

## To Cummins shareholders:

In 2018, we saw growth in many of our most important markets around the globe and continued to manage our business for improved results. We strengthened our position in key global markets through the successful launch of new products and a strong focus on customer support, which resulted in market share gains. Working closely with our Board of Directors, we also advanced our strategy to create new sources of growth and position the company for a stronger future.

### 2018 financial performance

Revenues for the full-year 2018 were a record \$23.8 billion, 16 percent higher than 2017. Revenues in North America increased 19 percent and international sales increased 12 percent.

Earnings before interest, tax, depreciation and amortization (EBITDA) for the year was a record \$3.5 billion, or 14.6 percent of sales, compared to \$3 billion, or 14.8 percent of sales in 2017.

Net income attributable to Cummins for the full year was \$2.1 billion (\$13.15 per diluted share). This compares to \$1.8 billion (\$10.62 per diluted share) in 2017, excluding charges related to Tax Legislation.

### Delivering shareholder value

In 2018, Cummins delivered a Return on Invested Capital of 20 percent, while returning \$1.9 billion, or 78 percent, of Operating Cash Flow to shareholders in the form of dividends and share repurchases.

The company increased the dividend by 5.6 percent in 2018 and completed the existing 2015 and 2016 \$1 billion share

repurchase plans. The Board of Directors authorized an additional repurchase program of \$2 billion in October 2018. These actions are indicative of the company's commitment to delivering strong returns to shareholders and reflects our confidence in our long-term performance.

We were able to grow profitability and generate record operating cash flow by continuously driving improvement in our business through material cost reduction programs, productivity gains and other actions, while strategically investing in new products and technologies.

We launched new products that are performing better than ever and celebrated significant production milestones. We kept investing and innovating to drive customer success and reduce our impact on the environment. For example, we introduced products and technologies for the National Standard VI and Bharat Stage VI emission standards, began production of engines ready for Stage V, launched Fleetguard Fit™, and debuted an advanced suite of plug-in hybrid and electric powertrains known as PowerDrive.

Much of our success in 2018 was a result of our partnerships – both new and longstanding. We successfully launched a 50:50 joint venture with Anhui Jianghuai Automobile Group Co., Ltd. (JAC Motors), and partnered with Kamaz to develop electrified power solutions for Kamaz battery-powered vehicles. We also celebrated 25 years of operations with Tata Cummins and the one-year anniversary of our joint venture with Eaton for automated transmissions, both of which are significant milestones. These partnerships, among many others, will advance our strategy to be the leading global powertrain provider.

Moving forward, we will continue to use our technological leadership to provide our customers with the right technical solutions for their application at the right time to help them be as successful as possible. We expect diesel engines to continue to be the technology of choice in many of our markets for years to come, and we will continue to excel at our core strengths of providing innovative and dependable products for our customers. We are continually assessing and innovating across a broad portfolio of power solutions, from diesel to natural gas, fuel cells, hybrid and fully electric options. As we begin 2019 and the 100th anniversary of our company, we will continue to turn challenges into opportunities.

2018 marked the first full year of our Electrified Power Business segment. We announced partnerships with on and off-highway original equipment manufacturers (OEMs) that are working on electrification solutions in products ranging from bus to medium-duty trucks, light commercial vehicles, excavators and drayage trucks. Vehicles with Cummins electrification content were on display at several industry events this year.

Cummins has a strong history of capitalizing on new trends in our markets. We welcome changes in technology and the opportunities that they present. We are investing to ensure that we are ready to power our customers' success in the future, just as we have throughout the past 100 years. Our Board of Directors has taken an active role in the development and evolution of our strategy, and our strategic plans have benefitted from their broad and diverse knowledge and insights.

## **Living our values**

Cummins has always been values-driven and this is core to our strategy. As we strive for wealth creation for all stakeholders, how we do it is equally as important as what we do. The success of our business depends on our ability to create a diverse and inclusive culture internally and externally, and use it to our competitive advantage. We recognize and appreciate that the differences among our employees, our customers and suppliers, ultimately allow us to deliver superior results. Diversity and inclusion are critical to our ability to innovate, to win in the marketplace and for our sustainable success. Our more than 100 employee resource groups and local diversity councils for employees help promote diversity and inclusion across the globe, making Cummins one of DiversityInc's "Top Companies for Diversity" for the 12th straight year.

We continued to focus on sustainability in 2018 and partnered with customers around the world to meet our 2020 goal of a 3.5 million metric ton annual run rate reduction of carbon dioxide from Cummins' products in use. We also reduced direct water use across our company by 47 percent, which is significant progress toward our 2020 goal of a 50 percent intensity reduction from our baseline year of 2010. Along with our sustainability work, our corporate responsibility and work environment efforts have been recognized by external organizations, including: Ethisphere for our ranking on the ethical company list for the 12th year, Dow Jones North America Sustainability Index for the 13th consecutive year and Barron's first-ever 100 Most Sustainable Companies.

Cummins was also ranked among Forbes' lists for America's Best Employers for Women, America's Best Employers for Diversity and America's Best Employers.

In 2018, we launched our most ambitious community initiative ever, Cummins Powers Women, which reflects our commitment to the advancement and prosperity of women and girls around the world. Through Cummins Powers Women, we are partnering with a network of global nonprofit organizations that have existing, proven programs with metrics in place. The programs will focus on areas to overcome significant barriers that exist in the advancement of girls and women, including grass-roots teaching and mentoring, financial empowerment through entrepreneurship, leadership training, and strategic guidance to non-profit leaders.

I am also incredibly proud that 83 percent of global employees participated in the Every Employee Every Community (EEEC) program, and contributed 372,525 hours of service to improving their communities worldwide. Caring comes alive for us in our commitment to understanding the unique challenges our communities face, working with them to provide sustainable solutions and driving outcomes to ensure that our communities are stronger because of Cummins' presence.

### **Looking ahead**

We are confident that the investments we made in our people, products and services in 2018 will ensure that Cummins continues to power a more prosperous world for our customers and shareholders.

A handwritten signature in black ink, appearing to read "Tom".

**Tom Linebarger**

Chairman and Chief Executive Officer  
*Cummins Inc.*