

October 29, 2013



Cummins Reports Results for the Third Quarter of 2013

Third Quarter Revenues of \$4.3 Billion and EBIT of 12.6 Percent of Sales; Now Expects Full Year Revenues to Be Down 3 Percent Compared to 2012; Full Year EBIT to Be in the Range 12.5 to 13 Percent of Sales

COLUMBUS, IN -- (Marketwired) -- 10/29/13 -- Cummins Inc. (NYSE: CMI) today reported results for the third quarter of 2013.

Third quarter revenues of \$4.3 billion increased 4 percent from the third quarter of 2012. Revenues in North America increased by 11 percent and international revenues declined by 4 percent. Within international markets, growth in China and Brazil was offset by weaker demand in India, Australia and Europe.

Earnings before interest and taxes (EBIT) were \$536 million or 12.6 percent of sales, compared to \$496 million or 12.0 percent of sales a year ago.

Net income attributable to Cummins in the third quarter was \$355 million (\$1.90 per diluted share), compared to \$352 million (\$1.86 per diluted share) in the third quarter of 2012.

"The Company increased gross margins in the third quarter primarily due to the benefits of our cost reduction initiatives. Material cost savings, productivity gains and lower warranty expenses all contributed to the improvement," said Tom Linebarger, Chairman and CEO. "Revenues were below our expectations as we continue to face an environment of weak demand for capital goods in most of our major markets. Our focus on lowering costs in all parts of our business positions us well to deliver strong earnings growth as market conditions improve."

Based on the current forecast, the Company expects full year revenues to be down 3 percent compared to 2012 and EBIT to be in the range of 12.5 to 13 percent of sales. Previously the Company expected revenues to be flat compared to 2012 and EBIT to be in the range of 13 to 14 percent.

Recent highlights include:

- The Company issued \$1 billion of debt, consisting of \$500 million of 3.65% senior

unsecured notes due in 2023 and \$500 million of 4.875% senior unsecured notes due in 2043

- Cummins leaders shared their five-year plans for profitable growth with analysts and investors, including expected revenues of between \$25 and \$31 billion and EBIT in the range of 16 to 18 percent by 2018
- The Company announced plans to acquire the remaining interest in its North American distributors, principally over the next three to five years
- Cummins made the Dow Jones Sustainability Indices for the 9th consecutive year and was recognized for the strides it has made in decreasing energy use
- Nissan announced plans to offer the Cummins 5.0 L V8 Turbo Diesel engine in its next generation Titan pickup truck
- The Company received its best score ever on greenhouse gas reduction from CDP, formerly known as the Carbon Disclosure Project

Third quarter detail (all comparisons to same period in 2012)

Engine Segment

- Sales - \$2.5 billion, down 1 percent
- Segment EBIT - \$272 million, or 10.9 percent of sales, compared to \$239 million or 9.5 percent of sales
- Lower demand in global mining, stationary power and the light duty on-highway market in the US were the most significant drivers of the lower revenues
- Demand increased for medium duty truck engines in North America and Brazil

Components

- Sales - \$1.1 billion, an increase of 14 percent
- Segment EBIT - \$132 million, or 12.3 percent of sales, compared to \$89 million or 9.5 percent of sales
- Higher revenues primarily related to higher on-highway demand in North America, Europe and China

Power Generation

- Sales - \$712 million, down 13 percent
- Segment EBIT - \$45 million, or 6.3 percent of sales, compared to \$73 million or 9.0 percent of sales
- Weaker demand in most international markets, particularly Europe and India, offsetting stronger revenues in North America

Distribution

- Sales - \$944 million, up 2% excluding acquisitions
- Segment EBIT - \$86 million, or 9.1 percent of sales, compared to \$99 million or 12.4 percent of sales
- Higher power generation and parts sales in North America offset by lower sales in South Pacific and China

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 46,000 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 \$1.65 billion on sales of \$17.3 billion in 2012. 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 2013. 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)

