			2		11	—	11
Repurchases of common stock (Note 2)		(100)		(475)			(575)	—	(575)
Cash dividends on common stock			(170)				(170)	—	(170)
Distributions to noncontrolling interests							—	(10)	(10)
Stock based awards		(6)		7			1	—	1
Acquisition of noncontrolling interests		(7)					(7)	(6)	(13)
BALANCE AT APRIL 3, 2016	$ 556	$ 1,520	$ 10,473	$ (4,203)	$ (9)	$ (1,417)	$ 6,920	$ 340	$ 7,260
BALANCE AT DECEMBER 31, 2016	**$ 556**	**$ 1,597**	**$ 11,040**	**$ (4,489)**	**$ (8)**	**$ (1,821)**	**$ 6,875**	**$ 299**	**$ 7,174**
Net income			**396**				**396**	**9**	**405**
Other comprehensive income (loss), net of tax (Note 10)						**89**	**89**	**13**	**102**
Employee benefits trust activity		**9**			**1**		**10**	**—**	**10**
Repurchases of common stock				**(51)**			**(51)**	**—**	**(51)**
Cash dividends on common stock			**(171)**				**(171)**	**—**	**(171)**
Distributions to noncontrolling interests							**—**	**(10)**	**(10)**
Stock based awards		**(1)**		**16**			**15**	**—**	**15**
Other shareholder transactions		**2**					**2**	**—**	**2**
BALANCE AT APRIL 2, 2017	**$ 556**	**$ 1,607**	**$ 11,265**	**$ (4,524)**	**$ (7)**	**$ (1,732)**	**$ 7,165**	**$ 311**	**$ 7,476**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. NATURE OF OPERATIONS

Cummins Inc. (“Cummins,” “we,” “our” or “us”) was founded in 1919 as Cummins Engine Company, a corporation in Columbus, Indiana, as one of the first diesel engine manufacturers. We changed our name to Cummins Inc. in 2001. We are a global power leader that designs, manufactures, distributes and services diesel and natural gas engines and engine-related component products, including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems and electric power generation systems. We sell our products to original equipment manufacturers (OEMs), distributors and other customers worldwide. We serve our customers through a network of approximately 600 wholly-owned and independent distributor locations and over 7,400 dealer locations in more than 190 countries and territories.

NOTE 2. BASIS OF PRESENTATION

Interim Condensed Financial Statements

The unaudited *Condensed Consolidated Financial Statements* reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of operations, financial position and cash flows. All such adjustments are of a normal recurring nature. The *Condensed Consolidated Financial Statements* have been prepared in accordance with accounting principles in the United States of America (GAAP) pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted as permitted by such rules and regulations.

These interim condensed financial statements should be read in conjunction with the *Consolidated Financial Statements* included in our Annual Report on Form 10-K for the year ended December 31, 2016. Our interim period financial results for the three month periods presented are not necessarily indicative of results to be expected for any other interim period or for the entire year. The year-end *Condensed Consolidated Balance Sheet* data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Reclassifications

Certain amounts for prior year periods have been reclassified to conform to the presentation of the current year.

Use of Estimates in Preparation of Financial Statements

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts presented and disclosed in our *Condensed Consolidated Financial Statements*. Significant estimates and assumptions in these *Condensed Consolidated Financial Statements* require the exercise of judgment and are used for, but not limited to, allowance for doubtful accounts, estimates of future cash flows and other assumptions associated with goodwill and long-lived asset impairment tests, useful lives for depreciation and amortization, warranty programs, determination of discount rate and other assumptions for pension and other postretirement benefit costs, income taxes and deferred tax valuation allowances, lease classification and contingencies. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates.

Reporting Period

Our reporting period usually ends on the Sunday closest to the last day of the quarterly calendar period. The first quarters of 2017 and 2016 ended on April 2 and April 3, respectively. Our fiscal year ends on December 31, regardless of the day of the week on which December 31 falls.

Weighted-average Diluted Shares Outstanding

The weighted-average diluted common shares outstanding excludes the anti-dilutive effect of certain stock options since such options had an exercise price in excess of the monthly average market value of our common stock. The options excluded from diluted earnings per share were as follows:

	Three months ended	
	April 2, 2017	April 3, 2016
Options excluded	**116,535**	1,687,666

Accelerated Share Repurchase

On February 9, 2016, we entered into an accelerated share repurchase (ASR) agreement with a third party financial institution to repurchase $500 million of our common stock under our previously announced share repurchase plans. Pursuant to the terms of the agreement, we paid the full $500 million purchase price and received approximately 4.1 million shares at a price of $98.43 per share, representing approximately 80 percent of the shares expected to be repurchased. The unsettled portion of the ASR met the criteria to be accounted for as a forward contract indexed to our stock and qualified as an equity transaction. This resulted in a $100 million reduction to additional paid-in capital during the first quarter of 2016. The initial delivery of shares resulted in a reduction to our common stock outstanding used to calculate earnings per share in the first quarter of 2016.

NOTE 3. PENSION AND OTHER POSTRETIREMENT BENEFITS

We sponsor funded and unfunded domestic and foreign defined benefit pension and other postretirement plans. Contributions to these plans were as follows:

	Three months ended	
In millions	April 2, 2017	April 3, 2016
Defined benefit pension plans		
Voluntary contribution	**$ 43**	$ 48
Mandatory contribution	**—**	12
Defined benefit pension contributions	**$ 43**	$ 60
Other postretirement plans	**$ 15**	$ 13
Defined contribution pension plans	**$ 29**	$ 21

We anticipate making additional defined benefit pension contributions during the remainder of 2017 of $91 million for our U.S. and U.K pension plans. Approximately $133 million of the estimated $134 million of pension contributions for the full year are voluntary. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2017 net periodic pension cost to approximate $83 million.

The components of net periodic pension and other postretirement benefit costs under our plans were as follows:

	Pension					
	U.S. Plans		U.K. Plans		Other Postretirement Benefits	
	Three months ended					
In millions	April 2, 2017	April 3, 2016	April 2, 2017	April 3, 2016	April 2, 2017	April 3, 2016
Service cost	**$ 27**	$ 23	**$ 6**	$ 5	**$ —**	$ —
Interest cost	**26**	28	**10**	13	**3**	4
Expected return on plan assets	**(51)**	(51)	**(17)**	(19)	**—**	—
Recognized net actuarial loss	**9**	7	**10**	4	**2**	1
Net periodic benefit cost	**$ 11**	$ 7	**$ 9**	$ 3	**$ 5**	$ 5

NOTE 4. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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

	Three months ended	
In millions	April 2, 2017	April 3, 2016
Distribution entities		
Komatsu Cummins Chile, Ltda.	$ 7	$ 10
North American distributors	—	5
Manufacturing entities		
Beijing Foton Cummins Engine Co., Ltd.	33	18
Dongfeng Cummins Engine Company, Ltd.	22	7
Chongqing Cummins Engine Company, Ltd.	9	8
All other manufacturers	24	16
Cummins share of net income	95	64
Royalty and interest income	13	8
Equity, royalty and interest income from investees	$ 108	$ 72

NOTE 5. MARKETABLE SECURITIES

A summary of marketable securities, all of which are classified as current, was as follows:

	April 2, 2017			December 31, 2016		
In millions	Cost	Gross unrealized gains/(losses)	Estimated fair value	Cost	Gross unrealized gains/(losses)	Estimated fair value
Available-for-sale [(1)]						
Debt mutual funds	$ 130	$ —	$ 130	$ 132	$ —	$ 132
Bank debentures	—	—	—	114	—	114
Equity mutual funds	12	1	13	12	—	12
Government debt securities	2	—	2	2	—	2
Total marketable securities	$ 144	$ 1	$ 145	$ 260	$ —	$ 260

(1) All marketable securities are classified as Level 2 securities. The fair value of Level 2 securities is estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 securities and there were no transfers between Level 2 or 3 during the first three months of 2017 and for the year ended 2016.

A description of the valuation techniques and inputs used for our Level 2 fair value measures was as follows:

- *Debt mutual funds*— The fair value measure for the vast majority of these investments is the daily net asset value published on a regulated governmental website. Daily quoted prices are available from the issuing brokerage and are used on a test basis to corroborate this Level 2 input.
- *Bank debentures*— These investments provide us with a contractual rate of return and generally range in maturity fromthree months to five years. The counterparties to these investments are reputable financial institutions with investment grade credit ratings. Since these instruments are not tradable and must be settled directly by us with the respective financial institution, our fair value measure is the financial institutions' month-end statement.
- *Equity mutual funds*— The fair value measure for these investments is the net asset value published by the issuing brokerage. Daily quoted prices are available from reputable third party pricing services and are used on a test basis to corroborate this Level 2 input measure.
- *Government debt securities*— The fair value measure for these securities is broker quotes received from reputable firms. These securities are infrequently traded on a national stock exchange and these values are used on a test basis to corroborate our Level 2 input measure.

The proceeds from sales and maturities of marketable securities and gross realized gains and losses from the sale of available-for-sale securities were as follows:

	Three months ended	
In millions	April 2, 2017	April 3, 2016
Proceeds from sales and maturities of marketable securities (1)	**$ 147**	$ 35

(1) Gross realized gains and losses from the sale of available-for-sale securities were immaterial.

