

February 6, 2014



Cummins Announces Results for 2013; Shares Expectations for Revenue and EBIT Growth in 2014 and Reaffirms Commitment to Increase Cash Returned to Shareholders

COLUMBUS, IN -- (Marketwired) -- 02/06/14 --

- ***Fourth quarter revenues of \$4.6 billion, EBIT of 12.3 percent of sales***
- ***2013 revenues of \$17.3 billion, EBIT of 12.5 percent of sales***
- ***Expects 2014 revenue to grow between 4 and 8 percent and EBIT to be in the range of 12.75 to 13.25 percent of sales***
- ***Plans to return 50 percent of Operating Cash Flow to shareholders in 2014***

Cummins Inc. (NYSE: CMI) today reported results for the fourth quarter and full year 2013.

Fourth quarter revenue of \$4.6 billion increased 7 percent from the same quarter in 2012. The increase year-over-year was driven by higher revenues in North America, China and Brazil partially offset by weaker sales in Mexico, India and Australia.

Earnings before interest and taxes (EBIT) were \$566 million for the fourth quarter or 12.3 percent of sales. This compares to \$532 million or 12.4 percent of sales a year ago, excluding restructuring costs.

Net income attributable to Cummins in the fourth quarter was \$432 million (\$2.32 per diluted share), compared to \$404 million (\$2.14 per diluted share) in the fourth quarter of 2012 excluding restructuring charges. The effective tax rate in the fourth quarter of 2013 was 15.7 percent and reflects one-time benefits of \$0.18 per diluted share, and a lower than expected operating rate in the fourth quarter that contributed \$0.20 per diluted share.

Revenues for the full year were \$17.3 billion, flat with 2012. Revenues in North America increased 3 percent but were offset by international sales which declined by 4 percent.

Within international markets declines in Mexico, India, Australia and Europe offset growth in China and Brazil.

EBIT for the year was \$2.16 billion or 12.5 percent of sales, compared to \$2.35 billion or 13.6 percent of sales in 2012, excluding special items.

Net income attributable to Cummins for the full year was \$1.48 billion (\$7.91 per diluted share), down from \$1.68 billion (\$8.83 per diluted share) in 2012, excluding special items.

"We faced weak demand in important regions and end markets in 2013," said Tom Linebarger, Chairman and CEO. "Revenues for the year ended flat with 2012 as strong growth in the Components business, market share gains in the North American medium-duty truck market and distributor acquisitions offset weakness in global mining markets, international power generation and the North American heavy-duty truck market. I am pleased that in this environment of weak global growth, we were able to generate record cash flow from operations that allowed us to continue to invest in the business and increase the cash returned to shareholders by 34 percent in 2013. We expect revenues to grow between 4 percent and 8 percent in 2014, with earnings projected to grow faster than revenues and we expect to return to shareholders an amount of at least 50 percent of cash from operations."

Based on the current forecast, Cummins expects full year 2014 revenues to grow between 4 percent and 8 percent, with EBIT in the range of 12.75 - 13.25 percent of sales.

2013 highlights:

- The Company was named the 2013 Newsmaker of the Year award from Diesel Progress North American magazine for introducing a broad range of on- and off-highway engines and power systems
- The Company increased its dividend by 25 percent in the third quarter
- For the sixth consecutive year, Cummins has been named one of the world's most ethical companies by The Ethisphere Institute
- The Company repurchased 3.3 million shares in 2013
- Cummins was named one of the Top 50 companies for diversity by DiversityInc for the seventh consecutive year

Fourth quarter 2013 detail (all comparisons to same period in 2012)

Segment results and comparisons below exclude special items in 2012

Engine Segment

- Sales -- \$2.6 billion, up 2 percent
- Segment EBIT -- \$235 million, or 9.2 percent of sales, compared to \$272 million or 10.9 percent of sales

- Strong demand for construction equipment in international markets and increased demand for medium duty trucks in North America offset weakness in global mining markets and lower demand in the North American bus market

Components Segment

- Sales -- \$1.1 billion, up 21 percent
- Segment EBIT -- \$140 million, or 12.3 percent of sales, compared to \$84 million or 8.9 percent of sales
- Higher demand in on-highway markets in North America, Europe and China

