

February 2, 2012



Cummins Announces Record Revenue and Profits for 2011, with Revenue Growth of 36 Percent and EBIT Increasing by 54 Percent

- **Strong fourth quarter results as revenue grows 19 percent and EBIT increases 25 percent**
- **Expects 10 percent revenue growth in 2012 and EBIT to improve to a range of 14.5 to 15 percent of sales**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported record sales, profits and cash flow from operations for all of 2011 as well as strong results for the fourth quarter.

Fourth quarter revenue of \$4.9 billion increased 19 percent from the same quarter in 2010 and set a new quarterly record for the Company. The increase year-over-year was driven by higher demand in truck, construction, power generation and oil and gas markets in North America. The Company also experienced strong growth in global mining markets. Growth in these markets offset weaker demand in the construction market in China and power generation in India.

Net income attributable to Cummins in the fourth quarter was \$548 million (\$2.86 per diluted share). Excluding the gain from the disposition of the light duty filtration business (\$0.17 per diluted share) and the previously announced insurance settlement related to the 2008 flood in Indiana (\$0.13 per diluted share), the Company reported net income of \$491 million (\$2.56 per diluted share) with a tax rate of 22.8 percent for the quarter.

Earnings before interest and taxes (EBIT) was \$768 million for the fourth quarter. Excluding the special items noted above, EBIT was \$677 million or 13.8 percent of sales. This represents a 25 percent growth in earnings year-over-year.

Revenue for the full year was \$18 billion, up 36 percent from 2010, with strong growth in most geographic regions.

Net income attributable to Cummins for the full year was \$1.85 billion (\$9.55 per diluted

share), up from \$1.04 billion (\$5.28 per diluted share) in 2010. Excluding the benefit from the gains on divestiture of two businesses within the Components segment (\$0.36 per diluted share), and the flood insurance settlement (\$0.12 per diluted share), the Company reported full year net income of \$1.75 billion (\$9.07 per diluted share) with a tax rate of 26.3 percent for the year.

EBIT for the year, excluding special items, was \$2.56 billion or 14.2% of sales, compared to \$1.66 billion or 12.5% of sales in 2010.

“Cummins had its best year ever in 2011, despite economic uncertainty in a number of regions. We continue to benefit from our leading position in a number of end markets and geographies,” said Tom Linebarger, Chairman and Chief Executive Officer. “Revenue in the United States grew 53 percent and international revenue grew 27 percent year-over-year. In fact, we experienced record full year revenues in North America, Brazil, China, India and a number of other important markets.”

Based on the current forecast, Cummins anticipates that total Company revenues will increase 10 percent in 2012, with EBIT in the range of 14.5 to 15 percent of sales.

“Our 2011 results and our forecast for 2012 reaffirms our confidence in reaching our goal of achieving \$30 billion in sales and 18 percent EBIT in 2015,” Linebarger said.

Other highlights from 2011:

- Cash flow from operations more than doubled to \$2.1 billion.
- Cummins unveiled a new high horsepower engine, the QSK95, in Seymour, Ind., that will be the world’s most powerful high-speed diesel engine.
- The Company increased its dividend by 52 percent and repurchased 6.4 million shares.
- Cummins’ performance was recognized by the three major credit rating agencies, all of which upgraded the Company’s ratings.

Fourth quarter detail (all comparisons to same period in 2010)

Engine Segment

- Sales – \$3.1 billion, up 23 percent
- Segment EBIT – \$368 million, or 12.0 percent of sales, compared to \$256 million or 10.3 percent of sales
- Improved demand for North American on-highway heavy duty, midrange and light duty engines
- Strong demand for oil and gas engines in North America and mining engines globally

Components

- Sales - \$1.1 billion, an increase of 19 percent
- Segment EBIT - \$132 million, or 12.1 percent of sales, compared to \$83 million or 9.0

percent of sales

- Record quarter driven by increased demand in North America
- Europe, India and Brazil showed year-over-year growth offsetting weaker demand in China

Power Generation

- Sales – \$920 million, up 2 percent
- Segment EBIT – \$87 million, or 9.5 percent of sales, compared to \$92 million or 10.2 percent of sales
- Commercial products business sales increase because of stronger demand in most regions
- Improved demand in North America, China and Europe

Distribution

- Sales – \$834 million, up 19 percent
- Segment EBIT – \$87 million, or 10.4 percent of sales, compared to \$82 million or 11.7 percent of sales
- Revenue increase driven by strong growth in Asia Pacific region, power generation demand in North America and oil and gas and mining markets

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 employs approximately 44,000 people worldwide and serves customers in approximately 190 countries and territories through a network of more than 600 company-owned and independent distributor locations and approximately 6,500 dealer locations. Cummins earned \$1.85 billion on sales of \$18.0 billion in 2011. Press releases can be found on the Web at www.cummins.com.