The fair value of available-for-sale investments in debt securities that utilize a Level 2 fair value measure is shown by contractual maturity below:

Contractual Maturity (In millions)	April 2, 2017
1 year or less	$ 131
5 - 10 years	1
Total	$ 132

NOTE 6. INVENTORIES

Inventories are stated at the lower of cost or market. Inventories included the following:

In millions	April 2, 2017	December 31, 2016
Finished products	**$ 1,867**	$ 1,779
Work-in-process and raw materials	**1,145**	1,005
Inventories at FIFO cost	**3,012**	2,784
Excess of FIFO over LIFO	**(118)**	(109)
Total inventories	**$ 2,894**	$ 2,675

NOTE 7. DEBT

Loans Payable and Commercial Paper

Loans payable, commercial paper and the related weighted-average interest rates were as follows:

In millions	April 2, 2017	December 31, 2016
Loans payable (1)	**$ 48**	$ 41
Commercial paper (2)	**274**	212

(1) Loans payable consist primarily of notes payable to various domestic and international financial institutions. It is not practical to aggregate these notes and calculate a quarterly weighted-average interest rate.
(2) The weighted average interest rate, inclusive of all brokerage fees, was 0.94 percent and 0.79 percent at April 2, 2017 and December 31, 2016, respectively.

Long-term Debt

A summary of long-term debt was as follows:

In millions	April 2, 2017	December 31, 2016
Long-term debt		
Senior notes, 3.65%, due 2023	**$ 500**	$ 500
Debentures, 6.75%, due 2027	**58**	58
Debentures, 7.125%, due 2028	**250**	250
Senior notes, 4.875%, due 2043	**500**	500
Debentures, 5.65%, due 2098 (effective interest rate 7.48%)	**165**	165
Other debt	**69**	51
Unamortized discount	**(55)**	(56)
Fair value adjustments due to hedge on indebtedness	**43**	47
Capital leases	**93**	88
Total long-term debt	**1,623**	1,603
Less: Current maturities of long-term debt	**47**	35
Long-term debt	**$ 1,576**	$ 1,568

Principal payments required on long-term debt during the next five years are as follows:

In millions	2017	2018	2019	2020	2021
Principal payments	$ 34	$ 45	$ 35	$ 10	$ 4

Fair Value of Debt

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, considering our risk premium, the fair value and carrying value of total debt, including current maturities, were as follows:

In millions	April 2, 2017	December 31, 2016
Fair value of total debt (1)	**$ 2,150**	$ 2,077
Carrying value of total debt	**1,945**	1,856

(1) The fair value of debt is derived from Level 2 inputs.

NOTE 8. PRODUCT WARRANTY LIABILITY

A tabular reconciliation of the product warranty liability, including the deferred revenue related to our extended warranty coverage and accrued recall programs was as follows:

In millions	April 2, 2017	April 3, 2016
Balance, beginning of year	**$ 1,414**	$ 1,404
Provision for warranties issued	**92**	93
Deferred revenue on extended warranty contracts sold	**48**	55
Payments	**(95)**	(102)
Amortization of deferred revenue on extended warranty contracts	**(54)**	(47)
Changes in estimates for pre-existing warranties	**34**	—
Foreign currency translation	**(2)**	—
Balance, end of period	**$ 1,437**	$ 1,403

Warranty related deferred revenue and the long-term portion of the warranty liability on ourApril 2, 2017, balance sheet were as follows:

In millions	April 2, 2017	Balance Sheet Location
Deferred revenue related to extended coverage programs		
Current portion	$ 224	Current portion of deferred revenue
Long-term portion	515	Other liabilities and deferred revenue
Total	$ 739	
Long-term portion of warranty liability	$ 346	Other liabilities and deferred revenue

NOTE 9. COMMITMENTS AND CONTINGENCIES

We are subject to numerous lawsuits and claims arising out of the ordinary course of our business, including actions related to product liability; personal injury; the use and performance of our products; warranty matters; product recalls; patent, trademark or other intellectual property infringement; contractual liability; the conduct of our business; tax reporting in foreign jurisdictions; distributor termination; workplace safety; and environmental matters. We also have been identified as a potentially responsible party at multiple waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. We have denied liability with respect to many of these lawsuits, claims and proceedings and are vigorously defending such lawsuits, claims and proceedings. We carry various forms of commercial, property and casualty, product liability and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us with respect to these lawsuits, claims and proceedings. We do not believe that these lawsuits are material individually or in the aggregate. While we believe we have also established adequate accruals pursuant to GAAP for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

We conduct significant business operations in Brazil that are subject to the Brazilian federal, state and local labor, social security, tax and customs laws. While we believe we comply with such laws, they are complex, subject to varying interpretations and we are often engaged in litigation regarding the application of these laws to particular circumstances.

Loss Contingency Charges

Engine systems sold in the U.S. must be certified to comply with the Environmental Protection Agency (EPA) and California Air Resources Board (CARB) emission standards. EPA and CARB regulations require that in-use testing be performed on vehicles by the emission certificate holder and reported to the EPA and CARB in order to ensure ongoing compliance with these emission standards. We are the holder of this emission certificate for our engines, including engines installed in certain vehicles with one customer on which we did not also manufacture or sell the emission aftertreatment system. During 2015, a quality issue in certain of these third party aftertreatment systems caused some of our inter-related engines to fail in-use emission testing. In the fourth quarter of 2015, the vehicle manufacturer made a request that we assist in the design and bear the financial cost of a field campaign (Campaign) to address the technical issue purportedly causing some vehicles to fail the in-use testing.

While we are not responsible for the warranty issues related to a component that we did not manufacture or sell, as the emission compliance certificate holder, we are responsible for proposing a remedy to the EPA and CARB. As a result, we have proposed actions to the agencies that we believe will address the emission failures. As the certificate holder, we expect to participate in the cost of the proposed voluntary Campaign and recorded a charge of $60 million in 2015. The Campaign design was finalized with our OEM customer, reviewed with the EPA and submitted for final approval in 2016. We concluded based upon additional in-use emission testing performed in 2016, that the Campaign should be expanded to include a larger population of vehicles manufactured by this one OEM. We recorded additional charges of $138 million in 2016 to reflect the estimated cost of our participation in the Campaign. We continue to work with our OEM customer to resolve the allocation of costs for the Campaign, including pending litigation between the parties. The Campaign is not expected to be completed for some time and our final cost could differ from the amount we have recorded.

We do not currently expect any fines or penalties from the EPA or CARB related to this matter.

The Campaign began in the fourth quarter of 2016. The remaining accrual of $181 million is included in "Other accrued expenses" in our *Condensed Consolidated Balance Sheets.*

Guarantees and Commitments

Periodically, we enter into guarantee arrangements, including guarantees of non-U.S. distributor financings, residual value guarantees on equipment under operating leases and other miscellaneous guarantees of joint ventures or third-party obligations. At April 2, 2017, the maximum potential loss related to these guarantees was $43 million.

We have arrangements with certain suppliers that require us to purchase minimum volumes or be subject to monetary penalties. At April 2, 2017, if we were to stop purchasing from each of these suppliers, the aggregate amount of the penalty would be approximately $119 million, of which $41 million relates to a contract with a components supplier that extends to 2018 and $35 million relates to a contract with a power systems supplier that extends to 2019. Most of these arrangements enable us to secure critical components. We do not currently anticipate paying any penalties under these contracts.

We enter into physical forward contracts with suppliers of platinum, palladium and copper to purchase minimum volumes of the commodities at contractually stated prices for various periods, not to exceed two years. At April 2, 2017, the total commitments under these contracts were $24 million. These arrangements enable us to fix the prices of these commodities, which otherwise are subject to market volatility.

We have guarantees with certain customers that require us to satisfactorily honor contractual or regulatory obligations, or compensate for monetary losses related to nonperformance. These performance bonds and other performance-related guarantees were $83 million at April 2, 2017.

Indemnifications

Periodically, we enter into various contractual arrangements where we agree to indemnify a third-party against certain types of losses. Common types of indemnities include:

- product liability and license, patent or trademark indemnifications;
- asset sale agreements where we agree to indemnify the purchaser against future environmental exposures related to the asset sold; and
- any contractual agreement where we agree to indemnify the counterparty for losses suffered as a result of a misrepresentation in the contract.

We regularly evaluate the probability of having to incur costs associated with these indemnities and accrue for expected losses that are probable. Because the indemnifications are not related to specified known liabilities and due to their uncertain nature, we are unable to estimate the maximum amount of the potential loss associated with these indemnifications.

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NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Following are the changes in accumulated other comprehensive income (loss) by component

	Three months ended						
In millions	**Change in pensions and other postretirement defined benefit plans**	**Foreign currency translation adjustment**	**Unrealized gain (loss) on marketable securities**	**Unrealized gain (loss) on derivatives**	**Total attributable to Cummins Inc.**	**Noncontrolling interests**	**Total other comprehensive income (loss)**
Balance at December 31, 2015	$ (654)	$ (696)	$ (2)	$ 4	$ (1,348)		
Other comprehensive income before reclassifications							
Before tax amount	—	(58)	—	(26)	(84)	$ —	$ (84)
Tax benefit (expense)	—	1	—	4	5	—	5
After tax amount	—	(57)	—	(22)	(79)	—	(79)
Amounts reclassified from accumulated other comprehensive loss[1][2]	9	—	—	1	10	—	10
Net current period other comprehensive income (loss)	9	(57)	—	(21)	(69)	$ —	$ (69)
Balance at April 3, 2016	$ (645)	$ (753)	$ (2)	$ (17)	$ (1,417)		
Balance at December 31, 2016	$ (685)	$ (1,127)	$ (1)	$ (8)	$ (1,821)		
Other comprehensive income before reclassifications							
Before tax amount	**8**	**75**	**1**	**(6)**	**78**	**$ 13**	**$ 91**
Tax benefit (expense)	**(3)**	**(8)**	**—**	**2**	**(9)**	**—**	**(9)**
After tax amount	**5**	**67**	**1**	**(4)**	**69**	**13**	**82**
Amounts reclassified from accumulated other comprehensive loss[1][2]	**16**	**—**	**(1)**	**5**	**20**	**—**	**20**
Net current period other comprehensive income (loss)	**21**	**67**	**—**	**1**	**89**	**$ 13**	**$ 102**
Balance at April 2, 2017	**$ (664)**	**$ (1,060)**	**$ (1)**	**$ (7)**	**$ (1,732)**		

[1] Amounts are net of tax.
[2] Reclassifications out of accumulated other comprehensive income (loss) and the related tax effects are immaterial for separate disclosure.

