

February 25, 2009



# **Cummins Revises 2008 Operating Results to Reflect Increased Warranty Liability**

## **Company Reaffirms Sales and Earnings Guidance for 2009**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) announced today that it has revised its fourth quarter and full year 2008 operating results to reflect a higher warranty liability than previously reported.

As a result of the change, the Company's Earnings Before Interest and Taxes (EBIT) for the fourth quarter decreased by \$73 million, while net income was reduced by \$46 million, or 23 cents a share. The change in earnings reflects an \$82 million increase in warranty liability, offset by a \$9 million reduction in variable and incentive compensation as a result of this change.

The Company's revised fourth quarter EBIT was \$56 million and net income was \$43 million, or 22 cents a share. For the full year, the Company's revised EBIT was \$1.22 billion and net income was \$755 million, or \$3.84 a share. The earnings revisions affect the fourth quarter results of the Company's Engine and Component segments.

The warranty liability was revised to reflect a change in estimate in the warranty costs primarily for mid-range engine products launched in 2007. In late February, our analysis of recent warranty payments indicated that a revision to our initial warranty liability estimate is appropriate.

The Company is aggressively addressing the product issues and has made modifications that have reduced the failure rate of these products. The increase in the warranty liability reflects higher than expected costs associated with these repairs.

The Company also reaffirmed the financial guidance it gave earlier this month, with sales in 2009 expected to be approximately 20 percent lower than 2008. EBIT margin is expected to be 6.5 percent of sales, excluding restructuring costs associated with job actions announced in the first quarter of 2009.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

|                                                             | Three months ended                     |                       |                      |
|-------------------------------------------------------------|----------------------------------------|-----------------------|----------------------|
|                                                             | December 31,<br>2008                   | September 28,<br>2008 | December 31,<br>2007 |
|                                                             | in millions (except per share amounts) |                       |                      |
| NET SALES                                                   | \$ 3,288                               | \$ 3,693              | \$ 3,516             |
| Cost of sales                                               | 2,754                                  | 2,873                 | 2,834                |
| GROSS MARGIN                                                | 534                                    | 820                   | 682                  |
| OPERATING EXPENSES AND INCOME                               |                                        |                       |                      |
| Selling, general and administrative expenses                | 341                                    | 388                   | 359                  |
| Research, development and engineering expenses              | 102                                    | 113                   | 93                   |
| Equity, royalty and interest income from investees (Note 1) | 51                                     | 66                    | 59                   |
| Restructuring charges (Note 2)                              | 37                                     | --                    | --                   |
| Other operating (expense) income, net                       | (3                                     | ) (2                  | ) 13                 |
| OPERATING INCOME                                            | 102                                    | 383                   | 302                  |
| Interest income                                             | 4                                      | 4                     | 9                    |
| Interest expense                                            | 9                                      | 10                    | 14                   |
| Other (expense) income, net (Note 3)                        | (50                                    | ) (7                  | ) 13                 |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS           | 47                                     | 370                   | 310                  |
| Income tax (benefit) expense (Note 4)                       | (12                                    | ) 123                 | 97                   |
| Minority interests in income of consolidated subsidiaries   | 16                                     | 18                    | 15                   |
| NET INCOME                                                  | \$ 43                                  | \$ 229                | \$ 198               |
| EARNINGS PER COMMON SHARE                                   |                                        |                       |                      |
| Basic                                                       | \$ 0.22                                | \$ 1.18               | \$ 1.01              |
| Diluted                                                     | \$ 0.22                                | \$ 1.17               | \$ 1.00              |
| WEIGHTED AVERAGE SHARES OUTSTANDING                         |                                        |                       |                      |

|                                   |          |          |          |
|-----------------------------------|----------|----------|----------|
| Basic                             | 194.7    | 194.9    | 195.7    |
| Diluted                           | 196.6    | 196.5    | 197.5    |
| Cash dividends declared per share | \$ 0.175 | \$ 0.175 | \$ 0.125 |