Power Generation Segment

- Sales -- \$759 million, down 1 percent
- Segment EBIT -- \$46 million, or 6.1 percent of sales, compared to \$54 million or 7.1 percent of sales
- Lower revenues in Europe and India offset increased demand in North America and the Middle East

Distribution Segment

- Sales -- \$1.1 billion, up 18 percent, up 3 percent excluding acquisitions
- Segment EBIT -- \$107 million, or 10.0 percent of sales, compared to \$98 million or 10.8 percent of sales
- Higher revenues were primarily driven by acquisitions and stronger demand for power generation equipment and parts and service in the US

About Cummins

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins currently employs approximately 48,000 people worldwide and serves customers in approximately 190 countries and territories through a network of approximately 600 company-owned and independent distributor locations and approximately 6,500 dealer locations. Cummins earned \$1.48 billion on sales of \$17.3 billion in 2013. Press releases can be found on the Web at www.cummins.com. Follow Cummins on Twitter at @Cummins and on YouTube at CumminsInc.

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 our forecasts, guidance, preliminary results, expectations,

hopes, beliefs and intentions on strategies regarding the future. These forward looking statements include, without limitation, statements relating to our plans and expectations for our revenues for the full year of 2014. Our 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: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, including particularly in the Risk Factors section of our 2012 Annual Report on Form 10-K. 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 press release and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

Presentation of Non-GAAP Financial Information

EBIT is a non-GAAP measure used in this release, and 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. EST. 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.

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

In millions, except per share amounts	Three months ended		
	December 31, 2013	September 29, 2013	December 31, 2012
NET SALES	\$ 4,588	\$ 4,266	\$ 4,292
Cost of sales	3,424	3,157	3,234
GROSS MARGIN	1,164	1,109	1,058
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	500	492	482
Research, development and			

engineering expenses	181	173	174
Equity, royalty and interest income from investees (Note 1)	80	91	82
Other operating expense, net	(10)	(11)	(19)
OPERATING INCOME	553	524	465
Interest income	6	6	5
Interest expense	19	8	7
Other income, net	7	6	10
INCOME BEFORE INCOME TAXES	547	528	473
Income tax expense (Note 2)	86	154	75
CONSOLIDATED NET INCOME	461	374	398
Less: Net income attributable to noncontrolling interests	29	19	29
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 432	\$ 355	\$ 369
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 2.33	\$ 1.91	\$ 1.96
Diluted	\$ 2.32	\$ 1.90	\$ 1.95
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	185.7	186.0	188.4
Diluted	186.3	186.5	188.8
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.625	\$ 0.625	\$ 0.50

(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)

In millions, except per share amounts	Years ended December 31,	
	2013	2012
NET SALES	\$ 17,301	\$ 17,334
Cost of sales	12,918	12,826
GROSS MARGIN	4,383	4,508
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,920	1,900
Research, development and engineering expenses	713	728
Equity, royalty and interest income from		

investees (Note 1)	361	384
Gain on sale of businesses	-	6
Other operating expense, net	(10)	(16)
	-----	-----
OPERATING INCOME	2,101	2,254
Interest income	27	25
Interest expense	41	32
Other income, net	32	24
	-----	-----
INCOME BEFORE INCOME TAXES	2,119	2,271
Income tax expense (Note 2)	531	533
	-----	-----
CONSOLIDATED NET INCOME	1,588	1,738
Less: Net income attributable to noncontrolling interests	105	93
	-----	-----
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 1,483	\$ 1,645
	=====	=====
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 7.93	\$ 8.69
Diluted	\$ 7.91	\$ 8.67
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	187.0	189.3
Diluted	187.4	189.7
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 2.25	\$ 1.80

(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)

In millions, except par value	December 31, 2013	December 31, 2012
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,699	\$ 1,369
Marketable securities	150	247
	-----	-----
Total cash, cash equivalents and marketable securities	2,849	1,616
Accounts and notes receivable, net	2,649	2,475
Inventories	2,381	2,221
Prepaid expenses and other current assets	760	855
	-----	-----
Total current assets	8,639	7,167
	-----	-----
Long-term assets		
Property, plant and equipment, net	3,156	2,724