NOTE 11. OPERATING SEGMENTS

Operating segments under GAAP are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance. Our CODM is the Chief Operating Officer.

Our reportable operating segments consist of Engine, Distribution, Components and Power Systems. This reporting structure is organized according to the products and markets each segment serves. The Engine segment produces engines (15 liters and less in size) and associated parts for sale to customers in on-highway and various off-highway markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, agriculture, power generation systems and other off-highway applications. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world. The Components segment sells filtration products, aftertreatment systems, turbochargers and fuel systems. The Power Systems segment is an integrated power provider, which designs, manufactures and sells engines (16 liters and larger) for industrial applications (including mining, oil and gas, marine and rail), standby and prime power generator sets, alternators and other power components.

We use segment EBIT (defined as earnings before interest expense, income taxes and noncontrolling interests) as a primary basis for the CODM to evaluate the performance of each of our operating segments. Segment amounts exclude certain expenses not specifically identifiable to segments.

The accounting policies of our operating segments are the same as those applied in our *Condensed Consolidated Financial Statements.* We prepared the financial results of our operating segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We allocate certain common costs and expenses, primarily corporate functions, among segments differently than we would for stand-alone financial information prepared in accordance with GAAP. These include certain costs and expenses of shared services, such as information technology, human resources, legal, finance and supply chain management. We do not allocate debt-related items, actuarial gains or losses, prior service costs or credits, changes in cash surrender value of corporate owned life insurance or income taxes to individual segments. Segment EBIT may not be consistent with measures used by other companies.

Summarized financial information regarding our reportable operating segments is shown in the table below:

In millions	Engine	Distribution	Components	Power Systems	Non-segment Items [1]	Total
Three months ended April 2, 2017						
External sales	**$ 1,457**	**$ 1,637**	**$ 980**	**$ 515**	**$ —**	**$ 4,589**
Intersegment sales	**566**	**8**	**364**	**367**	**(1,305)**	**—**
Total sales	**2,023**	**1,645**	**1,344**	**882**	**(1,305)**	**4,589**
Depreciation and amortization [2]	**44**	**30**	**37**	**28**	**—**	**139**
Research, development and engineering expenses	**54**	**4**	**50**	**50**	**—**	**158**
Equity, royalty and interest income from investees	**72**	**11**	**13**	**12**	**—**	**108**
Interest income	**1**	**1**	**—**	**—**	**—**	**2**
Segment EBIT	**229**	**100**	**179**	**57**	**1**	**566**
Three months ended April 3, 2016 [3]						
External sales	$ 1,489	$ 1,458	$ 897	$ 447	$ —	$ 4,291
Intersegment sales	487	5	340	361	(1,193)	—
Total sales	1,976	1,463	1,237	808	(1,193)	4,291
Depreciation and amortization [2]	39	28	31	29	—	127
Research, development and engineering expenses	57	4	56	49	—	166
Equity, royalty and interest income from investees	36	18	8	10	—	72
Interest income	2	1	1	2	—	6
Segment EBIT	197	87	163	46	(9)	484

[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 April 2, 2017 and April 3, 2016.

(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 less than $1 million and $1 million for the three months ended April 2, 2017 and April 3, 2016, respectively.
(3) In the second quarter of 2016, we realigned our reportable operating segments. The three months ended April 3, 2016, were revised retrospectively to conform with these changes.

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

	Three months ended	
In millions	**April 2, 2017**	**April 3, 2016**
Total segment EBIT	**$ 566**	$ 484
Less: Interest expense	**18**	19
Income before income taxes	**$ 548**	$ 465

NOTE 12. RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Recently Adopted

In March 2016, the Financial Accounting Standards Board (FASB) amended its standards related to the accounting for stock compensation which became effective for us beginning January 1, 2017. We adopted certain provisions prospectively in accordance with the standard, while others were required to be adopted retrospectively. The amendment replaced the requirement to record excess tax benefits and certain tax deficiencies in additional paid-in capital (APIC) with prospectively recording all excess tax benefits and tax deficiencies as income tax expense / benefit in the income statement. Excess tax benefits and deficiencies are required to be recorded as discrete items in the period in which they occur and were not material for three months ended April 2, 2017. In addition, the standard impacted our *Condensed Consolidated Statements of Cash Flows*, as excess tax benefits are now required to be presented as an operating activity (we elected a retrospective presentation) and the cash paid to tax authorities when shares are withheld to satisfy the employer's statutory income tax withholding obligation are required to be presented as a financing activity (requiring retrospective presentation). This resulted in a net reclassification of $4 million from operating to financing activities for the three months ended April 3, 2016. Finally, in accordance with the standard, we elected to continue our historical approach of estimating forfeitures during the award's vesting period and adjusting our estimate when it is no longer probable that the employee will fulfill the service condition. The adoption of the standard was not material to our diluted earnings per common share.

Accounting Pronouncements Issued But Not Yet Effective

In March 2017, the FASB amended its standards related to the presentation of pension and other postretirement benefit costs in the financial statements. Under the new standard, we will be required to separate service costs from all other elements of pension costs and reflect the other elements of pension costs outside of operating income in our *Consolidated Statements of Income*. In addition, the standard will limit the amount eligible for capitalization (into inventory or self-constructed assets) to the amount of service cost. This portion of the standard will be applied on a prospective basis. The new standard is effective for us on a retrospective basis beginning January 1, 2018. While we are still evaluating the impact of this standard, the change in presentation will likely result in a decrease in operating income primarily due to the requirement to present the effects of expected return on plan assets outside of operating income.

In August 2016, the FASB amended its standards related to the classification of certain cash receipts and cash payments. The new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. We are in the process of evaluating the impact this standard will have on our *Consolidated Statements of Cash Flows.*

In June 2016, the FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and held-to-maturity debt securities. The new rules are effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the impact the amendment will have on our *Consolidated Financial Statements.*

In February 2016, the FASB amended its standards related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use-asset and a liability. The standard will continue to have two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under today's standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under today's standards. The determination of a lease classification as operating or finance will occur in a manner similar to today's standard. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components of an arrangement. The new standard is effective on January 1, 2019, with early adoption permitted. We are still evaluating the impact the standard could have on our *Consolidated Financial Statements*; however, while we have not yet quantified the amount, we do expect the standard will have a material impact on our *Consolidated Balance Sheets* due to the recognition of additional assets and liabilities for operating leases.

In January 2016, the FASB amended its standards related to the accounting for certain financial instruments. This amendment addresses certain aspects of recognition, measurement, presentation and disclosure. The new rules will become effective for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted. We are in the process of evaluating the impact the amendment will have on our *Consolidated Financial Statements.*

In May 2014, the FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The standard contains principles that we will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that we will recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that we expect to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual and interim periods beginning January 1, 2018. We are in the process of evaluating the impact the amendment will have on our *Consolidated Financial Statements.* We expect to adopt the standard using the modified retrospective approach. While we have not yet completed our evaluation process, we have identified that a change will be required related to our accounting for remanufactured product sales that include an exchange of the used product, referred to as core. Revenue is not currently recognized related to the core component unless the used product is not returned. Under the new standard, the transaction will be accounted for as a gross sale and a purchase of inventory. As a result the exchange will increase both sales and cost of sales, in equal amounts, related to core. This will not impact gross margin dollars, but will impact the gross margin percentage. We are still quantifying the amount of this change. We have also identified transactions where revenue recognition is currently limited to the amount of billings not contingent on our future performance. With the allocation provisions of the new model, we expect to accelerate the timing of revenue recognition for amounts related to satisfied performance obligations that would have been delayed under the current guidance. We do not expect the impact of this change to be material, but we are still quantifying the impact.

NOTE 13. SUBSEQUENT EVENT

On April 10, 2017, we entered into an agreement to form a joint venture with Eaton Corporation PLC, subject to regulatory approvals. We will purchase 50 percent interest in the new venture named Eaton Cummins Automated Transmission Technologies, for approximately $600 million in cash. The joint venture will design, assemble, sell and support medium-duty and heavy-duty automated transmissions for the commercial vehicle market, including new product launches. We expect the transaction to close in the third quarter of 2017, at which time we will consolidate the results of the joint venture in our Components segment as we have a majority voting interest in the venture by virtue of a tie-breaking vote on the board of directors.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cummins Inc. and its consolidated subsidiaries are hereinafter sometimes referred to as "Cummins," "we," "our" or "us."