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

# CUMMINS INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

|                                                             | For the years ended                    |              |
|-------------------------------------------------------------|----------------------------------------|--------------|
|                                                             | December 31,                           | December 31, |
|                                                             | 2008                                   | 2007         |
|                                                             | in millions (except per share amounts) |              |
| NET SALES                                                   | \$ 14,342                              | \$ 13,048    |
| Cost of sales                                               | 11,402                                 | 10,492       |
| GROSS MARGIN                                                | 2,940                                  | 2,556        |
| OPERATING EXPENSES AND INCOME                               |                                        |              |
| Selling, general and administrative expenses                | 1,450                                  | 1,296        |
| Research, development and engineering expenses              | 422                                    | 329          |
| Equity, royalty and interest income from investees (Note 1) | 253                                    | 205          |
| Restructuring charges (Note 2)                              | 37                                     | --           |
| Other operating (expense) income, net                       | (12 )                                  | 22           |
| OPERATING INCOME                                            | 1,272                                  | 1,158        |
| Interest income                                             | 18                                     | 36           |
| Interest expense                                            | 42                                     | 58           |
| Other (expense) income, net (Note 3)                        | (70 )                                  | 33           |
| INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS           | 1,178                                  | 1,169        |
| Income tax expense (Note 4)                                 | 360                                    | 381          |
| Minority interests in income of                             | 63                                     | 49           |

consolidated subsidiaries

|                                     |         |         |
|-------------------------------------|---------|---------|
| NET INCOME                          | \$ 755  | \$ 739  |
| EARNINGS PER COMMON SHARE           |         |         |
| Basic                               | \$ 3.87 | \$ 3.72 |
| Diluted                             | \$ 3.84 | \$ 3.70 |
| WEIGHTED AVERAGE SHARES OUTSTANDING |         |         |
| Basic                               | 195.0   | 198.4   |
| Diluted                             | 196.5   | 199.9   |
| Cash dividends declared per share   | \$ 0.60 | \$ 0.43 |

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

|                                                             | December 31,<br>2008              | December 31,<br>2007 |
|-------------------------------------------------------------|-----------------------------------|----------------------|
|                                                             | in millions<br>(except par value) |                      |
| ASSETS                                                      |                                   |                      |
| Current assets                                              |                                   |                      |
| Cash and cash equivalents                                   | \$ 426                            | \$ 577               |
| Marketable securities                                       | 77                                | 120                  |
| Accounts and notes receivable, net                          | 1,782                             | 1,998                |
| Inventories                                                 | 1,783                             | 1,692                |
| Other current assets                                        | 645                               | 428                  |
| Total current assets                                        | 4,713                             | 4,815                |
| Long-term assets                                            |                                   |                      |
| Property, plant and equipment, net                          | 1,841                             | 1,645                |
| Investments and advances related to equity method investees | 588                               | 514                  |
| Goodwill and other intangible assets, net                   | 585                               | 538                  |

|                                                                                              |          |          |
|----------------------------------------------------------------------------------------------|----------|----------|
| Other assets                                                                                 | 792      | 683      |
| Total assets                                                                                 | \$ 8,519 | \$ 8,195 |
| LIABILITIES                                                                                  |          |          |
| Current liabilities                                                                          |          |          |
| Current portion of long-term debt and loans payable                                          | \$ 69    | \$ 119   |
| Accounts payable (principally trade)                                                         | 1,009    | 1,263    |
| Accrued expenses                                                                             | 1,561    | 1,329    |
| Total current liabilities                                                                    | 2,639    | 2,711    |
| Long-term liabilities                                                                        |          |          |
| Long-term debt                                                                               | 629      | 555      |
| Other liabilities                                                                            | 1,771    | 1,227    |
| Total liabilities                                                                            | 5,039    | 4,493    |
| MINORITY INTERESTS                                                                           | 250      | 293      |
| SHAREHOLDERS' EQUITY                                                                         |          |          |
| Common stock, \$2.50 par value, 500 and 300 shares authorized, 221.7 and 220.4 shares issued | 1,793    | 1,719    |
| Retained earnings                                                                            | 3,288    | 2,660    |
| Treasury stock, at cost, 20.4 and 18.2 shares                                                | (715 )   | (593 )   |
| Common stock held by employee benefits trust, at cost, 5.1 and 6.5 shares                    | (61 )    | (79 )    |
| Unearned compensation                                                                        | (5 )     | (11 )    |
| Accumulated other comprehensive loss                                                         | (1,070 ) | (287 )   |
| Total shareholders' equity                                                                   | 3,230    | 3,409    |
| Total liabilities, minority interests and shareholders' equity                               | \$ 8,519 | \$ 8,195 |