	Three months ended		
	September 29, 2013	June 30, 2013	September 30, 2012
<i>In millions, except per share amounts</i>			
NET SALES	\$ 4,266	\$ 4,525	4,118
Cost of sales	3,157	3,372	3,076
GROSS MARGIN	1,109	1,153	1,042
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	492	484	456
Research, development and engineering expenses	173	177	186
Equity, royalty and interest income from investees (Note 1)	91	108	94
Other operating income (expense), net	(11)	10	(1)
OPERATING INCOME	524	610	493
Interest income	6	10	5
Interest expense	8	8	9
Other income (expense), net	6	1	(2)
INCOME BEFORE INCOME TAXES	528	613	487
Income tax expense (Note 2)	154	172	117
CONSOLIDATED NET INCOME	374	441	370
Less: Net income attributable to noncontrolling interests	19	27	18
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 355	\$ 414	\$ 352
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 1.91	\$ 2.20	\$ 1.87
Diluted	\$ 1.90	\$ 2.20	\$ 1.86
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	186.0	187.8	188.6
Diluted	186.5	188.2	189.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.625	\$ 0.50	\$ 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)

Nine months ended

In millions, except per share amounts

	September 29, 2013	September 30, 2012
NET SALES	\$ 12,713	\$ 13,042
Cost of sales	9,494	9,592
GROSS MARGIN	3,219	3,450
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,420	1,418
Research, development and engineering expenses	532	554
Equity, royalty and interest income from investees (Note 1)	281	302
Gain on sale of businesses	-	6
Other operating income (expense), net	-	3
OPERATING INCOME	1,548	1,789
Interest income	21	20
Interest expense	22	25
Other income (expense), net	25	14
INCOME BEFORE INCOME TAXES	1,572	1,798
Income tax expense (Note 2)	445	458
CONSOLIDATED NET INCOME	1,127	1,340
Less: Net income attributable to noncontrolling interests	76	64
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 1,051	\$ 1,276
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 5.61	\$ 6.73
Diluted	\$ 5.60	\$ 6.72
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	187.4	189.6
Diluted	187.8	190.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.625	\$ 1.30

(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

	September 29, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,499	\$ 1,369
Marketable securities	162	247
Total cash, cash equivalents and marketable securities	2,661	1,616
Accounts and notes receivable, net	2,709	2,475
Inventories	2,513	2,221
Prepaid expenses and other current assets	643	855
Total current assets	8,526	7,167
Long-term assets		
Property, plant and equipment	6,182	5,876
Accumulated depreciation	(3,234)	(3,152)
Property, plant and equipment, net	2,948	2,724
Investments and advances related to equity method investees	966	897
Goodwill	457	445
Other intangible assets, net	362	369
Other assets	1,077	946

Total assets	\$	14,336	\$	12,548
LIABILITIES				
Current liabilities				
Loans payable	\$	15	\$	16
Accounts payable (principally trade)		1,613		1,339
Current maturities of long-term debt		47		61
Current portion of accrued product warranty		374		386
Accrued compensation, benefits and retirement costs		413		400
Deferred revenue		269		215
Taxes payable (including taxes on income)		112		173
Other accrued expenses		547		546
Total current liabilities		3,390		3,136
Long-term liabilities				
Long-term debt (Note 3)		1,731		698
Postretirement benefits other than pensions		407		432
Other liabilities and deferred revenue		1,344		1,308
Total liabilities		6,872		5,574
EQUITY				
Cummins Inc. shareholders' equity				
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.4 shares issued		2,095		2,058
Retained earnings		8,089		7,343
Treasury stock, at cost, 34.9 and 32.6 shares		(2,104)		(1,830)
Common stock held by employee benefits trust, at cost, 1.3 and 1.5 shares		(16)		(18)
Accumulated other comprehensive loss				
Defined benefit postretirement plans		(738)		(794)
Other		(230)		(156)
Total accumulated other comprehensive loss		(968)		(950)
Total Cummins Inc. shareholders' equity		7,096		6,603
Noncontrolling interests		368		371
Total equity		7,464		6,974
Total liabilities and equity	\$	14,336	\$	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)