Investments and advances related to equity method investees	931	897
Goodwill and other intangibles, net	818	814
Other assets	1,184	946
	-----	-----
Total assets	\$ 14,728	\$ 12,548
	=====	=====
LIABILITIES		
Current liabilities		
Loans payable	\$ 17	\$ 16
Accounts payable (principally trade)	1,557	1,339
Accrued expenses	1,794	1,781
	-----	-----
Total current liabilities	3,368	3,136
	-----	-----
Long-term liabilities		
Long-term debt	1,672	698
Other liabilities	1,818	1,740
	-----	-----
Total liabilities	6,858	5,574
	-----	-----
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.4 shares issued	2,099	2,058
Retained earnings	8,406	7,343
Treasury stock, at cost, 35.6 and 32.6 shares	(2,195)	(1,830)
Common stock held by employee benefits trust, at cost, 1.3 and 1.5 shares	(16)	(18)
Accumulated other comprehensive loss	(784)	(950)
	-----	-----
Total Cummins Inc. shareholders' equity	7,510	6,603
Noncontrolling interests	360	371
	-----	-----
Total equity	7,870	6,974
	-----	-----
Total liabilities and equity	\$ 14,728	\$ 12,548
	=====	=====

(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)

	Years ended December 31,	

In millions	2013	2012
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	\$ 2,089	\$ 1,532
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(676)	(690)
Investments in internal use software	(64)	(87)
Investments in and advances to equity investees	(42)	(70)
Acquisition of businesses, net of cash acquired	(147)	(215)
Proceeds from sale of businesses, net of cash sold	-	10
Investments in marketable securities-acquisitions	(418)	(561)
Investments in marketable securities-liquidations	525	585
Proceeds from sale of equity investment	-	23
Purchases of other investments	(40)	-
Cash flows from derivatives not designated as hedges	1	12
Other, net	15	11
	-----	-----
Net cash used in investing activities	(846)	(982)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,004	64
Payments on borrowings and capital lease obligations	(90)	(145)
Net borrowings under short-term credit agreements	(3)	11
Distributions to noncontrolling interests	(75)	(62)
Dividend payments on common stock	(420)	(340)
Repurchases of common stock	(381)	(256)
Excess tax benefits on stock-based awards	13	14
Other, net	4	20
	-----	-----
Net cash provided by (used in) financing activities	52	(694)
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	35	29
	-----	-----
Net increase (decrease) in cash and cash equivalents	1,330	(115)
Cash and cash equivalents at beginning of year	1,369	1,484
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,699	\$ 1,369
	=====	=====

(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)

In millions	Engine	Components	Power Generation	Non- segment Distribution Items(1)	Total

Three months
ended
December 31,
2013

External sales	\$ 2,131	\$ 859	\$ 533	\$ 1,065	\$ -	\$4,588
Intersegment sales	431	276	226	8	(941)	-
	<hr/>					
Total sales	2,562	1,135	759	1,073	(941)	4,588
Depreciation and amortization (2)	49	25	13	14	-	101
Research, development and engineering expenses	106	53	20	2	-	181
Equity, royalty and interest income from investees	30	7	2	41	-	80
Interest income	3	1	1	1	-	6
Segment EBIT	235	140	46	107	38	566
Segment EBIT as a percentage of total sales	9.2%	12.3%	6.1%	10.0%		12.3%

Three months
ended
September
29, 2013

External sales	\$ 2,045	\$ 784	\$ 499	\$ 938	\$ -	\$4,266
Intersegment sales	447	288	213	6	(954)	-
	<hr/>					
Total sales	2,492	1,072	712	944	(954)	4,266
Depreciation and amortization (2)	53	24	13	15	-	105
Research, development and engineering expenses	103	51	18	1	-	173
Equity, royalty and interest income from investees	31	5	13	42	-	91
Interest income	4	1	1	-	-	6
Segment EBIT	272	132	45	86	1	536