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, expectations, hopes, beliefs and intentions on strategies regarding the future. 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 2010 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, 2011	September 25, 2011	December 31, 2010
NET SALES	\$ 4,921	\$ 4,626	\$ 4,139
Cost of sales	3,680	3,438	3,155
GROSS MARGIN	1,241	1,188	984
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	496	489	423
Research, development and engineering expenses	179	164	123
Equity, royalty and interest income from investees (Note 1)	101	102	90
Gain on sale of businesses (Note 2)	53	-	-
Other operating (expense) income, net (Note 3)	25	2	(3)
OPERATING INCOME	745	639	525
Interest income	9	9	7
Interest expense	10	11	11
Other income (expense), net	14	(8)	9
INCOME BEFORE INCOME TAXES	758	629	530
Income tax expense (Note 4)	186	157	139
CONSOLIDATED NET INCOME	572	472	391
Less: Net income attributable to noncontrolling interests	24	20	29
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 548	\$ 452	\$ 362

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.

Basic	\$	2.87	\$	2.35	\$	1.85
Diluted	\$	2.86	\$	2.35	\$	1.84
WEIGHTED AVERAGE SHARES OUTSANDING						
Basic		190.9		192.1		195.8
Diluted		191.5		192.7		196.4
CASH DIVIDENDS DECLARED PER COMMON SHARE						
	\$	0.40	\$	0.40	\$	0.2625

(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 STATEMENTS OF INCOME
Unaudited (a)

In millions, except per share amounts	For the years ended	
	December 31, 2011	December 31, 2010
NET SALES	\$ 18,048	\$ 13,226
Cost of sales	13,459	10,058
GROSS MARGIN	<u>4,589</u>	<u>3,168</u>
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,837	1,487
Research, development and engineering expenses	629	414
Equity, royalty and interest income from investees (Note 1)	416	351
Gain on sale of businesses (Note 2)	121	-
Other operating (expense) income, net (Note 3)	21	(16)
OPERATING INCOME	<u>2,681</u>	<u>1,602</u>
Interest income	34	21
Interest expense	44	40
Other income (expense), net	-	34
INCOME BEFORE INCOME TAXES	<u>2,671</u>	<u>1,617</u>
Income tax expense (Note 4)	725	477
CONSOLIDATED NET INCOME	<u>1,946</u>	<u>1,140</u>
Less: Net income attributable to noncontrolling interests	98	100
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	<u>\$ 1,848</u>	<u>\$ 1,040</u>
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 9.58	\$ 5.29
Diluted	\$ 9.55	\$ 5.28
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	193.0	196.7
Diluted	193.6	197.1
CASH DIVIDENDS DECLARED PER COMMON SHARE		
	\$ 1.325	\$ 0.875

(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)

In millions, except par value	December 31, December 31,	
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,484	\$ 1,023
Marketable securities	277	339
Total cash, cash equivalents and marketable securities	1,761	1,362
Accounts and notes receivable, net	2,526	2,243
Inventories	2,141	1,977
Deferred income taxes	268	314
Prepaid expenses and other current assets	395	393
Total current assets	7,091	6,289
Long-term assets		
Property, plant and equipment, net	2,288	2,041
Investments and advances related to equity method investees	838	734
Goodwill and other intangibles, net	566	589
Other assets	885	749
Total assets	\$ 11,668	\$ 10,402
LIABILITIES		
Current liabilities		
Loans payable	\$ 28	\$ 82
Accounts payable (principally trade)	1,546	1,362
Accrued expenses	2,083	1,816
Total current liabilities	3,657	3,260
Long-term liabilities		
Long-term debt	658	709
Other liabilities	1,522	1,437
Total liabilities	5,837	5,406
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.2 and 221.8 shares issued	2,001	1,934
Retained earnings	6,038	4,445
Treasury stock, at cost, 30.2 and 24.0 shares	(1,587)	(964)
Common stock held by employee benefits trust, at cost, 1.8 and 2.1 shares	(22)	(25)
Accumulated other comprehensive loss	(938)	(720)
Total Cummins Inc. shareholders' equity	5,492	4,670
Noncontrolling interests	339	326
Total equity	5,831	4,996
Total liabilities and equity	\$ 11,668	\$ 10,402

