

October 26, 2010



Cummins Reports Sharply Higher Sales and Profits in the Third Quarter Led by Continued Strength in International Markets

-- Company Raises Full-Year Guidance to 12.5 Percent EBIT on \$13 Billion in Sales in 2010

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported that both third quarter sales and profits increased sharply from the same period a year ago. The Company's continued strong performance in international markets was a primary driver of the improved results.

Sales of \$3.40 billion in the third quarter rose 34 percent from \$2.53 billion in the same quarter in 2009. Net income attributable to Cummins Inc. in the third quarter tripled to \$283 million, or \$1.44 a share, compared to \$95 million, or \$0.48 a share, in the same period a year ago.

Earnings Before Interest and Taxes (EBIT) was \$449 million, or 13.2 percent of sales, up from \$177 million or 7.0 percent of sales, excluding restructuring charges, in the third quarter of 2009.

The Company's third quarter results include a pre-tax benefit of \$32 million (\$21 million after-tax, or \$0.11 share) related to a favorable legal ruling in Brazil on the tax treatment of imports during the period 2004-2008.

The sales gains were led by the Company's Engine and Power Generation segments, which each reported 44 percent sales improvements compared to the same period in 2009. Distribution sales increased 36 percent, while Components sales rose 30 percent.

The Engine segment reported its best EBIT percentage in Company history at 10.8 percent of sales, despite continued weakness in the North American truck engine markets related to EPA emissions changes and slow economic recovery in the United States.

Power Generation matched its quarterly best EBIT percentage at 12.3 percent, while the \$74

million in EBIT reported by the Distribution segment was a record for a single quarter. EBIT for the Components segment doubled from the same period last year.

"Our products continue to perform well in the market and our 2010 engine launch in North America has gone extremely well," said Cummins President and Chief Operating Officer Tom Linebarger. "We have sold nearly 37,000 medium- and heavy-duty engines in North America this year, and the customer feedback we have received indicates that the engines are delivering on our promise of reliability and improved fuel economy."

Based on the Company's performance so far this year and its forecast for the fourth quarter, Cummins raised its full-year financial guidance to an EBIT of 12.5 percent of sales on revenues of \$13 billion.

"We continued to build on our strong performance this year with an outstanding third quarter," said Cummins Chairman and Chief Executive Officer Tim Solso. "Our strength in large international markets provided significant benefits to the Company and we continue to see productivity improvements in our manufacturing operations."

Sales in the Company's non- U.S. markets increased 56 percent from the third quarter 2009 and accounted for 63 percent of Cummins' consolidated revenues, consistent with the first two quarters of the year.

Cummins' operating performance enabled its cash position to remain strong in the quarter and allowed the Company to continue to invest in the business to meet the increasing demands for our products.

The Company also continued to return value to shareholders by repurchasing \$79 million of its shares during the second quarter. The Company has now repurchased \$389 million in stock under its current \$500 million authorization.

In other highlights from the quarter:

- Cummins increased the quarterly cash dividend on its common stock by 50 percent to 26.25 cents per share from 17.5 cents per share.
- Standard & Poor's increased its long-term credit rating on Cummins to BBB+ from BBB. In increasing its investment grade rating, S&P cited the company's "improved performance" and "conservative financial policy."
- Cummins was named to the Dow Jones World Sustainability Index for the sixth consecutive year. The index recognizes the top 10 percent of the world's largest public companies for their economic, environmental and corporate responsibility leadership.

Third quarter details (all comparisons to same period in 2009)

Engine Segment

- Sales - \$2.1 billion, up 44 percent
- Segment EBIT - \$223 million, or 10.8 percent of sales, compared \$61 million or 4.2 percent of sales.
- Total on-highway sales increased 17 percent
 - o Medium-duty truck and bus sales increased 46 percent on strength of Brazilian truck market.
 - o Light-duty auto and RV doubled from 2009 when Chrysler ceased truck

- production for several weeks as part of its reorganization efforts.
 - o Global heavy-duty truck engine sales declined 20 percent as result of transition to 2010 EPA-compliant engines in North America, where unit sales declined 54 percent.
- Industrial sales increased 72 percent
 - o International sales increased 96 percent, led by construction engine demand in emerging markets.
 - o Mining sales doubled due to increased demand for coal and other commodities.
- Stationary power engine sales increased by 144 percent, primarily due to increased power generation demand, especially for high horsepower engines.