Segment EBIT as a percentage of total sales	10.9%	12.3%	6.3%	9.1%	12.6%
Three months ended December 31, 2012					
External sales	\$ 2,177	\$ 662	\$ 549	\$ 904	\$ - \$4,292
Intersegment sales	329	277	216	3	(825) -
Total sales	2,506	939	765	907	(825) 4,292
Depreciation and amortization (2)	50	23	13	11	- 97
Research, development and engineering expenses	92	60	20	2	- 174
Equity, royalty and interest income from investees	27	6	8	41	- 82
Interest income	2	-	2	1	- 5
Segment EBIT	252	78	42	84	24 480
Add back restructuring charges	20	6	12	14	- 52
Segment EBIT excluding restructuring charges	272	84	54	98	24 532
Segment EBIT as a percentage of total sales	10.1%	8.3%	5.5%	9.3%	11.2%
Segment EBIT excluding restructuring charges as a percentage of sales	10.9%	8.9%	7.1%	10.8%	12.4%

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended December 31, 2013 and September 29, 2013. The three months ended December 31, 2012, included a \$20 million charge (\$12 million after-tax) related to legal

matters. The charge was excluded from segment results as it was not considered in our evaluation of operating results for the corresponding period. There were no other significant unallocated corporate expenses.

(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						
SEGMENT INFORMATION						
(Unaudited)						
In millions	Engine	Components	Power Generation	Distribution	Non- segment Items(1)	Total

Year ended December 31, 2013						
External sales	\$ 8,270	\$ 3,151	\$ 2,154	\$ 3,726	\$ -	\$ 17,301
Intersegment sales	1,743	1,191	877	23	(3,834)	-
	-----	-----	-----	-----	-----	-----
Total sales	10,013	4,342	3,031	3,749	(3,834)	17,301
Depreciation and amortization(2)	205	96	50	54	-	405
Research, development and engineering expenses	416	218	73	6	-	713
Equity, royalty and interest income from investees	136	28	32	165	-	361
Interest income	16	3	6	2	-	27
Segment EBIT	1,041	527	218	388	(3) (14)	2,160
Segment EBIT as a percentage of total sales	10.4%	12.1%	7.2%	10.3%		12.5%
Year ended December 31, 2012						
External sales	\$ 9,101	\$ 2,809	\$ 2,163	\$ 3,261	\$ -	\$ 17,334
Intersegment sales	1,632	1,203	1,105	16	(3,956)	-
	-----	-----	-----	-----	-----	-----
Total sales	10,733	4,012	3,268	3,277	(3,956)	17,334
Depreciation and amortization(2)	192	82	47	34	-	355
Research,						

development and engineering expenses	433	213	76	6	-	728
Equity, royalty and interest income from investees	127	29	40	188	-	384
Interest income	11	3	9	2	-	25
Segment EBIT	1,248	426	285	369	(3)	(25) 2,303
Add back restructuring charges	20	6	12	14	-	52
Segment EBIT excluding restructuring charges	1,268	432	297	383	(25)	2,355
Segment EBIT as a percentage of total sales	11.6%	10.6%	8.7%	11.3%		13.3%
Segment EBIT excluding restructuring charges as a percentage of sales	11.8%	10.8%	9.1%	11.7%		13.6%

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the year ended December 31, 2013. The year ended December 31, 2012, included a \$20 million charge (\$12 million after-tax) related to legal matters and a \$6 million gain (\$4 million after-tax) related to adjustments from our 2011 divestitures. The gain and the charge were excluded from segment results as they were not considered in our evaluation of operating results for the corresponding periods. There were no other significant unallocated corporate expenses.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount of \$2 million and \$6 million at December 31, 2013 and 2012, respectively. These amounts were included in the *Condensed Consolidated Statements of Income* as "Interest expense."

(3) Distribution segment EBIT for the year ended December 31, 2013, included a \$7 million gain and \$5 million gain on the fair value adjustment resulting from the acquisitions of a controlling interest in Cummins Northwest LLC and Cummins Rocky Mountain LLC, respectively. Distribution segment EBIT for the year ended December 31, 2012, included a \$7 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Central Power.