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain parts of this quarterly report contain forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that are based on current expectations, estimates and projections about the industries in which we operate and management's beliefs and assumptions. Forward-looking statements are generally accompanied by words such as "anticipates," "expects," "forecasts," "intends," "plans," "believes," "seeks," "estimates," "could," "should" or words of similar meaning. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which we refer to as "future factors," which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some future factors that could cause our results to differ materially from the results discussed in such forward-looking statements are discussed below and shareholders, potential investors and other readers are urged to consider these future factors carefully in evaluating forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Future factors that could affect the outcome of forward-looking statements include the following:

- a sustained slowdown or significant downturn in our markets;
- changes in the engine outsourcing practices of significant customers;
- a major customer experiencing financial distress;
- lower than expected acceptance of new or existing products or services;
- any significant problems in our new engine platforms;
- a further slowdown in infrastructure development and/or continuing depressed commodity prices;
- unpredictability in the adoption, implementation and enforcement of emission standards around the world;
- foreign currency exchange rate changes;
- the actions of, and income from, joint ventures and other investees that we do not directly control;
- the integration of our previously partially-owned United States and Canadian distributors;
- our plan to reposition our portfolio of product offerings through exploring strategic acquisitions and divestitures and related uncertainties of entering such transactions;
- supply shortages and supplier financial risk, particularly from any of our single-sourced suppliers;
- variability in material and commodity costs;
- product recalls;
- competitor activity;
- increasing competition, including increased global competition among our customers in emerging markets;
- exposure to potential security breaches or other disruptions to our information technology systems and data security;
- political, economic and other risks from operations in numerous countries;
- changes in taxation;
- global legal and ethical compliance costs and risks;
- aligning our capacity and production with our demand;
- product liability claims;
- increasingly stringent environmental laws and regulations;
- the price and availability of energy;
- the performance of our pension plan assets and volatility of discount rates;

- labor relations;

- changes in accounting standards;
- future bans or limitations on the use of diesel-powered vehicles;
- our sales mix of products;
- protection and validity of our patent and other intellectual property rights;
- technological implementation and cost/financial risks in our increasing use of large, multi-year contracts;
- the outcome of pending and future litigation and governmental proceedings;
- continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business; and
- other risk factors described in our Form 10-K, Part I, Item 1A under the caption “Risk Factors.”

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 quarterly report and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ORGANIZATION OF INFORMATION

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) was prepared to provide the reader with a view and perspective of our business through the eyes of management and should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2016 Form 10-K. Our MD&A is presented in the following sections:

- Executive Summary and Financial Highlights
- Outlook
- Results of Operations
- Operating Segment Results
- Liquidity and Capital Resources
- Application of Critical Accounting Estimates
- Recently Adopted and Recently Issued Accounting Pronouncements

EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS

We are a global power leader that designs, manufactures, distributes and services diesel and natural gas engines and engine-related component products, including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems and electric power generation systems. We sell our products to original equipment manufacturers (OEMs), distributors and other customers worldwide. We have long-standing relationships with many of the leading manufacturers in the markets we serve, including PACCAR Inc, Daimler Trucks North America, Navistar International Corporation and Fiat Chrysler Automobiles. We serve our customers through a network of approximately 600 wholly-owned and independent distributor locations and over 7,400 dealer locations in more than 190 countries and territories.

Our reportable operating segments consist of Engine, Distribution, Components and Power Systems. This reporting structure is organized according to the products and markets each segment serves. The Engine segment produces engines (15 liters and less in size) and associated parts for sale to customers in on-highway and various off-highway markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, agriculture, power generation systems and other off-highway applications. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world. The Components segment sells filtration products, aftertreatment systems, turbochargers and fuel systems. The Power Systems segment is an integrated power provider, which designs, manufactures and sells engines (16 liters and larger) for industrial applications (including mining, oil and gas, marine and rail), standby and prime power generator sets, alternators and other power components.

Our financial performance depends, in large part, on varying conditions in the markets we serve, particularly the on-highway, construction and general industrial markets. Demand in these markets tends to fluctuate in response to overall economic conditions. Our sales may also be impacted by OEM inventory levels, production schedules and stoppages. Economic downturns in markets we serve generally result in reduced sales of our products and can result in price reductions in certain products and/or markets. As a worldwide business, our operations are also affected by currency, political, economic and regulatory matters, including adoption and enforcement of environmental and emission standards, in the countries we serve. As part of our growth strategy, we invest in businesses in certain countries that carry high levels of these risks such as China, Brazil, India, Mexico, Russia and countries in the Middle East and Africa. At the same time, our geographic diversity and broad product and service offerings have helped limit the impact from a drop in demand in any one industry or customer or the economy of any single country on our consolidated results.

Worldwide revenues increased 7 percent in the three months ended April 2, 2017, as compared to the same period in 2016, primarily due to higher demand in most global industrial markets, increased demand in all Components businesses, organic sales growth in our Distribution segment and the consolidation of North American distributors since December 31, 2015, partially offset by unfavorable foreign currency fluctuations and decreased demand in most on-highway markets. International demand growth (excludes the U.S. and Canada) in the first quarter of 2017 improved revenues by 17 percent, with sales up in most of our markets, especially in China, India, Russia and the U.K. The increase in international sales was primarily due to increased demand in industrial markets (especially construction markets in China and mining markets in Eastern Europe) and increased demand in all Components businesses (especially in China), partially offset by unfavorable foreign currency impacts of 3 percent (primarily in the British pound and Chinese renminbi). Revenue in the U.S. and Canada improved by 1 percent primarily due to increased Distribution segment sales related to organic growth and the consolidation of North American distributors, partially offset by decreased demand in the North American on-highway markets.

The following tables contain sales and earnings before interest expense, income tax expense and noncontrolling interests (EBIT) by operating segment for the three months ended April 2, 2017 and April 3, 2016. Refer to the section titled “OPERATING SEGMENT RESULTS” for a more detailed discussion of sales and EBIT by operating segment, including the reconciliation of segment EBIT to net income attributable to Cummins Inc.

Operating Segments	Three months ended							
	April 2, 2017			April 3, 2016			Percent change 2017 vs. 2016	
In millions	Sales	Percent of Total	EBIT	Sales	Percent of Total	EBIT	Sales	EBIT
Engine	**$ 2,023**	**44 %**	**$ 229**	$ 1,976	46 %	$ 197	2%	16%
Distribution	**1,645**	**36 %**	**100**	1,463	34 %	87	12%	15%
Components	**1,344**	**29 %**	**179**	1,237	29 %	163	9%	10%
Power Systems	**882**	**19 %**	**57**	808	19 %	46	9%	24%
Intersegment eliminations	**(1,305)**	**(28)%**	**—**	(1,193)	(28)%	—	9%	—
Non-segment	**—**	**—**	**1**	—	—	(9)	—	NM
Total	**$ 4,589**	**100 %**	**$ 566**	$ 4,291	100 %	$ 484	7%	17%

Net income attributable to Cummins was $396 million, or $2.36 per diluted share, on sales of $4.6 billion for the three months ended April 2, 2017, versus the comparable prior year period net income attributable to Cummins of $321 million, or $1.87 per diluted share, on sales of $4.3 billion. The increase in net income and earnings per diluted share was driven by higher gross margin, improved equity, royalty and interest income from investees and a lower effective tax rate, partially offset by increased selling, general and administrative expenses. The increase in gross margin was primarily due to higher volumes and favorable pricing, partially offset by higher warranty costs of $34 million due to a change in estimate in the first quarter of 2017 driven by higher claims for certain 2013 and 2014 engines in our Engine Segment. Diluted earnings per share for the three months ended April 2, 2017, benefited $0.01 from fewer weighted average shares outstanding due to purchases under the stock repurchase programs.

We generated $379 million of operating cash flows for the three months ended April 2, 2017, compared to $267 million for the comparable period in 2016. Refer to the section titled "Cash Flows" in the "LIQUIDITY AND CAPITAL RESOURCES" section for a discussion of items impacting cash flows.

During the first three months of 2017, we repurchased $51 million, or 0.3 million shares of common stock.

Our debt to capital ratio (total capital defined as debt plus equity) at April 2, 2017, was flat at 20.6 percent, compared to December 31, 2016. At April 2, 2017, we had $1.5 billion in cash and marketable securities on hand and access to our credit facilities, if necessary, to meet currently anticipated investment and funding needs.

Our global pension plans, including our unfunded and non-qualified plans, were 110 percent funded at December 31, 2016. Our U.S. qualified plans, which represent approximately 56 percent of the worldwide pension obligation, were 118 percent funded and our U.K. plans were 121 percent funded. We expect to contribute $134 million to our U.S. and U.K. pension plans in 2017. In addition, we expect our 2017 net periodic pension cost to approximate $83 million. See Note 3, "PENSION AND OTHER POSTRETIREMENT BENEFITS," to the *Condensed Consolidated Financial Statements* for additional information.

We expect our effective tax rate for the full year of 2017 to approximate 26.0 percent, excluding any one-time tax items.

On April 10, 2017, we entered into an agreement to form a joint venture with Eaton Corporation PLC, subject to regulatory approvals. We will purchase 50 percent interest in the new venture named Eaton Cummins Automated Transmission Technologies, for approximately $600 million in cash. The joint venture will design, assemble, sell and support medium-duty and heavy-duty automated transmissions for the commercial vehicle market, including new product launches. We expect the transaction to close in the third quarter of 2017, at which time we will consolidate the results of the joint venture in our Components segment as we have a majority voting interest in the venture by virtue of a tie-breaking vote on the board of directors.

OUTLOOK

Our outlook reflects the following positive trends and challenges to our business that we expect could impact our revenue and earnings potential for the remainder of 2017.