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (a)

For the years ended

|                                                                   | December 31, | December 31, |
|-------------------------------------------------------------------|--------------|--------------|
|                                                                   | 2008         | 2007         |
|                                                                   | in millions  |              |
| NET CASH PROVIDED BY OPERATING ACTIVITIES (Note 5)                | \$ 987       | \$ 810       |
| CASH FLOWS FROM INVESTING ACTIVITIES                              |              |              |
| Capital expenditures                                              | (543)        | (353)        |
| Investments in internal use software                              | (82)         | (67)         |
| Investments in and advances to equity investees                   | (89)         | (66)         |
| Acquisition of businesses, net of cash acquired                   | (142)        | (20)         |
| Proceeds from the sale of an equity investment                    | 64           | 35           |
| Investments in marketable securities--acquisitions                | (390)        | (405)        |
| Investments in marketable securities--liquidations                | 409          | 395          |
| Purchases of other investments                                    | (62)         | (57)         |
| Other, net                                                        | (13)         | 23           |
| Net cash used in investing activities                             | (848)        | (515)        |
| CASH FLOWS FROM FINANCING ACTIVITIES                              |              |              |
| Proceeds from borrowings                                          | 76           | 15           |
| Payments on borrowings and capital lease obligations              | (152)        | (144)        |
| Dividend payments on common stock                                 | (122)        | (89)         |
| Proceeds from sale of common stock held by employee benefit trust | 63           | 13           |
| Repurchases of common stock                                       | (128)        | (335)        |
| Other, net                                                        | 26           | (36)         |
| Net cash used in financing activities                             | (237)        | (576)        |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS      | (53)         | 18           |
| Net decrease in cash and cash equivalents                         | (151)        | (263)        |
| Cash and cash equivalents at beginning of year                    | 577          | 840          |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                        | \$ 426       | \$ 577       |

(a) Prepared on an unaudited basis in accordance with accounting principles

generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

SEGMENT INFORMATION

(Unaudited)

|                                                    | Engine      | Power<br>Generation | Components | Distribution | Non-<br>segment<br>items (1) | Total    |
|----------------------------------------------------|-------------|---------------------|------------|--------------|------------------------------|----------|
|                                                    | in millions |                     |            |              |                              |          |
| Three months<br>ended<br>December 31,<br>2008      |             |                     |            |              |                              |          |
| External sales                                     | \$ 1,590    | \$ 675              | \$ 468     | \$ 555       | \$ --                        | \$ 3,288 |
| Intersegment sales                                 | 346         | 212                 | 208        | 2            | (768 )                       | --       |
| Total sales                                        | 1,936       | 887                 | 676        | 557          | (768 )                       | 3,288    |
| Depreciation and amortization (2)                  | 47          | 10                  | 16         | 8            | —                            | 81       |
| Research, development and engineering expense      | 71          | 10                  | 21         | —            | —                            | 102      |
| Equity, royalty and interest income from investees | 8           | 6                   | 4          | 33           | --                           | 51       |
| Restructuring charges                              | —           | —                   | —          | —            | 37                           | 37       |
| Interest income                                    | 3           | —                   | —          | 1            | --                           | 4        |
| Segment EBIT                                       | (40 )       | 75                  | (6 )       | 64           | (37 )                        | 56       |