Power Generation

- Sales - \$791 million, up 44 percent
- Segment EBIT - \$97 million, or 12.3 percent of sales, compared to \$23 million or 4.2 percent of sales. Third quarter of 2009 represented the low point of the current economic cycle for Power Generation segment.
- Commercial Products sales rose 64 percent; Commercial Projects up 26 percent; Consumer sales increased 32 percent; Generator Technologies rose 13 percent; and Power Electronics increased 3 percent.
- Sales outside of North American increased 69 percent, led by the India, Latin America, South Pacific and the U.K. North American sales declined 3 percent.

Components

- Sales - \$769 million up 30 percent
- Segment EBIT - \$63 million, or 8.2 percent of sales, compared to \$31 million, or 5.2 percent of sales
- Emission Solutions sales increased by 47 percent; Turbo Technologies rose 38 percent; Filtration up 18 percent; Fuel Systems increased 17 percent.
- Increased aftertreatment content on 2010 North American truck engines led Emission Solutions sales gains; Filtration sales increased in all regions; Turbo Technologies and Fuel Systems benefited from improved aftermarket sales and stronger sales in China.

Distribution

- Sales - \$573 million, an increase of 36 percent
- Segment EBIT - \$74 million, or 12.9 percent of sales, compared to \$55 million, or 13.0 percent of sales
- Consolidation of Western Canada distributor in first quarter 2010 accounted for \$68 million in sales and \$5 million in EBIT during quarter.
- Sales increased in all regions and product/service segments (engines, power generation, parts, and service) compared to 2009.

Presentation of Non-GAAP Financial Information

EBIT is a non-GAAP measures 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.

Webcast information

Cummins management will host a teleconference to discuss these results today at 10 a.m. EDT. This teleconference will be webcast and available on the Investor Relations section of the Cummins website at www.cummins.com. Participants wishing to view the visuals available with the audio are encouraged to sign-in a few minutes prior to the start of the teleconference.

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. The Company reported net income attributable to Cummins Inc. of \$428 million on sales of \$10.8 billion in 2009. Press releases can be found on the Web at www.cummins.com. Follow Cummins on Twitter at <http://twitter.com/cummins>.

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.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

	Three months ended		
	September 26,	June 27,	September 27,
In millions, except per share amounts	2010	2010	2009
NET SALES	\$ 3,401	\$ 3,208	\$ 2,530
Cost of sales	2,571	2,455	2,027
GROSS MARGIN	830	753	503

OPERATING EXPENSES AND INCOME

Selling, general and administrative expenses	375	354	304
Research, development and engineering expenses	103	96	90
Equity, royalty and interest income from investees (Note 1)	88	97	57
Restructuring and other charges			22
Other operating (expense) income, net	(5)	(4)	3
OPERATING INCOME	435	396	147
Interest income	6	5	2
Interest expense	11	9	9
Other income (expense), net (Note 2)	8		6
INCOME BEFORE INCOME TAXES	438	392	146
Income tax expense (Note 3)	129	122	36
CONSOLIDATED NET INCOME	309	270	110
Less: Net income attributable to noncontrolling interests	26	24	15
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 283	\$ 246	\$ 95
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 1.45	\$ 1.25	\$ 0.48
Diluted	\$ 1.44	\$ 1.25	\$ 0.48
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	\$ 195.8	\$ 196.9	\$ 197.4
Diluted	\$ 196.3	\$ 197.3	\$ 197.8
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.2625	\$ 0.175	\$ 0.175