Positive Trends

- Demand for pick-up trucks in North America remains strong.
- Market demand in off-highway markets in China and India may continue to improve.
- Industry production of medium-duty trucks in North America should remain strong.
- North American construction markets may begin to show improvement.
- Market demand may continue to improve in global mining and North American oil and gas markets.
- North American heavy-duty truck demand may begin to increase from first quarter levels.

Challenges

- Power generation markets may remain soft.
- Weak economic conditions in Brazil may continue to negatively impact demand across our businesses.
- Foreign currency could continue to put pressure on our results.

Demand is starting to improve in certain markets and we expect demand will continue to improve over time, as in prior economic cycles. We are well-positioned to benefit as market conditions improve.

RESULTS OF OPERATIONS

	Three months ended		Favorable/ (Unfavorable)	
In millions, except per share amounts	April 2, 2017	April 3, 2016	Amount	Percent
NET SALES	**$ 4,589**	$ 4,291	$ 298	7 %
Cost of sales	**3,461**	3,235	(226)	(7)%
GROSS MARGIN	**1,128**	1,056	72	7 %
OPERATING EXPENSES AND INCOME				
Selling, general and administrative expenses	**537**	490	(47)	(10)%
Research, development and engineering expenses	**158**	166	8	5 %
Equity, royalty and interest income from investees	**108**	72	36	50 %
Other operating income (expense), net	**5**	(2)	7	NM
OPERATING INCOME	**546**	470	76	16 %
Interest income	**2**	6	(4)	(67)%
Interest expense	**18**	19	1	5 %
Other income (expense), net	**18**	8	10	NM
INCOME BEFORE INCOME TAXES	**548**	465	83	18 %
Income tax expense	**143**	132	(11)	(8)%
CONSOLIDATED NET INCOME	**405**	333	72	22 %
Less: Net income attributable to noncontrolling interests	**9**	12	3	25 %
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 396**	$ 321	$ 75	23 %
Diluted Earnings Per Common Share Attributable to Cummins Inc.	**$ 2.36**	$ 1.87	$ 0.49	26 %

"NM" - not meaningful information

	Three months ended		Favorable/ (Unfavorable)
Percent of sales	April 2, 2017	April 3, 2016	Percentage Points
Gross margin	**24.6%**	24.6%	—
Selling, general and administrative expenses	**11.7%**	11.4%	(0.3)
Research, development and engineering expenses	**3.4%**	3.9%	0.5

Net Sales

Net sales for the three months ended April 2, 2017, increased by $298 million versus the comparable period in 2016. The primary drivers were as follows:

- Distribution segment sales increased 12 percent primarily due to an increase in organic sales and higher sales related to the acquisition of North American distributors since December 31, 2015.
- Components segment sales increased 9 percent primarily due to higher demand across all lines of businesses, primarily in China.
- Power Systems segment sales increased 9 percent, across all product lines, primarily due to higher demand in industrial markets, especially European mining and North American rail markets.
- Engine segment sales increased 2 percent primarily due to higher demand in off-highway markets, partially offset by lower demand in heavy-duty truck and light-duty automotive markets.

These increases were unfavorably impacted by foreign currency fluctuations of approximately 1 percent, primarily in the British pound and Chinese renminbi.

Sales to international markets (excluding the U.S. and Canada), based on location of customers, for the three months ended April 2, 2017, were 43 percent of total net sales compared with 39 percent of total net sales for the comparable period in 2016. A more detailed discussion of sales by segment is presented in the “OPERATING SEGMENT RESULTS” section.

Gross Margin

Gross margin increased $72 million for the three months ended April 2, 2017, versus the comparable period in 2016 and remained flat as a percentage of sales. Theincrease in gross margin dollars was primarily due to higher volumes and favorable pricing, partially offset by higher warranty costs of $34 million due to a change in estimate in the first quarter of 2017 driven by higher claims for certain 2013 and 2014 engines in our Engine Segment.

The provision for base warranties issued, excluding campaigns, as a percent of sales for the three months ended April 2, 2017, was 1.9 percent compared to 2.0 percent for the comparable period in 2016. A detailed discussion of margin by segment is presented in the "OPERATING SEGMENT RESULTS" section.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $47 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to higher consulting expenses ($20 million) and higher compensation expenses ($19 million). Compensation and related expenses include salaries, fringe benefits and variable compensation. Overall, selling, general and administrative expenses, as a percentage of sales, increased to 11.7 percent in the three months ended April 2, 2017, from 11.4 percent in the comparable period in 2016.

Research, Development and Engineering Expenses

Research, development and engineering expenses decreased $8 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to increased expense recovery from customers and external parties ($7 million). Overall, research, development and engineering expenses, as a percentage of sales, decreased to 3.4 percent in the three months ended April 2, 2017, from 3.9 percent in the comparable period in 2016.

Research activities continue to focus on development of new products to meet future emission standards around the world and improvements in fuel economy performance of diesel and natural gas powered engines.

Equity, Royalty and Interest Income from Investees

Equity, royalty and interest income from investees increased $36 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to higher earnings at Beijing Foton Cummins Engine Co., Ltd. and Dongfeng Cummins Engine Company, Ltd.

Other Operating Income (Expense), Net

Other operating income (expense), net was as follows:

	Three months ended	
In millions	**April 2, 2017**	**April 3, 2016**
Royalty income, net	**$ 9**	$ 7
Loss on write off of assets	**(1)**	(5)
Amortization of intangible assets	**(2)**	(3)
Other, net	**(1)**	(1)
Total other operating income (expense), net	**$ 5**	$ (2)

Interest Income

Interest income for the three months ended April 2, 2017,decreased $4 million versus the comparable period in 2016, primarily due to lower short-term investments during the current quarter.

Interest Expense

Interest expense for the three months ended April 2, 2017, remained relatively flat versus the comparable period in 2016.

Other Income (Expense), Net

Other income (expense), net was as follows:

	Three months ended	
In millions	April 2, 2017	April 3, 2016
Change in cash surrender value of corporate owned life insurance	**$ 13**	$ 8
Foreign currency gain (loss), net	**2**	(3)
Dividend income	**1**	1
Bank charges	**(3)**	(3)
Other, net	**5**	5
Total other income (expense), net	**$ 18**	$ 8

Income Tax Expense

Our effective tax rate for the year is expected to approximate 26.0 percent, excluding any one-time items that may arise. Our tax rate is generally less than the 35 percent U.S. statutory income tax rate primarily due to lower tax rates on foreign income and the research tax credit.

Our effective tax rate for the three months ended April 2, 2017, was 26.1 percent and contained only immaterial discrete items.

Our effective tax rate for the three months ended April 3, 2016, was 28.4 percent and did not include any discrete items.

The decrease in the effective tax rate for the three months ended April 2, 2017, versus the comparable period in 2016, was primarily due to favorable changes in the jurisdictional mix of pre-tax income.

Noncontrolling Interests

Noncontrolling interests eliminate the income or loss attributable to non-Cummins ownership interests in our consolidated entities. Noncontrolling interests in income of consolidated subsidiaries for the three months ended April 2, 2017, decreased $3 million versus the comparable period in 2016, primarily due to the acquisition of the remaining interest in Wuxi Cummins Turbo Technologies Co. Ltd, in the fourth quarter of 2016.

Net Income Attributable to Cummins Inc. and Diluted Earnings Per Share Attributable to Cummins Inc.

Net income and diluted earnings per share attributable to Cummins Inc. for the three months ended April 2, 2017, increased $75 million and $0.49 per share, respectively versus the comparable period in 2016, primarily due to higher gross margin, improved equity, royalty and interest income from investees and a lower effective tax rate, partially offset by increased selling, general and administrative expenses. Diluted earnings per share for the three months ended April 2, 2017, benefited $0.01 from fewer weighted average shares outstanding due to purchases under the stock repurchase programs.

Comprehensive Income - Foreign Currency Translation Adjustment

The foreign currency translation adjustment was a net gain of $80 million for the three months ended April 2, 2017, compared to a net loss of $57 million for the three months ended April 3, 2016 and was driven by the following:

	Three months ended			
	April 2, 2017		April 3, 2016	
In millions	Translation adjustment	Primary currency driver vs. U.S. dollar	Translation adjustment	Primary currency driver vs. U.S. dollar
Wholly owned subsidiaries	**$ 57**	Indian rupee, British pound	$ (62)	British pound offset by Brazilian real
Equity method investments	**10**	Indian rupee, Chinese renminbi	5	Mexican peso [1], Chinese renminbi
Consolidated subsidiaries with a noncontrolling interest	**13**	Indian rupee	—	Indian rupee offset by Chinese renminbi
Total	**$ 80**		$ (57)	

[1] The Mexican peso adjustment related to a reclassification out of other comprehensive income at the time of the sale of an equity investment in the first quarter of 2016.

OPERATING SEGMENT RESULTS

Our reportable operating segments consist of the Engine, Distribution, Components and Power Systems segments. This reporting structure is organized according to the products and markets each segment serves. We use segment EBIT as a primary basis for the CODM to evaluate the performance of each of our operating segments. Segment amounts exclude certain expenses not specifically identifiable to segments. See Note 11, "OPERATING SEGMENTS," to the *Condensed Consolidated Financial Statements* for additional information.

Following is a discussion of results for each of our operating segments.