Three months  
ended  
September 28,  
2008

|                                                    |          |        |        |        |        |          |
|----------------------------------------------------|----------|--------|--------|--------|--------|----------|
| External sales                                     | \$ 1,927 | \$ 653 | \$ 535 | \$ 578 | \$ --  | \$ 3,693 |
| Intersegment sales                                 | 352      | 235    | 266    | 3      | (856 ) | --       |
| Total sales                                        | 2,279    | 888    | 801    | 581    | (856 ) | 3,693    |
| Depreciation and amortization (2)                  | 43       | 9      | 16     | 6      | --     | 74       |
| Research, development and engineering expense      | 75       | 11     | 27     | --     | --     | 113      |
| Equity, royalty and interest income from investees | 26       | 6      | 3      | 31     | --     | 66       |
| Interest income                                    | 2        | 1      | 1      | --     | --     | 4        |
| Segment EBIT                                       | 160      | 108    | 61     | 61     | (10 )  | 380      |
| Three months ended December 31, 2007               |          |        |        |        |        |          |
| External sales                                     | \$ 1,862 | \$ 645 | \$ 542 | \$ 467 | \$ --  | \$ 3,516 |
| Intersegment sales                                 | 293      | 195    | 235    | 1      | (724 ) | --       |
| Total sales                                        | 2,155    | 840    | 777    | 468    | (724 ) | 3,516    |
| Depreciation and amortization (2)                  | 44       | 11     | 16     | 3      | —      | 74       |
| Research, development and engineering expense      | 63       | 9      | 21     | —      | —      | 93       |
| Equity, royalty and interest income from investees | 26       | 5      | 3      | 25     | --     | 59       |
| Interest income                                    | 6        | 2      | 1      | --     | --     | 9        |

|                                                    |          |          |          |          |          |           |
|----------------------------------------------------|----------|----------|----------|----------|----------|-----------|
| Segment EBIT                                       | 120      | 86       | 47       | 56       | 15       | 324       |
| For the year ended December 31, 2008               |          |          |          |          |          |           |
| External sales                                     | \$ 7,432 | \$ 2,601 | \$ 2,154 | \$ 2,155 | \$ --    | \$ 14,342 |
| Intersegment sales                                 | 1,378    | 899      | 998      | 9        | (3,284 ) | --        |
| Total sales                                        | 8,810    | 3,500    | 3,152    | 2,164    | (3,284 ) | 14,342    |
| Depreciation and amortization (2)                  | 180      | 41       | 65       | 25       | —        | 311       |
| Research, development and engineering expense      | 286      | 41       | 95       | —        | —        | 422       |
| Equity, royalty and interest income from investees | 99       | 23       | 14       | 117      | --       | 253       |
| Restructuring charges                              | —        | —        | —        | 37       | 37       |           |
| Interest income                                    | 10       | 3        | 3        | 2        | --       | 18        |
| Segment EBIT                                       | 535      | 376      | 169      | 242      | (102 )   | 1,220     |
| For the year ended December 31, 2007               |          |          |          |          |          |           |
| External sales                                     | \$ 7,129 | \$ 2,375 | \$ 2,007 | \$ 1,537 | \$ --    | \$ 13,048 |
| Intersegment sales                                 | 1,053    | 685      | 925      | 3        | (2,666 ) | --        |
| Total sales                                        | 8,182    | 3,060    | 2,932    | 1,540    | (2,666 ) | 13,048    |
| Depreciation and amortization (2)                  | 176      | 42       | 59       | 11       | —        | 288       |
| Research, development and                          | 222      | 34       | 73       | —        | —        | 329       |

engineering  
expense

Equity,  
royalty and  
interest  
income from  
investees

Interest  
income

|              |     |     |     |     |     |   |       |
|--------------|-----|-----|-----|-----|-----|---|-------|
| Segment EBIT | 589 | 334 | 153 | 187 | (36 | ) | 1,227 |
|--------------|-----|-----|-----|-----|-----|---|-------|

(1) Includes intercompany eliminations and unallocated corporate expenses. For the three months ended and the year ended December 31, 2008, Non-segment includes a \$36 million decrease in cash surrender value in corporate owned life insurance (COLI).

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the Condensed Consolidated Statements of Income as Interest expense.