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

	Nine months ended	
	September 26,	September 27,
In millions, except per share amounts	2010	2009
NET SALES	\$ 9,087	\$ 7,400
Cost of sales	6,903	6,004
GROSS MARGIN	2,184	1,396
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,064	891
Research, development and engineering expenses	291	254
Equity, royalty and interest income from investees (Note 1)	261	147
Restructuring and other charges		95
Other operating (expense) income, net	(13)	(6)
OPERATING INCOME	1,077	297
Interest income	14	5
Interest expense	29	26
Other income (expense), net (Note 2)	25	(10)
INCOME BEFORE INCOME TAXES	1,087	266
Income tax expense (Note 3)	338	72
CONSOLIDATED NET INCOME	749	194
Less: Net income attributable to noncontrolling interests	71	36
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 678	\$ 158
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 3.44	\$ 0.80
Diluted	\$ 3.43	\$ 0.80
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	\$ 197.0	\$ 197.1
Diluted	\$ 197.4	\$ 197.4

CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.6125	\$ 0.525
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(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

	September 26,	December 31,
In millions, except par value	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 937	\$ 930
Marketable securities	308	190
Accounts and notes receivable, net	2,235	2,004
Inventories	1,910	1,341
Deferred income taxes	328	295
Prepaid expenses and other current assets	260	243
Total current assets	5,978	5,003
Long-term assets		
Property, plant and equipment	4,838	4,765
Accumulated depreciation	(2,947)	(2,879)
Property, plant and equipment, net	1,891	1,886
Investments and advances related to equity method investees	689	574
Goodwill	365	364
Other intangible assets, net	219	228
Deferred income taxes	313	436
Other assets	417	325
Total assets	\$ 9,872	\$ 8,816

LIABILITIES

Current liabilities

Loans payable	\$ 98	\$ 37
Accounts payable (principally trade)	1,339	957
Current portion of accrued product warranty	396	426
Accrued compensation, benefits and retirement costs	452	366
Deferred revenue	166	128
Other accrued expenses	620	518
Total current liabilities	3,071	2,432

Long-term liabilities

Long-term debt	732	637
Pensions	362	514
Postretirement benefits other than pensions	448	453
Other liabilities and deferred revenue	765	760
Total liabilities	5,378	4,796

EQUITY

Cummins Inc. shareholders' equity

Common stock, \$2.50 par value, 500 shares authorized, 221.8 and 222.0 shares issued	1,922	1,860
Retained earnings	4,135	3,575
Treasury stock, at cost, 24.0 and 20.7 shares	(967)	(731)
Common stock held by employee benefits trust, at cost, 2.2 and 3.0 shares	(27)	(36)
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(778)	(788)
Other	(86)	(107)
Total accumulated other comprehensive loss	(864)	(895)
Total Cummins Inc. shareholders' equity	4,199	3,773
Noncontrolling interests	295	247
Total equity	4,494	4,020
Total liabilities and equity	\$ 9,872	\$ 8,816

- (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)

	Nine months ended	
	September 26,	September 27,
In millions	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 749	\$ 194
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Restructuring and other charges, net of cash payments		21
Depreciation and amortization	239	238
Gain on fair value adjustment for consolidated investee	(12)
Deferred income taxes	83	(11)
Equity in income of investees, net of dividends	(95	) 56
Pension contributions in excess of expense	(114	) (49)
Other post-retirement benefits payments in excess of expense	(22	) (18)
Stock-based compensation expense	17	16
Translation and hedging activities	10	33
Changes in current assets and liabilities, net of acquisitions and divestitures:		
Accounts and notes receivable	(198	) 89
Inventories	(524	) 360
Other current assets	(16)	32
Accounts payable	336	(155)
Accrued expenses	102	(185)