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			Years ended	
	December 31, 2013	September 29, 2013	December 31, 2012	December 31, 2013	December 31, 2012
In millions					
EBIT excluding restructuring charges	\$ 566	\$ 536	\$ 532	\$ 2,160	\$ 2,355
Add:					
Restructuring charges	-	-	(52)	-	(52)
Total EBIT	\$ 566	\$ 536	\$ 480	\$ 2,160	\$ 2,303
Less: Interest expense	19	8	7	41	32
Income before income taxes	\$ 547	\$ 528	\$ 473	\$ 2,119	\$ 2,271

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 reporting periods was as follows:

	Three months ended			Years ended	
	December 31, 2013	September 29, 2013	December 31, 2012	December 31, 2013	December 31, 2012
In millions					
Distribution Entities					
North American distributors	\$ 31	\$ 34	\$ 32	\$ 129	\$ 147
Komatsu Cummins Chile, Ltda.	8	6	6	25	26
All other distributors	-	1	1	1	4
Manufacturing Entities					
Dongfeng Cummins Engine Company, Ltd.	18	13	10	63	52
Chongqing Cummins Engine Company, Ltd.	14	15	12	58	61
Beijing Foton Cummins Engine Co., Ltd.					

(Heavy-duty) Beijing Foton Cummins Engine Co., Ltd.	(7)	(4)	(4)	(21)	(13)
(Light-duty) Shanghai Fleetguard Filter Co., Ltd.	3	4	2	17	5
Tata Cummins, Ltd.	2	4	3	13	13
Cummins Westport, Inc.	1	1	4	5	11
All other manufacturers	(1)	2	3	4	14
	2	7	6	31	27
<hr/>					
Cummins share of net income	71	83	75	325	347
Royalty and interest income	9	8	7	36	37
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Equity, royalty and interest income from investees	\$ 80	\$ 91	\$ 82	\$ 361	\$ 384
	=====	=====	=====	=====	=====

NOTE 2. INCOME TAXES

Our income tax rates are generally less than the 35 percent U.S. income tax rate primarily because of lower taxes on foreign earnings and research tax credits. Our effective tax rate for the fourth quarter and full year of 2013 was 15.7 percent and 25.1 percent, respectively. We recorded \$70 million or \$0.38 per share of tax benefits in the fourth quarter of 2013.

Fourth quarter 2013 income tax provision is net of the following items:

One-time impacts of foreign legal entity restructuring activities	\$ 16
One-time impact of reconciliation of state income tax provision to tax return	17
Lower operating rate primarily resulting from recognition of state and federal research and development credits and the recurring impacts of foreign legal entity restructuring activities	37
	<hr/>
Total	\$ 70
	=====

The full year one-time tax items included these fourth quarter items, as well as a \$7 million third quarter one-time net tax expense related primarily to adjustments to our income tax accounts based on our 2012 tax return filings, a first quarter one-time tax benefit of \$28 million attributable to the reinstatement of the research credit back to 2012 and a one-time tax expense in the first quarter of 2013 of \$17 million, which primarily relates to the write-off of a deferred tax asset deemed unrecoverable. Our effective tax rate for the fourth quarter and full year of 2012 was 16.1 percent and 23.5 percent, respectively.

A reconciliation of the U.S. federal income tax rate of 35 percent to the actual effective tax rate is as follows:

	Years ended December 31,	
	2013	2012
U.S. federal statutory rate	35.0%	35.0%
State income tax, net of federal effect	0.2	1.0
Research tax credits	(3.7)	(0.4)
Differences in rates and taxability of foreign subsidiaries and joint ventures	(6.0)	(12.1)
Other, net	(0.4)	-
Effective tax rate	25.1%	23.5%

We expect our 2014 effective tax rate to be 28.5 percent excluding any discrete items that may arise. The research tax credit expired December 31, 2013, and has not yet been renewed by Congress. If the research credit is reinstated during 2014, we would anticipate the 2014 effective tax rate to be reduced to 27 percent. The increase in the effective tax rate from 2013 to 2014 is attributable primarily to one-time tax benefits in 2013 that will not repeat in 2014 as well as changes in tax legislation in the U.S. and U.K. that will unfavorably impact our 2014 effective tax rate.