#### CUMMINS INC. AND SUBSIDIARIES

#### RECONCILIATION OF SEGMENT INFORMATION

(Unaudited)

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

|                                                   | Three months ended |               |              | For the years ended |              |
|---------------------------------------------------|--------------------|---------------|--------------|---------------------|--------------|
|                                                   | December 31,       | September 28, | December 31, | December 31,        | December 31, |
|                                                   | 2008               | 2008          | 2007         | 2008                | 2007         |
| in millions                                       |                    |               |              |                     |              |
| Segment EBIT                                      | \$ 56              | \$ 380        | \$ 324       | \$ 1,220            | \$ 1,227     |
| Less:                                             |                    |               |              |                     |              |
| Interest expense                                  | 9                  | 10            | 14           | 42                  | 58           |
| Income before income taxes and minority interests | \$ 47              | \$ 370        | \$ 310       | \$ 1,178            | \$ 1,169     |

# FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes and minority interests (EBIT)

We define EBIT as earnings before interest expense, income tax expense and minority interests in income of consolidated subsidiaries. We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. Below is a reconciliation of EBIT, a non-GAAP financial measure, to our consolidated net income, for each of the applicable periods:

|                                                                              | Three Months Ended |                  |                 | For the years ended |              |   |
|------------------------------------------------------------------------------|--------------------|------------------|-----------------|---------------------|--------------|---|
|                                                                              | December<br>31,    | September<br>28, | December<br>31, | December<br>31,     | December 31, |   |
|                                                                              | 2008               | 2008             | 2007            | 2008                | 2007         |   |
|                                                                              | in millions        |                  |                 |                     |              |   |
| Earnings<br>before<br>interest,<br>income taxes<br>and minority<br>interests | \$ 56              | \$ 380           | \$ 324          | \$ 1,220            | \$ 1,227     |   |
| EBIT as a<br>percentage<br>of net sales                                      | 1.7                | % 10.3           | % 9.2           | % 8.5               | % 9.4        | % |
| Less:                                                                        |                    |                  |                 |                     |              |   |
| Interest<br>expense                                                          | 9                  | 10               | 14              | 42                  | 58           |   |
| Income tax<br>expense                                                        | (12                | ) 123            | 97              | 360                 | 381          |   |
| Minority<br>interests in<br>income of<br>consolidated<br>subsidiaries        | 16                 | 18               | 15              | 63                  | 49           |   |
| Net income                                                                   | \$ 43              | \$ 229           | \$ 198          | \$ 755              | \$ 739       |   |
| Net income<br>as a<br>percentage<br>of net sales                             | 1.3                | % 6.2            | % 5.6           | % 5.3               | % 5.7        | % |

We believe EBIT is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to financing methods, capital structure or income taxes. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data.

CUMMINS INC. AND SUBSIDIARIES

SELECTED FOOTNOTE DATA

(Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

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

|                                        | Three months ended   |                       |                      | For the years ended  |                      |
|----------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
|                                        | December 31,<br>2008 | September 28,<br>2008 | December 31,<br>2007 | December 31,<br>2008 | December 31,<br>2007 |
|                                        | in millions          |                       |                      |                      |                      |
| North American distributors            | \$ 28                | \$ 26                 | \$ 24                | \$ 100               | \$ 83                |
| Dongfeng Cummins Engine Company, Ltd.  | 5                    | 16                    | 12                   | 55                   | 41                   |
| Chongqing Cummins Engine Company, Ltd. | 7                    | 9                     | 7                    | 30                   | 22                   |
| Shanghai Fleetguard Filter Co. Ltd.    | 1                    | 2                     | 2                    | 8                    | 6                    |
| Tata Cummins Ltd.                      | —                    | —                     | 4                    | 7                    | 13                   |
| Cummins MerCruiser Diesel Marine LLC   | (2                   | ) (1                  | ) 2                  | 3                    | 11                   |
| All others                             | 6                    | 9                     | 4                    | 28                   | 16                   |
| Cummins share of net income            | 45                   | 61                    | 55                   | 231                  | 192                  |
| Royalty and interest income            | 6                    | 5                     | 4                    | 22                   | 13                   |

|                                                                |       |       |       |        |        |
|----------------------------------------------------------------|-------|-------|-------|--------|--------|
| Equity,<br>royalty and<br>interest<br>income from<br>investees | \$ 51 | \$ 66 | \$ 59 | \$ 253 | \$ 205 |
|----------------------------------------------------------------|-------|-------|-------|--------|--------|