Changes in long-term liabilities	97	103	
Other, net	(33	) 6	
Net cash provided by operating activities	619	730	
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(170	) (204)
Investments in internal use software	(28	) (24)
Proceeds from disposals of property, plant and equipment	46	8	
Investments in and advances to equity investees	(17	) (5)
Acquisition of businesses, net of cash acquired	(77	) (2)
Investments in marketable securities--acquisitions	(560	) (234)
Investments in marketable securities--liquidations	452	171	
Purchases of other investments	(54	) (54)
Cash flows from derivatives not designated as hedges	2	(21)
Other, net		1	
Net cash used in investing activities	(406	) (364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	163	11	
Payments on borrowings and capital lease obligations	(64	) (60)
Net borrowings under short-term credit agreements	(4	) (4)
Distributions to noncontrolling interests	(21	) (16)
Dividend payments on common stock	(120	) (106)
Proceeds from sale of common stock held by employee benefit trust	52	54	
Repurchases of common stock	(241)	
Other, net	25	1	
Net cash used in financing activities	(210	) (120)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	4	14	
Net increase in cash and cash equivalents	7	260	

Cash and cash equivalents at beginning of year	930	426
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 937	\$ 686

(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 Generation	Components	Distribution	Non-segment Items (1)	Total
In millions						
Three months ended September 26, 2010						
External sales	\$ 1,727	\$ 564	\$ 540	\$ 570	\$ -	\$ 3,401
Intersegment sales	342	227	229	3	(801)	-
Total sales	2,069	791	769	573	(801)	3,401
Depreciation and amortization (2)	42	10	20	5	-	77
Research, development and engineering expenses	65	8	30	-	-	103
Equity, royalty and interest income from investees	37	12	6	33	-	88
Interest income	3	2	-	1	-	6
Segment EBIT	223	97	63	74	(8)	449

Three months
ended June
27, 2010

External sales	\$ 1,595	\$ 518	\$ 522	\$ 573	\$ -	\$ 3,208
Intersegment sales	304	190	207	3	(704)	-
Total sales	1,899	708	729	576	(704)	3,208
Depreciation and amortization (2)	42	11	21	7	-	81
Research, development and engineering expenses	62	8	26	-	-	96
Equity, royalty and interest income from investees	52	9	6	30	-	97
Interest income	2	1	1	1	-	5
Segment EBIT	197	76	75	69	(16)	401

Three months
ended
September 27,
2009

External sales	\$ 1,270	\$ 444	\$ 395	\$ 421	\$ -	\$ 2,530
Intersegment sales	169	105	196	1	(471)	-
Total sales	1,439	549	591	422	(471)	2,530
Depreciation and amortization (2)	49	13	18	5	-	85
Research, development and engineering expenses	59	9	22	-	-	90
Equity, royalty and interest income from	16	5	4	32	-	57

investees

Restructuring and other charges	-	-	-	-	22	22
Interest income	1	-	1	-	-	2
Segment EBIT	61	23	31	55	(15)	155
Nine months ended September 26, 2010						
External sales	\$ 4,495	\$ 1,460	\$ 1,515	\$ 1,617	\$ -	\$ 9,087
Intersegment sales	896	556	613	8	(2,073)	-
Total sales	5,391	2,016	2,128	1,625	(2,073)	9,087
Depreciation and amortization (2)	125	31	61	19	-	236
Research, development and engineering expenses	187	23	81	-	-	291
Equity, royalty and interest income from investees	124	27	17	93	-	261
Interest income	7	4	1	2	-	14
Segment EBIT	553	207	195	215	(54)	1,116
Nine months ended September 27, 2009						
External sales	\$ 3,608	\$ 1,402	\$ 1,096	\$ 1,294	\$ -	\$ 7,400
Intersegment sales	629	414	527	4	(1,574)	-
Total sales	4,237	1,816	1,623	1,298	(1,574)	7,400
Depreciation and amortization	135	35	53	14	-	237

(2)

Research, development and engineering expenses	168	25	61	-	-	254
Equity, royalty and interest income from investees	30	16	9	92	-	147
Restructuring and other charges	-	-	-	-	95	95
Interest income	2	1	1	1	-	5
Segment EBIT	41	133	22	168	(72)	292

- Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three and nine months ended September 26, 2010, unallocated corporate expenses included \$32 million in Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. In the third quarter of 2010, it was determined that we overpaid a Brazilian revenue based tax during the period of 2004-2008. Our
- (1) results include a pre-tax recovery related to tax credits on imported products arising from this overpayment. This recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the quarter. For the three and nine months ended September 27, 2009, unallocated corporate expenses included \$22 million and \$95 million of restructuring and other charges and an \$8 million and \$5 million gain related to flood damage expenses, respectively.