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

(Unaudited) (a)

In millions	For the years ended	
	December 31, 2011	December 31, 2010
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,073	\$ 1,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(622)	(364)
Investments in internal use software	(60)	(43)
Proceeds from disposals of property, plant and equipment	8	55
Investments in and advances to equity investees	(81)	(2)
Proceeds from sale of businesses, net of cash sold	199	-
Acquisition of business, net of cash acquired	-	(104)
Investments in marketable securities-acquisitions	(729)	(823)
Investments in marketable securities-liquidations	750	690
Purchases of other investments	-	(62)
Cash flows from derivatives not designated as hedges	(18)	2
Other, net	1	-
Net cash used in investing activities	(552)	(651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	127	214
Payments on borrowings and capital lease obligations	(237)	(143)
Net borrowings (payments) under short-term credit agreements	6	9
Distributions to noncontrolling interests	(56)	(28)
Dividend payments on common stock	(255)	(172)
Proceeds from sale of common stock held by employee benefit trust	-	58
Repurchases of common stock	(629)	(241)
Excess tax benefits (deficiencies) on stock-based awards	5	10
Other, net	14	26
Net cash used in financing activities	(1,025)	(267)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(35)	5
Net increase (decrease) in cash and cash equivalents	461	93
Cash and cash equivalents at beginning of year	1,023	930
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,484	\$ 1,023

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

CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)

In millions	Power		Non-segment		Total
	Engine	Components	Generation	Distribution	
Three months ended December 31, 2011					
External sales	\$ 2,628	\$ 781	\$ 682	\$ 830	\$ -
Intersegment sales	433	311	238	4	(986)
Total sales	3,061	1,092	920	834	(986)
Depreciation and amortization ⁽²⁾	46	18	10	8	-
Research, development and engineering expenses	112	49	17	1	-
Equity, royalty and interest income from investees	40	7	10	44	-
Interest income	4	2	2	1	-

Segment EBIT	368	132	87	87	94	768
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Three months ended September 25, 2011

External sales	\$ 2,539	\$ 704	\$ 604	\$ 779	\$ -	\$ 4,626
Intersegment sales	416	311	270	4	(1,001)	-
Total sales	<u>2,955</u>	<u>1,015</u>	<u>874</u>	<u>783</u>	<u>(1,001)</u>	<u>4,626</u>
Depreciation and amortization ⁽²⁾	46	19	11	6	-	82
Research, development and engineering expenses	103	46	14	1	-	164
Equity, royalty and interest income from investees	35	7	16	44	-	102
Interest income	5	1	2	1	-	9
Segment EBIT	349	113	92	104	(18)	640

Three months ended December 31, 2010

External sales	\$ 2,099	\$ 656	\$ 690	\$ 694	\$ -	\$ 4,139
Intersegment sales	398	262	213	5	(878)	-
Total sales	<u>2,497</u>	<u>918</u>	<u>903</u>	<u>699</u>	<u>(878)</u>	<u>4,139</u>
Depreciation and amortization ⁽²⁾	46	18	10	6	-	80
Research, development and engineering expenses	76	33	13	1	-	123
Equity, royalty and interest income from investees	37	6	8	39	-	90
Interest income	5	1	1	-	-	7
Segment EBIT	256	83	92	82	28	541

For the year ended December 31, 2011

External sales	\$ 9,649	\$ 2,886	\$ 2,492	\$ 3,021	\$ -	\$ 18,048
Intersegment sales	1,658	1,177	1,006	23	(3,864)	-
Total sales	<u>11,307</u>	<u>4,063</u>	<u>3,498</u>	<u>3,044</u>	<u>(3,864)</u>	<u>18,048</u>
Depreciation and amortization ⁽²⁾	181	73	42	25	-	321
Research, development and engineering expenses	397	175	54	3	-	629
Equity, royalty and interest income from investees	166	31	47	172	-	416
Interest income	18	5	8	3	-	34
Segment EBIT	1,384	470	373	386	102	2,715