Engine Segment Results

Financial data for the Engine segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
External sales [1]	**$ 1,457**	$ 1,489	$ (32)	(2)%
Intersegment sales [1]	**566**	487	79	16 %
Total sales	**2,023**	1,976	47	2 %
Depreciation and amortization	**44**	39	(5)	(13)%
Research, development and engineering expenses	**54**	57	3	5 %
Equity, royalty and interest income from investees	**72**	36	36	100 %
Interest income	**1**	2	(1)	(50)%
Segment EBIT	**229**	197	32	16 %
			Percentage Points	
Segment EBIT as a percentage of total sales	**11.3%**	10.0%		1.3

[1] Due to the acquisitions of North American distributors, sales previously recognized as external sales are now included in intersegment sales.

Sales for our Engine segment by market were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
Heavy-duty truck	**$ 620**	$ 631	$ (11)	(2)%
Medium-duty truck and bus	**544**	549	(5)	(1)%
Light-duty automotive	**423**	433	(10)	(2)%
Total on-highway	**1,587**	1,613	(26)	(2)%
Off-highway	**436**	363	73	20 %
Total sales	**$ 2,023**	$ 1,976	$ 47	2 %

Unit shipments by engine classification (including unit shipments to Power Systems and off-highway engine units included in their respective classification) were as follows:

	Three months ended		Favorable/ (Unfavorable)	
	April 2, 2017	April 3, 2016	Amount	Percent
Heavy-duty	**19,200**	19,700	(500)	(3)%
Medium-duty	**60,300**	55,400	4,900	9 %
Light-duty	**63,100**	61,700	1,400	2 %
Total unit shipments	**142,600**	136,800	5,800	4 %

Sales

Engine segment sales for the three months ended April 2, 2017, increased $47 million versus the comparable period in 2016, driven by higher off-highway sales of $73 million primarily due to improved demand in most global industrial markets with increased unit shipments of 66 percent in international construction markets.

The increase above was partially offset by the following:

- Heavy-duty truck sales decreased $11 million primarily due to lower demand in the North American heavy-duty truck market with decreased engine shipments of 14 percent.

- Light-duty automotive sales decreased $10 million primarily due to lower sales to Nissan and lower sales of light commercial vehicles, partially offset by higher sales to Chrysler.

Total on-highway-related sales for the three months ended April 2, 2017, were 78 percent of total engine segment sales, compared to 82 percent for the comparable period in 2016.

Segment EBIT

Engine segment EBIT for the three months ended April 2, 2017, increased $32 million versus the comparable period in 2016, primarily due to higher equity, royalty and interest income from investees, partially offset by higher selling, general and administrative expenses. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended April 2, 2017 vs. April 3, 2016 Favorable/(Unfavorable) Change		
In millions	**Amount**	**Percent**	**Percentage point change as a percent of total sales**
Gross margin	$ —	— %	(0.5)
Selling, general and administrative expenses	(13)	(10)%	(0.5)
Research, development and engineering expenses	3	5 %	0.2
Equity, royalty and interest income from investees	36	100 %	1.8

Gross margin was flat for the three months ended April 2, 2017, versus the comparable period in 2016, as favorable pricing, increased volumes and lower material and commodity costs were offset by increased warranty costs due to a change in estimate in the first quarter of 2017 primarily related to higher claims for certain 2013 and 2014 engines. The increase in selling, general and administrative expenses was primarily due to higher consulting and higher compensation expenses. The increase in equity, royalty and interest income from investees was primarily due to higher earnings at Beijing Foton Cummins Engine Co., Ltd. and Dongfeng Cummins Engine Company, Ltd.

Distribution Segment Results

Financial data for the Distribution segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
External sales	**$ 1,637**	$ 1,458	$ 179	12 %
Intersegment sales	**8**	5	3	60 %
Total sales	**1,645**	1,463	182	12 %
Depreciation and amortization	**30**	28	(2)	(7)%
Research, development and engineering expenses	**4**	4	—	— %
Equity, royalty and interest income from investees	**11**	18	(7)	(39)%
Interest income	**1**	1	—	— %
Segment EBIT	**100**	87	13	15 %
			Percentage Points	
Segment EBIT as a percentage of total sales	**6.1%**	5.9%		0.2

In the first quarter of 2017, the Distribution segment reorganized its regions to align with how the business is managed. All prior year amounts have been reclassified to conform to our new regional structure. Sales for our Distribution segment by region were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
North America	**$ 1,113**	$ 945	$ 168	18 %
Asia Pacific	**170**	169	1	1 %
Europe	**97**	101	(4)	(4)%
Africa and Middle East	**95**	89	6	7 %
China	**58**	59	(1)	(2)%
India	**43**	41	2	5 %
Latin America	**35**	33	2	6 %
Russia	**34**	26	8	31 %
Total sales	**$ 1,645**	$ 1,463	$ 182	12 %

Sales for our Distribution segment by product line were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
Parts	**$ 745**	$ 648	$ 97	15%
Service	**319**	299	20	7%
Power generation	**306**	275	31	11%
Engines	**275**	241	34	14%
Total sales	**$ 1,645**	$ 1,463	$ 182	12%

Sales

Distribution segment sales for the three months ended April 2, 2017, increased $182 million versus the comparable period in 2016, primarily due to an increase in organic sales of $101 million (primarily in North America) and $89 million of sales related to the acquisition of North American distributors since December 31, 2015.

Segment EBIT

Distribution segment EBIT for the three months ended April 2, 2017, increased $13 million versus the comparable period in 2016, primarily due to higher gross margin, partially offset by higher selling, general and administrative expenses (mainly related to the acquisition of North American distributors since December 31, 2015). Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended April 2, 2017 vs. April 3, 2016 Favorable/(Unfavorable) Change		
In millions	**Amount**	**Percent**	**Percentage point change as a percent of total sales**
Gross margin	$ 33	13 %	0.1
Selling, general and administrative expenses	(15)	(8)%	0.4
Equity, royalty and interest income from investees	(7)	(39)%	(0.5)

The increase in gross margin dollars for the three months ended April 2, 2017, versus the comparable period in 2016, was primarily due to improved pricing, higher volumes and the acquisition of North American distributors since December 31, 2015, partially offset by unfavorable material costs. The increase in selling, general and administrative expenses was primarily due to higher compensation expenses related to the acquisition of North American distributors and higher consulting expenses. The decrease in equity, royalty and interest income from investees was primarily related to the acquisition of North American distributors.

Components Segment Results

Financial data for the Components segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	**April 2, 2017**	**April 3, 2016**	**Amount**	**Percent**
External sales [1]	**$ 980**	$ 897	$ 83	9 %
Intersegment sales [1]	**364**	340	24	7 %
Total sales	**1,344**	1,237	107	9 %
Depreciation and amortization	**37**	31	(6)	(19)%
Research, development and engineering expenses	**50**	56	6	11 %
Equity, royalty and interest income from investees	**13**	8	5	63 %
Interest income	**—**	1	(1)	(100)%
Segment EBIT	**179**	163	16	10 %
			Percentage Points	
Segment EBIT as a percentage of total sales	**13.3%**	13.2%		0.1

[1] Due to the acquisitions of North American distributors, sales previously recognized as external sales are now included in intersegment sales.

In the first quarter of 2017, our Components segment reorganized its reporting structure to move an element of the emission solutions business to the fuel systems business to enhance operational, administrative and product development efficiencies. Prior year balances were reclassified to conform with this change. Sales for our Components segment by business were as follows:

In millions	Three months ended April 2, 2017	Three months ended April 3, 2016	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Emission solutions	**$ 616**	$ 589	$ 27	5%
Turbo technologies	**287**	265	22	8%
Filtration	**277**	252	25	10%
Fuel systems	**164**	131	33	25%
Total sales	**$ 1,344**	$ 1,237	$ 107	9%

Sales

Components segment sales for the three months ended April 2, 2017, increased $107 million, across all lines of business, versus the comparable period in 2016. The following were the primary drivers:

- Fuel systems sales increased $33 million primarily due to higher demand in China.
- Emission solutions sales increased $27 million primarily due to higher demand in China, Western Europe and India, partially offset by unfavorable pricing in North America.
- Filtration sales increased $25 million primarily due to higher demand in North America, Australia, Southeast Asia and China.
- Turbo technologies sales increased $22 million primarily due to higher demand in China.

These increases were partially offset by unfavorable foreign currency fluctuations, primarily in the Chinese renminbi and British pound.

Segment EBIT

Components segment EBIT for the three months ended April 2, 2017, increased $16 million versus the comparable period in 2016, primarily due to higher gross margin, lower research, development and engineering expenses and higher equity, royalty and interest income from investees, partially offset by higher selling, general and administrative expenses. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended April 2, 2017 vs. April 3, 2016 Favorable/(Unfavorable) Change		
In millions	Amount	Percent	Percentage point change as a percent of total sales
Gross margin	$ 18	6 %	(0.5)
Selling, general and administrative expenses	(16)	(20)%	(0.7)
Research, development and engineering expenses	6	11 %	0.8
Equity, royalty and interest income from investees	5	63 %	0.3

The increase in gross margin for the three months ended April 2, 2017, versus the comparable period in 2016, was primarily due to higher volumes and lower material costs, partially offset by unfavorable pricing and mix. The increase in selling, general and administrative expenses was primarily due to higher consulting and compensation expenses. The decrease in research, development and engineering expenses was primarily due to higher expense recovery from customers and external parties.

Power Systems Segment Results

Financial data for the Power Systems segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
External sales [1]	**$ 515**	$ 447	$ 68	15 %
Intersegment sales [1]	**367**	361	6	2 %
Total sales	**882**	808	74	9 %
Depreciation and amortization	**28**	29	1	3 %
Research, development and engineering expenses	**50**	49	(1)	(2)%
Equity, royalty and interest income from investees	**12**	10	2	20 %
Interest income	**—**	2	(2)	(100)%
Segment EBIT	**57**	46	11	24 %
			Percentage Points	
Segment EBIT as a percentage of total sales	**6.5%**	5.7%		0.8

[1] Due to the acquisitions of North American distributors, sales previously recognized as external sales are now included in intersegment sales.