- Depreciation and amortization as shown on a segment basis excludes the
- (2) 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 Statements of Income is shown in the table below:

Three months ended

Nine months ended

	September 26,	June 27,	September 27,	September 26,	September 27,
In millions	2010	2010	2009	2010	2009
Segment EBIT	\$ 449	\$ 401	\$ 155	\$ 1,116	\$ 292
Less:					
Interest expense	11	9	9	29	26
Income before income taxes	\$ 438	\$ 392	\$ 146	\$ 1,087	\$ 266

FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes, noncontrolling interests and restructuring and other charges

We define EBIT as earnings or loss before interest expense, income tax expense, noncontrolling interests in income of consolidated subsidiaries and restructuring and other charges (EBIT). 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 "Net income attributable to Cummins Inc.," for each of the applicable periods:

	Three months ended			Nine months ended		
	September 26,	June 27,	September 27,	September 26,	September 27,	
In millions	2010	2010	2009	2010	2009	
Earnings before interest expense, income taxes and restructuring and other charges	\$ 449	\$ 401	\$ 177	\$ 1,116	\$ 387	
Earnings before interest expense, income taxes and restructuring	13.2	% 12.5	% 7.0	% 12.3	% 5.2	%

and other
charges as a
percentage of
sales

Less:

Restructuring and other charges			22		95	
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Earnings before interest and income taxes	\$ 449	\$ 401	\$ 155	\$ 1,116	\$ 292	
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EBIT as a percentage of net sales	13.2	% 12.5	% 6.1	% 12.3	% 3.9	%
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Less:

Interest expense	11	9	9	29	26	
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Income tax expense	129	122	36	338	72	
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Consolidated net income	309	270	110	749	194	
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Less:

Net income attributable to noncontrolling interests	26	24	15	71	36	
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Net income attributable to Cummins Inc.	\$ 283	\$ 246	\$ 95	\$ 678	\$ 158	
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Net income attributable to Cummins Inc. as a percentage of net sales	8.3	% 7.7	% 3.8	% 7.5	% 2.1	%
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Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring and other charges

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to restructuring. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the

United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. excluding restructuring and other charges to "Net income attributable to Cummins Inc." for the three and nine months ended September 27, 2009. There were no restructuring actions taken in the three or nine months ended September 26, 2010 or three months ended June 27, 2010.

	Three months ended		Nine months ended	
	September 27, 2009		September 27, 2009	
In millions	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc. excluding restructuring and other charges	\$ 110	\$ 0.56	\$ 221	\$ 1.12
Less:				
Restructuring and other charges, net(1)	15	0.08	63	0.32
Net income attributable to Cummins Inc.	\$ 95	\$ 0.48	\$ 158	\$ 0.80

(1) During the three and nine months ended September 27, 2009, management approved and committed to undertake actions, which resulted in a pretax charge of \$22 million and \$95 million, respectively. These charges included employee-related liabilities for severance and benefits of approximately \$10 million and \$76 million, net of changes in estimate and exit costs of approximately zero and \$7 million, and pension and other post retirement benefit curtailment charges of \$12 million and \$12 million, for the three and nine months ended, respectively.

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 for the interim reporting periods was as follows:

Three months ended			Nine months ended	
September 26,	June 27,	September 27,	September 26,	September 27,

In millions	2010	2010	2009	2010	2009
Distribution Entities					
North American distributors	\$ 26	\$ 23	\$ 25	\$ 72	\$ 74
All other distributors	5	4	4	13	11
Manufacturing Entities					
Dongfeng Cummins Engine Company, Ltd.	24	34	11	76	18
Chongqing Cummins Engine Company, Ltd.	12	13	8	35	28
All other manufacturers	14	15	5	43	5
Cummins share of net income	81	89	53	239	136
Royalty and interest income	7	8	4	22	11
Equity, royalty and interest income from investees	\$ 88	\$ 97	\$ 57	\$ 261	\$ 147