For the year ended December 31, 2010

External sales	\$ 6,594	\$ 2,171	\$ 2,150	\$ 2,311	\$ -	\$ 13,226
Intersegment sales	1,294	875	769	13	(2,951)	-
Total sales	<u>7,888</u>	<u>3,046</u>	<u>2,919</u>	<u>2,324</u>	<u>(2,951)</u>	<u>13,226</u>
Depreciation and amortization ⁽²⁾	171	79	41	25	-	316
Research, development and engineering expenses	263	114	36	1	-	414
Equity, royalty and interest income from investees	161	23	35	132	-	351
Interest income	12	2	5	2	-	21
Segment EBIT	809	278	299	297	(26)	1,657

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three months ended December 31, 2011 unallocated corporate expenses includes a \$53 million gain (\$33 after-tax) recorded for the sale of certain assets and liabilities of our light-duty filtration business from the Components segment, and a \$38 million gain (\$24 million after-tax) related to flood damage recoveries from the insurance settlement regarding a June 2008 flood in Southern Indiana. There were no significant unallocated corporate expenses for the three months ended September 25, 2011 and the three months ended December 31, 2010. The year ended December 31, 2011, includes a \$121 million gain (\$70 million after-tax) related to the sale of certain assets and liabilities of our exhaust and light-duty filtration business, both from the Components segment, and a \$38 million gain (\$24 million after-tax) related to flood damage recoveries from the insurance settlement regarding a June 2008 flood in Southern Indiana. The gains have been excluded from segment results as they were not considered by management in its evaluation of operating results for the year ended December 31, 2011. For the year ended December 31, 2010 unallocated corporate expenses included \$32 million in Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. This tax recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2010.

(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."

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:

In millions	Three months ended			For the years ended	
	December 31, 2011	September 25, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	Segment EBIT	\$ 768	\$ 640	\$ 541	\$ 2,715
Less:					
Interest expense	10	11	11	44	40
Income before income taxes	\$ 758	\$ 629	\$ 530	\$ 2,671	\$ 1,617

CUMMINS INC. AND SUBSIDIARIES
SELECTED FOOTNOTE DATA
(Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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

In millions	Three months ended			For the years ended	
	December 31, 2011	September 25, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Distribution Entities					
North American distributors	\$ 34	\$ 35	\$ 29	\$ 134	\$ 101
Komatsu Cummins Chile, Ltda	6	6	5	22	16
All other distributors	1	1	1	4	3
Manufacturing Entities					
Chongqing Cummins Engine Company, Ltd.	17	20	11	68	46
Dongfeng Cummins Engine Company, Ltd.	16	15	23	80	99
Cummins Westport, Inc.	6	4	3	14	10
Tata Cummins, Ltd.	5	2	3	14	14
Shanghai Fleetguard Filter Co., Ltd.	3	4	3	15	12
Komatsu manufacturing alliances	2	-	4	3	11
Valvoline Cummins, Ltd.	1	2	1	7	8
Beijing Foton Cummins Engine Co., Ltd.	(2)	(2)	(4)	(7)	(16)
Cummins MerCruiser Diesel Marine, LLC	(3)	-	(2)	(3)	(3)
All other manufacturers	5	7	5	24	20
Cummins share of net income	91	94	82	375	321
Royalty and interest income	10	8	8	41	30
Equity, royalty and interest income from investees	\$ 101	\$ 102	\$ 90	\$ 416	\$ 351

NOTE 2. SALE OF BUSINESSES

In the second quarter of 2011, we sold certain assets and liabilities of our exhaust business which manufactures exhaust products and select components for emission systems for a variety of applications not core to our other product offerings. This business was historically included in our Components segment. The sales price was \$123 million. We recognized a

gain on the sale of \$68 million (\$37 million after-tax), which included an allocation of goodwill of \$19 million. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2011.

Sales for this business were \$62 million, \$171 million and \$126 million in 2011 (through closing), 2010 and 2009, respectively. EBIT for this business was approximately \$9 million, \$22 million and \$11 million in 2011 (through closing), 2010 and 2009, respectively.

During the fourth quarter of 2011, we sold certain assets and liabilities of our light-duty filtration business which manufactures light-duty automotive and industrial filtration solutions. The sales price was \$90 million and included a note receivable from the buyer of approximately \$1 million. There are no earnouts or other contingencies associated with the sales price. We recognized a gain on the sale of \$53 million (\$33 million after-tax), which included an allocation of goodwill of \$6 million. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2011.