In the first quarter of 2017, the Power Systems segment reorganized its product lines to better reflect how the business is managed. Prior year sales have been reclassified to reflect these changes. Sales for our Power Systems segment by product line were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	April 2, 2017	April 3, 2016	Amount	Percent
Power generation	**$ 526**	$ 518	$ 8	2%
Industrial	**275**	215	60	28%
Generator technologies	**81**	75	6	8%
Total sales	**$ 882**	$ 808	$ 74	9%

High-horsepower unit shipments by engine classification were as follows:

	Three months ended		Favorable/ (Unfavorable)	
Units	April 2, 2017	April 3, 2016	Amount	Percent
Power generation	**1,900**	1,800	100	6%
Industrial	**1,300**	1,000	300	30%
Total engine shipments	**3,200**	2,800	400	14%

Sales

Power Systems segment sales for the three months ended April 2, 2017, increased $74 million, across all product lines, versus the comparable period in 2016. The following were the primary drivers:

- Industrial sales increased $60 million primarily due to higher demand in international mining markets and North American rail markets.

- Power generation sales increased $8 million primarily due to higher demand in Western Europe, partially offset by lower demand in the Middle East.

These increases were partially offset by unfavorable foreign currency fluctuations, primarily due to the British pound.

Segment EBIT

Power Systems segment EBIT for the three months ended April 2, 2017, increased $11 million versus the comparable period in 2016, primarily due to higher gross margin and favorable foreign currency fluctuations (primarily in the British pound), partially offset by higher selling, general and administrative expenses. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended April 2, 2017 vs. April 3, 2016 Favorable/(Unfavorable) Change		
In millions	**Amount**	**Percent**	**Percentage point change as a percent of total sales**
Gross margin	$ 15	8 %	(0.2)
Selling, general and administrative expenses	(3)	(3)%	0.7
Research, development and engineering expenses	(1)	(2)%	0.4
Equity, royalty and interest income from investees	2	20 %	0.2

The increase in gross margin for the three months ended April 2, 2017, versus the comparable period in 2016, was primarily due to higher volumes and favorable foreign currency fluctuations (primarily in the British pound), partially offset by unfavorable mix and higher commodity costs. The increase in selling, general and administrative expenses was primarily due to higher consulting expenses.

Reconciliation of Segment EBIT to Net Income Attributable to Cummins Inc.

The table below reconciles the segment information to the corresponding amounts in the *Condensed Consolidated Statements of Income:*

	Three months ended	
In millions	**April 2, 2017**	**April 3, 2016**
TOTAL SEGMENT EBIT	**$ 565**	$ 493
Non-segment EBIT [(1)]	**1**	(9)
TOTAL EBIT	**566**	484
Less: Interest expense	**18**	19
INCOME BEFORE INCOME TAXES	**548**	465
Less: Income tax expense	**143**	132
CONSOLIDATED NET INCOME	**405**	333
Less: Net income attributable to noncontrolling interest	**9**	12
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 396**	$ 321

(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 April 2, 2017 and April 3, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Key Working Capital and Balance Sheet Data

We fund our working capital with cash from operations and short-term borrowings, including commercial paper, when necessary. Various assets and liabilities, including short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. As a result, working capital is a prime focus of management attention. Working capital and balance sheet measures are provided in the following table:

Dollars in millions	April 2, 2017	December 31, 2016
Working capital [1]	**$ 3,497**	$ 3,382
Current ratio	**1.75**	1.78
Accounts and notes receivable, net	**$ 3,247**	$ 3,025
Days' sales in receivables	**62**	61
Inventories	**$ 2,894**	$ 2,675
Inventory turnover	**4.8**	4.7
Accounts payable (principally trade)	**$ 2,168**	$ 1,854
Days' payable outstanding	**52**	51
Total debt	**$ 1,945**	$ 1,856
Total debt as a percent of total capital	**20.6%**	20.6%

[1] Working capital includes cash and cash equivalents.

Cash Flows

Cash and cash equivalents were impacted as follows:

	Three months ended		
In millions	April 2, 2017	April 3, 2016	Change
Net cash provided by operating activities	**$ 379**	$ 267	$ 112
Net cash used in investing activities	**(27)**	(388)	361
Net cash used in financing activities	**(164)**	(636)	472
Effect of exchange rate changes on cash and cash equivalents	**14**	(39)	53
Net increase (decrease) in cash and cash equivalents	**$ 202**	$ (796)	$ 998

Net cash provided by operating activities increased $112 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to higher consolidated net income, the absence of restructuring payments and lower working capital levels. During the first three months of 2017, the lower working capital requirements resulted in a cash outflow of $128 million compared to a cash outflow of $140 million in the comparable period in 2016.

Net cash used in investing activities decreased $361 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to lower net investments in marketable securities of $377 million.

Net cash used in financing activities decreased $472 million for the three months ended April 2, 2017, versus the comparable period in 2016, primarily due to lower repurchases of common stock of $524 million and higher borrowings of commercial paper of $12 million, partially offset by lower proceeds from borrowings of $105 million.

The effect of exchange rate changes on cash and cash equivalents for the three months ended April 2, 2017, versus the comparable period in 2016, increased $53 million primarily due to the British pound, which increased cash and cash equivalents by $46 million.

Sources of Liquidity

We generate significant ongoing cash flow. Cash provided by operations is our principal source of liquidity with $379 million provided in the three months ended April 2, 2017.

At April 2, 2017, our other sources of liquidity included:

In millions	April 2, 2017 Total	U.S.	International	Primary location of international balances
Cash and cash equivalents	$ 1,322	$ 438	$ 884	U.K., Singapore, China, Australia, Canada
Marketable securities (1)	145	40	105	India
Total	$ 1,467	$ 478	$ 989	
Available credit capacity				
Revolving credit facility (2)	$ 1,476			
International and other uncommitted domestic credit facilities (3)	153			

(1) The majority of marketable securities could be liquidated into cash within a few days.
(2) The revolving credit facility is maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. At April 2, 2017, we had $274 million of commercial paper outstanding, which effectively reduced the available capacity under our revolving credit facility to $1.48 billion.
(3) The available capacity is net of letters of credit.

Cash, Cash Equivalents and Marketable Securities

A significant portion of our cash flows is generated outside the U.S. The geographic location of our cash and marketable securities aligns well with our ongoing investments. We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. As a result, we do not anticipate any local liquidity restrictions to preclude us from funding our operating needs with local resources.

Debt Facilities and Other Sources of Liquidity

We can issue up to $1.75 billion of unsecured short-term promissory notes ("commercial paper") pursuant to a commercial paper program. The program facilitates the private placement of unsecured short-term debt through third party brokers. We intend to use the net proceeds from the commercial paper program for general corporate purposes.

We have a $1.75 billion revolving credit facility, the proceeds of which can be used for general corporate purposes. This facility expires on November 13, 2020. The revolving credit facility is maintained primarily to provide backup liquidity for our commercial paper borrowings, letters of credit and general corporate purposes. The total combined borrowing capacity under the revolving credit facility and commercial paper program should not exceed $1.75 billion.

As a well-known seasoned issuer, we filed an automatic shelf registration for an undetermined amount of debt and equity securities with the Securities and Exchange Commission on February 16, 2016. Under this shelf registration we may offer, from time to time, debt securities, common stock, preferred and preference stock, depositary shares, warrants, stock purchase contracts and stock purchase units.

Uses of Cash

Share Repurchases

In December 2016, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon completion of the 2015 repurchase planIn the first three months of 2017, we made the following purchases under the 2015 stock repurchase program:

In millions, except per share amounts	Shares Purchased	Average Cost Per Share	Total Cost of Repurchases	Remaining Authorized Capacity (1)
April 2	0.3	$ 151.32	$ 51	$ 445

(1) The remaining authorized capacity under the 2015 Plan was calculated based on the cost to purchase the shares but excludes commission expenses in accordance with the authorized Plan.

We may continue to repurchase outstanding shares from time to timeduring 2017 to enhance shareholder value and to offset the dilutive impact of employee stock based compensation plans.

Dividends

In July 2016, our Board of Directors authorized an increase to our quarterly dividend of 5.1 percent from $0.975 per share to $1.025 per share.We paid dividends of $171 million during the three months ended April 2, 2017.

Agreement to Form a Joint Venture

On April 10, 2017, we entered into an agreement to form a joint venture with Eaton Corporation PLC, subject to regulatory approvals. We will purchase a 50 percent interest in the new venture named Eaton Cummins Automated Transmission Technologies, for approximately $600 million, which we will fund with a combination of cash and short-term debt. We expect the transaction to close in the third quarter of 2017.

Capital Expenditures

Capital expenditures and spending on internal use software for the three months ended April 2, 2017, were $108 million compared to $84 million in the comparable period in 2016. We continue to invest in new product lines and targeted capacity expansions. We plan to spend between $500 million and $530 million in 2017 on capital expenditures as we continue with product launches and facility improvements. Approximately 50 percent of our capital expenditures are expected to be invested outside of the U.S. in 2017.