NOTE 2. OTHER INCOME (EXPENSE)

Other income (expense) included the following:

	Three months ended			Nine months ended	
	September 26,	June 27,	September 27,	September 26,	September 27,
In millions	2010	2010	2009	2010	2009
Change in cash surrender value of	\$ 11	\$ 1	\$ 3	\$ 11	\$ 1

corporate owned life insurance					
Dividend income	2	2	1	5	3
Gain on acquisition of Cummins Western Canada (CWC)	-	-	-	12	-
Bank charges	(4)	(4)	(3)	(11)	(10)
Foreign currency (losses) gains, net	(5)	2	(1)	4	(18)
Other, net	4	(1)	6	4	14
Total other income (expense), net	\$ 8	\$ -	\$ 6	\$ 25	\$ (10)

NOTE 3. INCOME TAXES

Our effective tax rate for the year is expected to approximate 30 percent, absent any additional discrete period activity. Our tax rate is generally less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income. The tax rates for the three and nine month periods ended September 26, 2010, were 30 percent and 31 percent. In July 2010, the United Kingdom passed tax legislation which reduces our U.K. tax rate from 28 percent to 27 percent beginning in 2011. While the reduced tax rate will benefit future operations, we had an additional charge to our third quarter tax provision of approximately \$2 million to reduce the value of our U.K. deferred tax assets. The tax rate for the nine month period includes a discrete tax charge of \$7 million related to the enactment of the "Patient Protection and Affordable Care Act."

In August 2010, the U.S. passed the "Education Jobs and Medicaid Assistance Act" containing a number of international tax provisions which limit the foreign tax credits that can be claimed by U.S. corporations. In the third quarter, we also considered the unremitted earnings of certain German and Indian subsidiaries of our U.K. group to be permanently reinvested. Neither of these items had a material impact to our tax rate.

Our effective tax rates for the comparable prior year periods were 25 percent and 27 percent, respectively. These rates were less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income.

Sales

2010

In millions	Q1	Q2	Q3	Q4	YTD
Engine business					
Heavy-duty truck	\$ 252	\$ 340	\$ 395	\$	\$ 987
Medium-duty bus and truck	217	352	430		999
Light-duty auto and RV	207	296	239		742
Industrial	577	656	700		1,933
Stationary power	170	255	305		730
Total Engine business	1,423	1,899	2,069		5,391
Power Generation	517	708	791		2,016
Components	630	729	769		2,128
Distribution	476	576	573		1,625
Eliminations	(568)	(704)	(801)		(2,073)
Total	\$ 2,478	\$ 3,208	\$ 3,401	\$	\$ 9,087

2009

In millions	Q1	Q2	Q3	Q4	YTD
Engine business					
Heavy-duty truck	\$ 394	\$ 395	\$ 493	\$ 714	\$ 1,996
Medium-duty bus and truck	229	240	294	469	1,232
Light-duty auto and RV	156	94	120	318	688
Industrial	467	440	407	507	1,821
Stationary power	246	137	125	160	668
Total Engine business	1,492	1,306	1,439	2,168	6,405
Power Generation	657	610	549	601	2,417
Components	530	502	591	732	2,355
Distribution	413	463	422	486	1,784
Eliminations	(653)	(450)	(471)	(587)	(2,161)
Total	\$ 2,439	\$ 2,431	\$ 2,530	\$ 3,400	\$ 10,800

Engine Shipments

2010

Units	Q1	Q2	Q3	Q4	YTD
Mid-range	69,100	90,500	93,500		253,100
Heavy-duty	8,700	14,500	15,200		38,400
High horsepower	3,400	4,800	4,900		13,100
Total	81,200	109,800	113,600		304,600

2009

Units	Q1	Q2	Q3	Q4	YTD
Mid-range	60,600	49,200	58,800	100,600	269,200
Heavy-duty	16,600	16,400	20,600	32,300	85,900
High horsepower	3,900	3,200	2,600	3,700	13,400
Total	81,100	68,800	82,000	136,600	368,500

Source: Cummins Inc.