Sales for this business were \$64 million, \$74 million and \$54 million in 2011 (through closing), 2010 and 2009, respectively. EBIT for this business was approximately \$13 million, \$9 million and \$2 million in 2011 (through closing), 2010 and 2009, respectively.

We will enter into supply and other agreements with the operations that will represent ongoing involvement and as such, the results of these operations will not be presented as discontinued operations.

CUMMINS INC. AND SUBSIDIARIES
SELECTED FOOTNOTE DATA
(Unaudited)

NOTE 3. FLOOD INSURANCE RECOVERY

In June 2008, four of our sites in Southern Indiana, including our Technical Center, experienced extensive flood damage. In October 2011, we received \$40 million from our insurance carriers to settle all outstanding 2008 flood claims. As a result, we recognized a gain of approximately \$38 million (\$24 million after-tax), net of any remaining flood related expenses, in "Other operating (expense) income, net" in our *Condensed Consolidated Statements of Income*.

NOTE 4. 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 2011 was 24.5 percent and 27.1 percent, respectively. Excluding the gain on sale of certain assets and liabilities of the businesses and the flood insurance recovery, our effective tax rate for the fourth quarter and full year of 2011 was 22.8 percent and 26.3 percent, respectively. The tax rate for the fourth quarter and full year includes discrete tax items that total a benefit of \$56 million (\$0.29 per share) and \$85 million (\$0.44 per share), respectively. The discrete tax items for the fourth quarter and full

year related primarily to additional research credits claimed on amended tax returns for prior periods, the settlement of uncertain tax positions and restructuring of our foreign operations. Our effective tax rate for the fourth quarter and full year of 2010 was 26.2 percent and 29.5 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,	
	2011	2010
U.S. federal statutory rate	35.0%	35.0%
State income tax, net of federal effect	0.4	0.6
Research tax credits	(4.7)	(1.3)
Differences in rates and taxability of foreign subsidiaries and joint ventures	(4.6)	(4.7)
Other, net	1.0	(0.1)
Effective tax rate	<u>27.1%</u>	<u>29.5%</u>

We expect our 2012 effective tax rate to be 29 percent excluding any discrete items that may arise. The research tax credit expired December 31, 2011 and has not yet been renewed by Congress. If the research credit is reinstated, we would anticipate the 2012 effective tax rate to be 28 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, 2011 and 2010, was \$325 million and \$320 million, respectively.

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 period presented as it illustrates our operating performance without regard to special items including the gains related to the sale of certain assets and liabilities of our exhaust business and our filtration business and flood insurance recovery. 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 quarter and year ended December 31, 2011.

In millions	Three months ended		Year ended	
	December 31, 2011		December 31, 2011	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc.	\$ 548	\$ 2.86	\$ 1,848	\$ 9.55

Subtract:				
Gain on sale of businesses ⁽¹⁾	33	0.17	70	0.36
Flood insurance recovery ⁽¹⁾	24	0.13	24	0.12
Net income attributable to Cummins Inc. excluding special items	<u>\$ 491</u>	<u>\$ 2.56</u>	<u>\$ 1,754</u>	<u>\$ 9.07</u>

(1) The gains have been excluded from operating results as they were not considered by management in its evaluation of performance for the year ended December 31, 2011.

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

Earnings before interest expense, income taxes and noncontrolling interests

We define EBIT as earnings or loss 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:

In millions	Three months ended			For the years ended	
	December 31, 2011	September 25, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Earnings before interest expense, income taxes and special items	\$ 677	\$ 640	\$ 541	\$ 2,556	\$ 1,657
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	13.8%	13.8%	13.1%	14.2%	12.5%
Add:					
Gain on sale of businesses	53	-	-	121	-
Flood insurance recovery	38	-	-	38	-
Earnings before interest expense and income taxes	\$ 768	\$ 640	\$ 541	\$ 2,715	\$ 1,657
<i>EBIT as a percentage of net sales</i>	15.6%	13.8%	13.1%	15.0%	12.5%
Less:					
Interest expense	10	11	11	44	40
Income tax expense	186	157	139	725	477
Consolidated net income	<u>572</u>	<u>472</u>	<u>391</u>	<u>1,946</u>	<u>1,140</u>
Less:					
Net income attributable to noncontrolling interests	24	20	29	98	100
Net income attributable to Cummins Inc.	<u>\$ 548</u>	<u>\$ 452</u>	<u>\$ 362</u>	<u>\$ 1,848</u>	<u>\$ 1,040</u>
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	11.1%	9.8%	8.7%	10.2%	7.9%