<i>In millions</i>	<i>Nine months ended</i>	
	<i>September 29, 2013</i>	<i>September 30, 2012</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 1,127	\$ 1,340
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	305	262
Restructuring payments, net	(25)	-
Gain on sale of businesses	-	(6)
Gain on fair value adjustment for consolidated investees	(12)	(7)
Deferred income taxes	78	91
Equity in income of investees, net of dividends	(98)	(51)
Pension contributions in excess of expense	(96)	(74)
Other post-retirement benefits payments in excess of expense	(20)	(16)
Stock-based compensation expense	29	29
Excess tax benefits on stock-based awards	(13)	(12)
Translation and hedging activities	26	16
Changes in current assets and liabilities, net of acquisitions:		
Accounts and notes receivable	(216)	66
Inventories	(206)	(367)
Other current assets	182	(54)
Accounts payable	252	(145)

Accrued expenses	(146)	(398)
Changes in other liabilities and deferred revenue	147	154
Other, net	19	(41)
Net cash provided by operating activities	<u>1,333</u>	<u>787</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(417)	(424)
Investments in internal use software	(43)	(62)
Investments in and advances to equity investees	(12)	(92)
Acquisition of businesses, net of cash acquired	(145)	(215)
Proceeds from sale of business, net of cash sold	-	10
Investments in marketable securities-acquisitions	(360)	(433)
Investments in marketable securities-liquidations	433	475
Cash flows from derivatives not designated as hedges	(15)	13
Other, net	14	9
Net cash used in investing activities	<u>(545)</u>	<u>(719)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings (Note 3)	987	64
Payments on borrowings and capital lease obligations	(62)	(120)
Net borrowings under short-term credit agreements	34	5
Distributions to noncontrolling interests	(53)	(50)
Dividend payments on common stock	(305)	(246)
Repurchases of common stock	(289)	(231)
Excess tax benefits on stock-based awards	13	12
Other, net	19	16
Net cash provided by (used in) financing activities	<u>344</u>	<u>(550)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(2)</u>	<u>31</u>
Net increase (decrease) in cash and cash equivalents	<u>1,130</u>	<u>(451)</u>
Cash and cash equivalents at beginning of year	<u>1,369</u>	<u>1,484</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,499</u>	<u>\$ 1,033</u>

(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)

<i>In millions</i>	<i>Engine</i>	<i>Components</i>	<i>Power Generation</i>	<i>Distribution</i>	<i>Non- segment Items ⁽¹⁾</i>	<i>Total</i>
Three months ended September 29, 2013						
External sales	\$ 2,045	\$ 784	\$ 499	\$ 938	\$ -	\$ 4,266
Intersegment sales	447	288	213	6	(954)	-
Total sales	<u>2,492</u>	<u>1,072</u>	<u>712</u>	<u>944</u>	<u>(954)</u>	<u>4,266</u>
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 June 30, 2013						
External sales	\$ 2,209	\$ 786	\$ 583	\$ 947	\$ -	\$ 4,525
Intersegment sales	447	331	231	7	(1,016)	-
Total sales	<u>2,656</u>	<u>1,117</u>	<u>814</u>	<u>954</u>	<u>(1,016)</u>	<u>4,525</u>
Depreciation and amortization ⁽²⁾	51	23	12	15	-	101

Research, development and engineering expenses	102	57	17	1	-	177
Equity, royalty and interest income from investees	52	9	10	37	-	108
Interest income	7	-	2	1	-	10
Segment EBIT ⁽³⁾	339	136	76	100	(30)	621

Segment EBIT as a percentage of total sales	12.8%	12.2%	9.3%	10.5%		13.7%
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**Three months ended
September 30, 2012**

External sales	\$ 2,131	\$ 663	\$ 526	\$ 798	\$ -	\$ 4,118
Intersegment sales	396	275	288	3	(962)	-
Total sales	2,527	938	814	801	(962)	4,118
Depreciation and amortization ⁽²⁾	48	21	12	8	-	89
Research, development and engineering expenses	115	51	19	1	-	186
Equity, royalty and interest income from investees	25	7	12	50	-	94
Interest income	2	1	2	-	-	5
Segment EBIT ⁽³⁾	239	89	73	99	(4)	496

Segment EBIT as a percentage of total sales	9.5%	9.5%	9.0%	12.4%		12.0%
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(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 September 29, 2013, June 30, 2013, and September 30, 2012.

(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."

(3) Distribution segment EBIT for the three months ended June 30, 2013, included a \$5 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Rocky Mountain LLC. Distribution segment EBIT for the three months ended September 30, 2012, included a \$7 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Central Power.

**CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)**

<i>In millions</i>	<u>Engine</u>	<u>Components</u>	<u>Power Generation</u>	<u>Distribution</u>	<u>Non- segment Items ⁽¹⁾</u>	<u>Total</u>
Nine months ended September 29, 2013						
External sales	\$ 6,139	\$ 2,292	\$ 1,621	\$ 2,661	\$ -	\$ 12,713
Intersegment sales	1,312	915	651	15	(2,893)	-
Total sales	7,451	3,207	2,272	2,676	(2,893)	12,713
Depreciation and amortization ⁽²⁾	156	71	37	40	-	304
Research, development and engineering expenses	310	165	53	4	-	532
Equity, royalty and interest income from investees	106	21	30	124	-	281
Interest income	13	2	5	1	-	21

Segment EBIT ⁽³⁾	806	387	172	281	(52)	1,594
Segment EBIT as a percentage of total sales	10.8%	12.1%	7.6%	10.5%		12.5%
Nine months ended September 30, 2012						
External sales	\$ 6,924	\$ 2,147	\$ 1,614	\$ 2,357	\$ -	\$ 13,042
Intersegment sales	1,303	926	889	13	(3,131)	-
Total sales	<u>8,227</u>	<u>3,073</u>	<u>2,503</u>	<u>2,370</u>	<u>(3,131)</u>	<u>13,042</u>
Depreciation and amortization ⁽²⁾	142	59	34	23	-	258
Research, development and engineering expenses	341	153	56	4	-	554
Equity, royalty and interest income from investees	100	23	32	147	-	302
Interest income	9	3	7	1	-	20
Segment EBIT ⁽³⁾	996	348	243	285	(49)	1,823
Segment EBIT as a percentage of total sales	12.1%	11.3%	9.7%	12.0%		14.0%

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. The nine months ended September 30, 2012, included a \$6 million gain (\$4 million after-tax) related to adjustments from our 2011 divestitures. The gain has been excluded from segment results as it was not considered in our evaluation of operating results for the corresponding periods. There were no other significant unallocated corporate expenses for the nine months ended September 29, 2013 and September 30, 2012.

(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."

(3) Distribution segment EBIT for the nine months ended September 29, 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 nine months ended September 30, 2012, included a \$7 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Central Power.

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:

<i>In millions</i>	Three months ended			Nine months ended	
	September 29, 2013	June 30, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Total EBIT	\$ 536	\$ 621	\$ 496	\$ 1,594	\$ 1,823
Less: Interest expense	8	8	9	22	25
Income before income taxes	<u>\$ 528</u>	<u>\$ 613</u>	<u>\$ 487</u>	<u>\$ 1,572</u>	<u>\$ 1,798</u>

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:

<i>In millions</i>	<i>Three months ended</i>			<i>Nine months ended</i>	
	<i>September 29, 2013</i>	<i>June 30, 2013</i>	<i>September 30, 2012</i>	<i>September 29, 2013</i>	<i>September 30, 2012</i>
<i>Distribution Entities</i>					
North American distributors	\$ 34	\$ 29	\$ 37	\$ 98	\$ 115
Komatsu Cummins Chile, Ltda.	6	6	9	17	20
All other distributors	1	-	-	1	3
<i>Manufacturing Entities</i>					
Chongqing Cummins Engine Company, Ltd.	15	17	14	44	49
Dongfeng Cummins Engine Company, Ltd.	13	20	9	45	42
Beijing Foton Cummins Engine Co., Ltd.	4	9	3	14	3
Shanghai Fleetguard Filter Co., Ltd.	4	4	3	11	10
Cummins Westport, Inc.	2	3	2	5	11
Tata Cummins, Ltd.	1	2	-	4	7
Komatsu manufacturing alliances	-	4	(1)	3	(1)
Valvoline Cummins, Ltd.	-	2	2	5	6
Xian Cummins Engine Company Ltd.	-	1	1	1	(5)
All other manufacturers	3	1	6	6	12
Cummins share of net income	83	98	85	254	272
Royalty and interest income	8	10	9	27	30
Equity, royalty and interest income from investees	\$ 91	\$ 108	\$ 94	\$ 281	\$ 302