Pensions

Our global pension plans, including our unfunded and non-qualified plans, were 110 percent funded at December 31, 2016. Our U.S. qualified plans, which represent approximately 56 percent of the worldwide pension obligation, were 118 percent funded and our U.K. plans were 121 percent funded. The funded status of our pension plans is dependent upon a variety of variables and assumptions including return on invested assets, market interest rates and levels of voluntary contributions to the plans. In the first three months of 2017, the investment return on our U.S. pension trust was 3.1 percent while our U.K. pension trust return was 2.7 percent.Approximately 77 percent of our pension plan assets are held in highly liquid investments such as fixed income and equity securities. The remaining 23 percent of our plan assets are held in less liquid, but market valued investments, including real estate, private equity, venture capital, opportunistic credit and insurance contracts. We anticipate making additional defined benefit pension contributions during the remainder of 2017 of $91 million for our U.S. and U.K pension plans. Approximately $133 million of the estimated $134 million of U.S. and U.K. pension contributions for the full year are voluntary. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2017 net periodic pension cost to approximate $83 million.

Current Maturities of Short and Long-Term Debt

We had $274 million of commercial paper outstanding at April 2, 2017, that matures in less than one year. The maturity schedule of our existing long-term debt does not require significant cash outflows in the intermediate term. Required annual principal payments range from $4 million to $45 million over the next five years (including the remainder of 2017).

Credit Ratings

Our ratings and outlook from each of the credit rating agencies as of the date of filing are shown in the table below.

Credit Rating Agency [1]	Long-Term Senior Debt Rating	Short-Term Debt Rating	Outlook
Standard & Poor’s Rating Services	A+	A1	Stable
Moody’s Investors Service, Inc.	A2	P1	Stable

[1] Credit ratings are not recommendations to buy, are subject to change and each rating should be evaluated independently of any other rating. In addition, we undertake no obligation to update disclosures concerning our credit ratings, whether as a result of new information, future events or otherwise.

Management's Assessment of Liquidity

Our financial condition and liquidity remain strong. Our solid balance sheet and credit ratings enable us to have ready access to credit and the capital markets. We assess our liquidity in terms of our ability to generate adequate cash to fund our operating, investing and financing activities. We believe our operating cash flow and liquidity provides us with the financial flexibility needed to fund working capital, common stock repurchases, acquisitions, capital expenditures, dividend payments, projected pension obligations and debt service obligations. We continue to generate cash from operations and maintain access to our revolving credit facility as noted above.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

A summary of our significant accounting policies is included in Note 1, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” of the *Notes to the Consolidated Financial Statements* of our 2016 Form 10-K, which discusses accounting policies that we have selected from acceptable alternatives.

Our *Condensed Consolidated Financial Statements* are prepared in accordance with generally accepted accounting principles that often require management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts presented and disclosed in the financial statements. Management reviews these estimates and assumptions based on historical experience, changes in business conditions and other relevant factors they believe to be reasonable under the circumstances. In any given reporting period, our actual results may differ from the estimates and assumptions used in preparing our *Condensed Consolidated Financial Statements.*

Critical accounting estimates are defined as follows: the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made; different estimates reasonably could have been used; or if changes in the estimate are reasonably likely to occur from period to period and the change would have a material impact on our financial condition or results of operations. Our senior management has discussed the development and selection of our accounting policies, related accounting estimates and the disclosures set forth below with the Audit Committee of our Board of Directors. Our critical accounting estimates disclosed in the Form 10-K address the estimation of liabilities for warranty programs, accounting for income taxes and pension benefits.

A discussion of our critical accounting estimates may be found in the “Management’s Discussion and Analysis” section of our 2016 Form 10-K under the caption “APPLICATION OF CRITICAL ACCOUNTING ESTIMATES.” Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported in the first three months of 2017.

RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 12, "RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS," in the *Notes to Condensed Consolidated Financial Statements* for additional information.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

A discussion of quantitative and qualitative disclosures about market risk may be found in Item 7A of our 2016 Form 10-K. There have been no material changes in this information since the filing of our 2016 Form 10-K.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (2) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended April 2, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are subject to numerous lawsuits and claims arising out of the ordinary course of our business, including actions related to product liability; personal injury; the use and performance of our products; warranty matters; product recalls; patent, trademark or other intellectual property infringement; contractual liability; the conduct of our business; tax reporting in foreign jurisdictions; distributor termination; workplace safety; and environmental matters. We also have been identified as a potentially responsible party at multiple waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. We have denied liability with respect to many of these lawsuits, claims and proceedings and are vigorously defending such lawsuits, claims and proceedings. We carry various forms of commercial, property and casualty, product liability and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us with respect to these lawsuits, claims and proceedings. We do not believe that these lawsuits are material individually or in the aggregate. While we believe we have also established adequate accruals pursuant to U.S. generally accepted accounting principles for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

The disclosure set forth under "Loss Contingency" in Note 9, "COMMITMENTS AND CONTINGENCIES," to the *Condensed Consolidated Financial Statements* is incorporated herein by reference.

We conduct significant business operations in Brazil that are subject to the Brazilian federal, state and local labor, social security, tax and customs laws. While we believe we comply with such laws, they are complex, subject to varying interpretations and we are often engaged in litigation regarding the application of these laws to particular circumstances.

ITEM 1A. Risk Factors

In addition to other information set forth in this report, you should consider other risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K or the "CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION" in this Quarterly report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently judge to be immaterial also may materially adversely affect our business, financial condition or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following information is provided pursuant to Item 703 of Regulation S-K:

	Issuer Purchases of Equity Securities			
Period	**(a) Total Number of Shares Purchased[1]**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[2]**
January 1 - February 5	950	$ 147.01	—	61,703
February 6 - March 5	323,609	151.60	305,057	43,132
March 6 - April 2	38,543	149.66	33,538	38,727
Total	363,102	151.38	338,595	

[1] Shares purchased represent shares under our Key Employee Stock Investment Plan established in 1969 (there is no maximum repurchase limitation in this plan) and our Board of Directors authorized share repurchase programs.

[2] These values reflect the sum of shares held in loan status under our Key Employee Stock Investment Plan. The repurchase programs authorized by the Board of Directors do not limit the number of shares that may be purchased and were excluded from this column. The dollar value remaining available for future purchases under such programs as of April 2, 2017, was $1.4 billion.

In December 2016, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon completion of the 2015 repurchase plan. In November 2015, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon the completion of the 2014 repurchase plan. During the three months ended April 2, 2017, we repurchased $51 million of common stock under the 2015 Board of Directors authorized plan.

During the three months ended April 2, 2017, we repurchased 24,507 shares from employees in connection with the Key Employee Stock Investment Plan which allows certain employees, other than officers, to purchase shares of common stock on an installment basis up to an established credit limit. Loans are issued for five-year terms at a fixed interest rate established at the date of purchase and may be refinanced after their initial five-year period for an additional five-year period. Participants must hold shares for a minimum of six months from date of purchase. If the shares are sold before the loan is paid off, the employee must wait six months before another share purchase may be made. We hold participants' shares as security for the loans and would, in effect repurchase shares if the participant defaulted in repayment of the loan. There is no maximum amount of shares that we may purchase under this plan.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

See Exhibit Index at the end of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cummins Inc.
Date: May 2, 2017

By:	/s/ PATRICK J. WARD	By:	/s/ CHRISTOPHER CLULOW
	Patrick J. Ward		Christopher Clulow
	Vice President and Chief Financial Officer		*Vice President-Corporate Controller*
	(Principal Financial Officer)		*(Principal Accounting Officer)*

CUMMINS INC.
EXHIBIT INDEX

Exhibit No.	Description of Exhibit
12	Calculation of Ratio of Earnings to Fixed Charges.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

EXHIBIT 12

CUMMINS INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

In millions	Three months ended April 2, 2017	Three months ended April 3, 2016
Earnings		
Income before income taxes	**$ 548**	$ 465
Add		
Fixed charges	**36**	39
Distributed income of equity investees	**12**	12
Less		
Equity in earnings of investees	**95**	64
Capitalized interest	**1**	1
Earnings before fixed charges	**$ 500**	$ 451
Fixed charges		
Interest expense[(1)]	**$ 18**	$ 19
Capitalized interest	**1**	1
Amortization of debt discount and deferred costs	**—**	1
Interest portion of rental expense[(2)]	**17**	18
Total fixed charges	**$ 36**	$ 39
Ratio of earnings to fixed charges[(3)]	**13.9**	11.6

[(1)] The interest amount in the table above does not include interest expense associated with uncertain tax positions.

[(2)] Amounts represent those portions of rent expense that are reasonable approximations of interest costs.

[(3)] We have not issued preferred stock. Therefore, the ratio of earnings to combined fixed charges and preferred stock dividends are the same as the ratios presented above.

EXHIBIT 31(a)

Certification

I, N. Thomas Linebarger, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which the report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 2, 2017

/s/ N. THOMAS LINEBARGER

N. Thomas Linebarger

Chairman and Chief Executive Officer

EXHIBIT 31(b)

Certification

I, Patrick J. Ward, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which the report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: May 2, 2017

/s/ PATRICK J. WARD

Patrick J. Ward

Vice President and Chief Financial Officer

EXHIBIT 32

Cummins Inc.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cummins Inc. (the “Company”) on Form10-Q for the period ended April 2, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, N. Thomas Linebarger, Chairman and Chief Executive Officer of the Company, and Patrick J. Ward, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 2, 2017	/s/ N. THOMAS LINEBARGER
	N. Thomas Linebarger
	Chairman and Chief Executive Officer
May 2, 2017	/s/ PATRICK J. WARD
	Patrick J. Ward
	Vice President and Chief Financial Officer