CUMMINS INC. AND SUBSIDIARIES
FINANCIAL MEASURES THAT SUPPLEMENT GAAP
(Unaudited)

Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding special items

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to special items including tax adjustments, restructuring charges and gain on sale of businesses. 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. to net income attributable to Cummins Inc. excluding special items for the following periods:

	Three months ended					
	December 31, 2013		September 29, 2013		December 31, 2012	
In millions	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc.	\$ 432	\$ 2.32	\$ 355	\$ 1.90	\$ 369	\$ 1.95
Add						
Restructuring charges (1)	-	-	-	-	35	0.19

Less						
Tax items (2)	70	0.38	(7)	(0.04)	39	0.21
	-----	-----	-----	-----	-----	-----
Net income attributable to Cummins Inc. excluding special items	\$ 362	\$ 1.94	\$ 362	\$ 1.94	\$ 365	\$ 1.93
	=====	=====	=====	=====	=====	=====

In millions	Years ended			
	December 31, 2013		December 31, 2012	
	Net Income	Diluted EPS	Net Income	Diluted EPS
	-----	-----	-----	-----
Net income attributable to Cummins Inc.	\$ 1,483	\$ 7.91	\$ 1,645	\$ 8.67
Add				
Restructuring charges (1)	-	-	35	0.18
Less				
Tax items (2)	74	0.39	55	0.29
Gain on sale of businesses (3)	-	-	4	0.02
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Net income attributable to Cummins Inc. excluding special items	\$ 1,409	\$ 7.52	\$ 1,621	\$ 8.54
	=====	=====	=====	=====

(1) In the fourth quarter of 2012, we recorded restructuring and other charges of \$52 million (\$35 million after tax).

(2) See Note 2, "INCOME TAXES."

The one-time tax benefits for the three months and full year ended December 31, 2012, related primarily to benefits resulting from transactions entered into and elections made with respect to our U.K. operations. The full year also included a \$16 million one-time tax benefit from the third quarter, \$6 million of which related to a dividend distribution of accumulated foreign income earned in prior years. These one-time tax adjustments also included a one-time tax benefit of \$13 million for prior year tax return true-up adjustments and a one-time tax charge of \$3 million related to the third quarter enactment of U.K. tax law changes.

(3) In the second quarter of 2012, we recognized a \$6 million gain (\$4 million after-tax) related to adjustments from our 2011 divestitures. The gains have been excluded from operating results as they were not considered in our evaluation of performance for the year ended December 31, 2012.

Earnings before interest, taxes and noncontrolling interests

We define EBIT as earnings before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (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			Years ended	
In millions	December 31, 2013	September 29, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Earnings before interest expense, income taxes and special items	\$ 566	\$ 536	\$ 532	\$ 2,160	\$ 2,349
Earnings before interest expense, income taxes and special items as a percentage of net sales	12.3%	12.6%	12.4%	12.5%	13.6%
Less					
Restructuring charges	-	-	52	-	52
Add					
Gain on sale of businesses	-	-	-	-	6
Earnings before interest expense and income taxes	\$ 566	\$ 536	\$ 480	\$ 2,160	\$ 2,303
EBIT as a percentage of net sales	12.3%	12.6%	11.2%	12.5%	13.3%
Less					
Interest expense	19	8	7	41	32
Income tax expense	86	154	75	531	533
Consolidated net income	461	374	398	1,588	1,738
Less					
Net income attributable to noncontrolling interests	29	19	29	105	93
Net income attributable to Cummins Inc.	\$ 432	\$ 355	\$ 369	\$ 1,483	\$ 1,645
Net income attributable to Cummins Inc. as a percentage of net sales	9.4%	8.3%	8.6%	8.6%	9.5%

CUMMINS INC. AND SUBSIDIARIES
BUSINESS UNIT SALES DATA
(Unaudited)

Engine segment net sales by market

2013

In millions	Q1	Q2	Q3	Q4	YTD
	-----	-----	-----	-----	-----
Heavy-duty truck	\$ 654	\$ 723	\$ 690	\$ 638	\$ 2,705
Medium-duty truck and bus	448	595	570	572	2,185
Light-duty automotive and RV	260	345	330	365	1,300
Industrial	714	762	709	811	2,996
Stationary power	227	231	193	176	827
	-----	-----	-----	-----	-----
Total sales	\$ 2,303	\$ 2,656	\$ 2,492	\$ 2,562	\$ 10,013
	=====	=====	=====	=====	=====