NOTE 2. INCOME TAXES

Our effective tax rate for the year is expected to approximate 28.5 percent, excluding any one-time items that may arise. Our tax rate is generally less than the 35 percent U.S. statutory income tax rate primarily due to lower tax rates on foreign income and research tax credits. The tax rates for the three and nine month periods ended September 29, 2013, were 29.2 percent and 28.3 percent, respectively. These tax rates include a \$7 million discrete net tax expense for the third quarter tax adjustments: \$4 million expense attributable to prior year tax return true-up adjustments, \$1 million benefit related to release of prior year tax reserves and a discrete tax charge for \$4 million related to a third quarter enactment of U.K. tax law changes. In addition the nine month tax rate includes a discrete tax benefit in the first quarter of 2013 of \$28 million attributable to the reinstatement of the research credit back to 2012 as well as a discrete 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. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law and reinstated the research tax credit. As tax law changes are accounted for in the period of enactment, we recognized the discrete tax benefit in the first quarter of 2013.

Our tax rates for the three and nine month periods ended September 30, 2012, were 24.1 percent and 25.5 percent, respectively. These tax rates include a \$16 million tax benefit for third quarter discrete tax adjustments, \$6 million of which related to a dividend distribution of accumulated foreign income earned in prior years. These discrete tax adjustments also included a discrete tax benefit of \$13 million for prior year tax return true-up adjustments and a discrete tax charge of \$3 million related to the third quarter enactment of U.K. tax law changes. The increase in the 2013 effective tax rates compared to 2012 is primarily due to unfavorable changes in the pre-tax mix of income taxed in higher rate jurisdictions and

discrete tax items.

CUMMINS INC. AND SUBSIDIARIES
SELECTED FOOTNOTE DATA
(Unaudited)

NOTE 3. DEBT

In September 2013, we issued \$1 billion aggregate principal amount of senior notes consisting of \$500 million aggregate principal amount of 3.65% senior unsecured notes due in 2023 and \$500 million aggregate principal amount of 4.875% senior unsecured notes due in 2043. We received net proceeds of \$979 million. The senior notes pay interest semi-annually on April 1 and October 1, commencing on April 1, 2014. The indenture governing the senior notes contains covenants that, among other matters, limit (i) our ability to consolidate or merge into, or sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our and our subsidiaries' assets to another person, (ii) our and certain of our subsidiaries' ability to create or assume liens and (iii) our and certain of our subsidiaries' ability to engage in sale and leaseback transactions. We currently anticipate using a portion of the net proceeds from the sale of the notes for the planned acquisitions of the equity that we do not already own in our partially-owned United States and Canadian distributors, as well as for general corporate purposes.

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 the one-time tax adjustments and gain related to the sale of certain assets and liabilities. 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 quarters ended September 29, 2013, June 30, 2013 and September 30, 2012:

	Three months ended					
	September 29, 2013		June 30, 2013		September 30, 2012	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
<i>In millions</i>						
Net income attributable to Cummins Inc.	\$ 355	\$ 1.90	\$ 414	\$ 2.20	\$ 352	\$ 1.86
Less						
One-time tax items (1)	(7)	(0.04)	-	-	16	0.08
Net income attributable to Cummins Inc. excluding special items	<u>\$ 362</u>	<u>\$ 1.94</u>	<u>\$ 414</u>	<u>\$ 2.20</u>	<u>\$ 336</u>	<u>\$ 1.78</u>

<i>In millions</i>	<i>Nine months ended</i>			
	<i>September 29, 2013</i>		<i>September 30, 2012</i>	
	<i>Net Income</i>	<i>Diluted EPS</i>	<i>Net Income</i>	<i>Diluted EPS</i>
Net income attributable to Cummins Inc.	\$ 1,051	\$ 5.60	\$ 1,276	\$ 6.72
Less				
One-time tax items (1)	4	0.03	16	0.09
Gain on sale of businesses (2)	-	-	4	0.02
Net income attributable to Cummins Inc. excluding special items	\$ 1,047	\$ 5.57	\$ 1,256	\$ 6.61

(1) The one-time tax items for the three and nine months ended September 29, 2013, included a \$7 million discrete tax expense. In addition, the nine months ended September 29, 2013, included a discrete tax benefit of \$28 million attributable to the 2012 research credit as well as discrete tax expense of \$17 million, which relates to the write-off of a deferred tax asset deemed unrecoverable.