BUSINESS UNIT SALES DATA
(Unaudited)

Engine segment net sales by market

2011

In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$ 485	\$ 693	\$ 748	\$ 865	\$ 2,791
Medium-duty truck and bus	474	608	640	598	2,320
Light-duty automotive and RV	296	310	271	299	1,176
Industrial	855	988	977	1,030	3,850
Stationary power	281	301	319	269	1,170
Total sales	<u>\$2,391</u>	<u>\$2,900</u>	<u>\$2,955</u>	<u>\$3,061</u>	<u>\$11,307</u>

2010

In millions	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$ 252	\$ 340	\$ 395	\$ 516	\$ 1,503
Medium-duty truck and bus	217	352	430	436	1,435
Light-duty automotive and RV	207	296	239	280	1,022
Industrial	577	656	700	956	2,889
Stationary power	170	255	305	309	1,039
Total sales	<u>\$1,423</u>	<u>\$1,899</u>	<u>\$2,069</u>	<u>\$2,497</u>	<u>\$ 7,888</u>

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

2011

Units	Q1	Q2	Q3	Q4	YTD
Mid-range	109,400	131,300	130,600	138,100	509,400
Heavy-duty	20,000	29,900	31,100	35,300	116,300
High horsepower	4,900	5,700	5,600	5,400	21,600
Total units	<u>134,300</u>	<u>166,900</u>	<u>167,300</u>	<u>178,800</u>	<u>647,300</u>

2010

Units	Q1	Q2	Q3	Q4	YTD
Mid-range	69,100	90,500	93,500	115,800	368,900
Heavy-duty	8,700	14,500	15,200	22,800	61,200
High horsepower	3,400	4,800	4,900	5,400	18,500
Total units	<u>81,200</u>	<u>109,800</u>	<u>113,600</u>	<u>144,000</u>	<u>448,600</u>

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

Component segment sales by business

2011

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$273	\$ 311	\$ 306	\$ 372	\$1,262
Turbo technologies	297	314	298	314	1,223
Filtration	255	287	288	283	1,113
Fuel systems	99	120	123	123	465
Total sales	<u>\$924</u>	<u>\$1,032</u>	<u>\$1,015</u>	<u>\$1,092</u>	<u>\$4,063</u>

2010

In millions	Q1	Q2	Q3	Q4	YTD
Emission solutions	\$137	\$ 170	\$ 192	\$ 251	\$ 750
Turbo technologies	200	226	239	283	948
Filtration	228	250	248	285	1,011
Fuel systems	65	83	90	99	337
Total sales	<u>\$630</u>	<u>\$ 729</u>	<u>\$ 769</u>	<u>\$ 918</u>	<u>\$3,046</u>

Power generation segment sales by business**2011**

In millions	Q1	Q2	Q3	Q4	YTD
Commercial products	\$505	\$568	\$579	\$578	\$2,230
Generator technologies	153	190	166	164	673
Commercial projects	55	58	46	84	243
Consumer	50	53	48	49	200
Power electronics	32	40	35	45	152
Total sales	<u>\$795</u>	<u>\$909</u>	<u>\$874</u>	<u>\$920</u>	<u>\$3,498</u>

2010

In millions	Q1	Q2	Q3	Q4	YTD
Commercial products	\$307	\$436	\$519	\$569	\$1,831
Generator technologies	107	135	140	167	549
Commercial projects	33	57	49	83	222
Consumer	43	49	49	45	186
Power electronics	27	31	34	39	131
Total sales	<u>\$517</u>	<u>\$708</u>	<u>\$791</u>	<u>\$903</u>	<u>\$2,919</u>

Distribution segment sales by business**2011**

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$235	\$271	\$283	\$296	\$1,085
Power generation	145	195	191	191	722
Engines	140	186	171	206	703
Service	122	133	138	141	534
Total sales	<u>\$642</u>	<u>\$785</u>	<u>\$783</u>	<u>\$834</u>	<u>\$3,044</u>

2010

In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$193	\$221	\$220	\$248	\$ 882
Power generation	99	135	125	157	516
Engines	83	109	112	162	466
Service	101	111	116	132	460
Total sales	<u>\$476</u>	<u>\$576</u>	<u>\$573</u>	<u>\$699</u>	<u>\$2,324</u>

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Source: Cummins Inc.