## NOTE 2. RESTRUCTURING CHARGES

We have executed restructuring actions primarily in the form of voluntary and involuntary separation programs in the fourth quarter of 2008. These actions were in response to the continued deterioration we saw in our U.S. businesses and most key markets around the world in the second half of 2008, as well as a reduction in orders in most U.S. and global markets for 2009. We reduced our worldwide professional workforce by approximately 650 employees. We offered a voluntary retirement package to certain active professional employees in the United States based on a clearly defined set of criteria. We also took involuntary actions which included certain hourly employees. The compensation packages contained salary and continuation of benefits, including health care, life insurance and outplacement services. The voluntary retirement package was accepted by approximately 150 employees. The remaining reductions of approximately 500 employees were involuntary. The expenses recorded during the year ended December 31, 2008 included severance costs related to both voluntary and involuntary terminations. During 2008, we incurred total pretax expenses related to the restructuring initiative of approximately \$37 million.

Employee termination and severance costs were recorded based on approved plans developed by the businesses and corporate management which specified positions to be eliminated, benefits to be paid under existing severance plans or statutory requirements and the expected timetable for completion of the plan. Estimates of restructuring were made based on information available at the time charges were recorded. Due to the inherent uncertainty involved, actual amounts paid for such activities may differ from amounts initially recorded and we may need to revise previous estimates.

## CUMMINS INC. AND SUBSIDIARIES

### SELECTED FOOTNOTE DATA

(Unaudited)

## NOTE 3. OTHER (EXPENSE) INCOME

Other (expense) income included the following:

| Three months ended |               |              | For the years ended |              |
|--------------------|---------------|--------------|---------------------|--------------|
| December 31,       | September 28, | December 31, | December 31,        | December 31, |
| 2008               | 2008          | 2007         | 2008                | 2007         |
| in millions        |               |              |                     |              |

Other  
(expense)  
income:

|                                                                  |        |   |       |      |        |        |      |       |
|------------------------------------------------------------------|--------|---|-------|------|--------|--------|------|-------|
| Change in cash surrender value of corporate owned life insurance | \$ (36 | ) | \$ -  | \$ - | \$ (36 | )      | \$ - |       |
| Foreign currency (losses) gains                                  | (23    | ) | (10   | )    | 12     | (46    | )    | 28    |
| Other, net                                                       | 9      |   | 3     |      | 1      |        | 12   | 5     |
| Total other (expense) income, net                                | \$ (50 | ) | \$ (7 | )    | \$ 13  | \$ (70 | )    | \$ 33 |

#### NOTE 4. INCOME TAXES

Our effective benefit rate in the fourth quarter of 2008 was 25.5 percent compared to an effective tax rate of 31.3 percent for 2007. The change is primarily due to greater foreign earnings in 2008, which are subject to lower tax rates. The fourth quarter effective benefit rate also includes a \$10 million (0.8 percent) reduction due to the legislative reinstatement of the U.S. research tax credit. The full-year 2008 effective tax rate was 30.6 percent and we expect our full-year 2009 effective tax rate to be sustained at approximately 31 percent.

#### NOTE 5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense included in operating activities of the Condensed Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007 was \$314 million and \$290 million, respectively.

## About Cummins

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins serves customers in approximately 190 countries and territories through a network of more than 500 company-owned and independent distributor locations and approximately 5,200 dealer locations. Cummins reported net income of \$755 million on sales of \$14.34 billion in 2008. Press releases can be found on the Web at [www.cummins.com](http://www.cummins.com).

## Presentation of Non-GAAP Financial Information

EBIT is a non-GAAP measure used in this release. EBIT is defined and reconciled to what management believes to be the most comparable GAAP measure in a schedule attached to

this release. Cummins presents this information as it believes it is useful to understanding the Company's operating performance, and because EBIT is a measure used internally to assess the performance of the operating units.

#### Forward-looking disclosure statement

Information provided in this release that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the company's expectations, hopes, beliefs and intentions on strategies regarding the future. It is important to note that the company's actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to, general economic, business and financing conditions, labor relations, governmental action, competitor pricing activity, expense volatility and other risks detailed from time to time in Cummins Securities and Exchange Commission filings.

Source: Cummins Inc.