2012

In millions	Q1	Q2	Q3	Q4	YTD
	-----	-----	-----	-----	-----
Heavy-duty truck	\$ 892	\$ 807	\$ 656	\$ 609	\$ 2,964
Medium-duty truck and bus	526	512	478	575	2,091
Light-duty automotive and RV	286	297	353	343	1,279
Industrial	861	859	766	747	3,233
Stationary power	294	366	274	232	1,166
	-----	-----	-----	-----	-----
Total sales	\$ 2,859	\$ 2,841	\$ 2,527	\$ 2,506	\$ 10,733
	=====	=====	=====	=====	=====

Unit shipments by engine classification (including unit shipments to Power Generation)

2013

Units	Q1	Q2	Q3	Q4	YTD
	-----	-----	-----	-----	-----
Midrange	94,600	121,900	113,800	115,700	446,000
Heavy-duty	24,900	28,300	26,500	25,700	105,400
High-horsepower	4,200	3,600	3,500	3,500	14,800
	-----	-----	-----	-----	-----
Total units	123,700	153,800	143,800	144,900	566,200
	=====	=====	=====	=====	=====

2012

Units	Q1	Q2	Q3	Q4	YTD
	-----	-----	-----	-----	-----
Midrange	109,000	110,000	113,000	108,500	440,500
Heavy-duty	36,000	33,000	26,000	24,100	119,100
High-horsepower	5,500	5,800	4,600	3,900	19,800
	-----	-----	-----	-----	-----
Total units	150,500	148,800	143,600	136,500	579,400
	=====	=====	=====	=====	=====

Component segment sales by business

2013

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 400	\$ 444	\$ 458	\$ 489	\$ 1,791
Turbo technologies	266	294	263	292	1,115
Filtration	255	271	248	254	1,028
Fuel systems	97	108	103	100	408
Total sales	\$ 1,018	\$ 1,117	\$ 1,072	\$ 1,135	\$ 4,342

2012					
In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$ 404	\$ 349	\$ 325	\$ 337	\$ 1,415
Turbo technologies	298	297	257	254	1,106
Filtration	270	266	260	252	1,048
Fuel systems	127	124	96	96	443
Total sales	\$ 1,099	\$ 1,036	\$ 938	\$ 939	\$ 4,012

CUMMINS INC. AND SUBSIDIARIES
BUSINESS UNIT SALES DATA
(Unaudited)

Our Power Generation segment changed the name of the generator technologies business to alternators in the fourth quarter of 2013. Power Generation segment sales by business were as follows:

2013					
In millions	Q1	Q2	Q3	Q4	YTD
Power products	\$ 409	\$ 474	\$ 421	\$ 421	\$ 1,725
Power systems	179	187	122	168	656
Alternators	126	125	126	119	496
Power solutions	32	28	43	51	154
Total sales	\$ 746	\$ 814	\$ 712	\$ 759	\$ 3,031

2012					
In millions	Q1	Q2	Q3	Q4	YTD
Power products	\$ 375	\$ 459	\$ 425	\$ 395	\$ 1,654
Power systems	188	217	174	178	757
Alternators	141	160	138	127	566
Power solutions	76	73	77	65	291
Total sales	\$ 780	\$ 909	\$ 814	\$ 765	\$ 3,268

Distribution segment sales by business

2013					
In millions	Q1	Q2	Q3	Q4	YTD

Parts and filtration	\$ 322	\$ 369	\$ 377	\$ 397	\$ 1,465
Power generation	163	241	234	293	931
Engines	152	183	170	208	713
Service	141	161	163	175	640
Total sales	\$ 778	\$ 954	\$ 944	\$ 1,073	\$ 3,749

2012					
In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 288	\$ 302	\$ 326	\$ 319	\$ 1,235
Power generation	186	201	178	242	807
Engines	166	147	157	195	665
Service	135	144	140	151	570
Total sales	\$ 775	\$ 794	\$ 801	\$ 907	\$ 3,277

The following files are available for download:

- [PDF](#)

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Source: Cummins Inc.