The three and nine month periods ended September 30, 2012, included a \$16 million tax benefit for third quarter 2012 discrete tax adjustments, \$6 million of which related to a dividend distribution of accumulated foreign income earned in prior years. These discrete tax adjustments also included a discrete tax benefit of \$13 million for prior year tax return true-up adjustments and a discrete tax charge of \$3 million related to the third quarter enactment of U.K. tax law changes.

(2) The gain has been excluded from operating results as it was not considered in our evaluation of performance for the nine months ended September 30, 2012.

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

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:

<i>In millions</i>	<i>Three months ended</i>			<i>Nine months ended</i>	
	<i>September 29, 2013</i>	<i>June 30, 2013</i>	<i>September 30, 2012</i>	<i>September 29, 2013</i>	<i>September 30, 2012</i>
Earnings before interest income, income taxes and special items	\$ 536	\$ 621	\$ 496	\$ 1,594	\$ 1,817
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	12.6%	13.7%	12.0%	12.5%	13.9%
Add					
Gain on sale of businesses	-	-	-	-	6
Earnings before interest expense and income taxes	\$ 536	\$ 621	\$ 496	\$ 1,594	\$ 1,823
<i>EBIT as a percentage of net sales</i>	12.6%	13.7%	12.0%	12.5%	14.0%

Less					
Interest expense	8	8	9	22	25
Income tax expense	154	172	117	445	458
Consolidated net income	374	441	370	1,127	1,340

Less					
Net income attributable to noncontrolling interests	19	27	18	76	64
Net income attributable to Cummins Inc.	\$ 355	\$ 414	\$ 352	\$ 1,051	\$ 1,276

Net income attributable to Cummins Inc. as a percentage of net sales	8.3%	9.1%	8.5%	8.3%	9.8%
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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	-	\$ 2,067
Medium-duty truck and bus	448	595	570	-	1,613
Light-duty automotive and RV	260	345	330	-	935
Industrial	714	762	709	-	2,185
Stationary power	227	231	193	-	651
Total sales	\$ 2,303	\$ 2,656	\$ 2,492	-	\$ 7,451

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	-	330,300
Heavy-duty	24,900	28,300	26,500	-	79,700
High-horsepower	4,200	3,600	3,500	-	11,300
Total units	123,700	153,800	143,800	-	421,300

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

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

Component segment sales by business

2013

In millions

	Q1	Q2	Q3	Q4	YTD
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Emission solutions	\$ 400	\$ 444	\$ 458	-	\$ 1,302
Turbo technologies	266	294	263	-	823
Filtration	255	271	248	-	774
Fuel systems	97	108	103	-	308
Total sales	<u>\$ 1,018</u>	<u>\$ 1,117</u>	<u>\$ 1,072</u>	<u>-</u>	<u>\$ 3,207</u>

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	<u>\$ 1,099</u>	<u>\$ 1,036</u>	<u>\$ 938</u>	<u>\$ 939</u>	<u>\$ 4,012</u>

Power Generation segment sales by business

2013

In millions

	Q1	Q2	Q3	Q4	YTD
Power products	\$ 409	\$ 474	\$ 421	-	\$ 1,304
Generator technologies	126	125	126	-	377
Power systems	179	187	122	-	488
Power solutions	32	28	43	-	103
Total sales	<u>\$ 746</u>	<u>\$ 814</u>	<u>\$ 712</u>	<u>-</u>	<u>\$ 2,272</u>

2012

In millions

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

Distribution segment sales by business

2013

In millions

	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 322	\$ 369	\$ 377	-	\$ 1,068
Power generation	163	241	234	-	638
Engines	152	183	170	-	505
Service	141	161	163	-	465
Total sales	<u>\$ 778</u>	<u>\$ 954</u>	<u>\$ 944</u>	<u>-</u>	<u>\$ 2,676</u>

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	<u>\$ 775</u>	<u>\$ 794</u>	<u>\$ 801</u>	<u>\$ 907</u>	<u>\$ 3,277</u>

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Source: Cummins Inc.