

February 5, 2015



## **Cummins Announces Results for 2014; Reports Record Revenues; Shares Expectations for Revenue and EBIT Growth in 2015**

**Fourth Quarter Revenues of \$5.1 Billion and EBIT of 13 Percent of Sales Excluding One-Time Items; Full Year 2014 Revenues Increased 11 Percent and EBIT Increased 16 Percent; The Company Expects Revenue Growth of Between 2 and 4 Percent and EBIT to Be in the Range of 13.5 to 14 Percent of Sales in 2015, up From 13 Percent in 2014; Cummins Plans to Return 50 Percent of Operating Cash Flow to Shareholders in 2015**

COLUMBUS, IN -- (Marketwired) -- 02/05/15 -- Cummins Inc.(NYSE: CMI) today reported results for the fourth quarter and full year of 2014.

Fourth quarter revenue of \$5.1 billion, increased 11 percent from the same quarter in 2013. The year-over-year increase was driven by higher revenues in North America which more than offset lower demand in Brazil and Europe.

Earnings before interest and taxes (EBIT) were \$629 million for the fourth quarter or 12.4 percent of sales. These results include \$32 million of expense associated with cost reduction activities in the Power Generation business. Excluding this expense, EBIT was \$661 million or 13.0 percent of sales. This compares to \$566 million or 12.3 percent of sales a year ago.

Net income attributable to Cummins in the fourth quarter was \$444 million (\$2.44 per diluted share), or \$465 million (\$2.56 per diluted share) excluding one-time items, compared to \$432 million (\$2.32 per diluted share) in the fourth quarter of 2013.

Revenues for the full year were a record \$19.2 billion, 11 percent higher than 2013. Acquisitions contributed 3 percent to revenue growth. Revenues in North America increased 20 percent and international sales grew 2 percent. Within international markets, growth in China more than offset weaker demand in Brazil and India.

EBIT for the year was \$2.5 billion or 13.0 percent of sales. Excluding one-time items, EBIT was \$2.53 billion or 13.2 percent compared to \$2.16 billion or 12.5 percent of sales in 2013.

Net income attributable to Cummins for the full year was \$1.65 billion (\$9.02 per diluted share), or \$1.67 billion (\$9.13 per diluted share) excluding one-time items, up from \$1.48 billion (\$7.91 per diluted share) in 2013. The full year tax rate was 28.7 percent.

"We reported record revenues in 2014 despite weak economic conditions in several of our most important international markets," said Chairman and CEO Tom Linebarger. "Revenues grew 11 percent as demand in on-highway markets in North America improved, we continued executing our distributor acquisition strategy, and we delivered strong growth in China driven by new products. We continued to invest in future growth, reflecting our commitment to technology and product leadership, while growing EBIT faster than sales."

Cummins' improvement in profitability was driven by record performance in the Components and Distribution businesses and higher earnings in the Engine business. Results in the Company's Power Generation business fell short of expectations, but the actions the Company has taken to lower costs will improve earnings going forward. Demand in North American on-highway markets is expected to improve again in 2015, but will be partially offset by continued weakness in international markets and the negative impact of the strong U.S. dollar.

Linebarger continued, "We are committed to improving the quality of our products and service for our customers, closely managing costs and further improving our financial performance in 2015. The Company delivered on its commitment to return 50 percent of cash from operations to shareholders in 2014 and will do so again this year."

Based on the current forecast, Cummins expects full year revenues to grow between 2 and 4 percent, and EBIT to be in the range of 13.5 to 14.0 percent.

#### 2014 highlights:

- The Company increased its dividend by 25 percent and repurchased 4.8 million shares
- The Company received credit rating upgrades from Standard & Poor's and Moody's
- For the seventh consecutive year, Cummins was named one of the world's most ethical companies by The Ethisphere Institute
- Cummins received a perfect score in the Corporate Equality Index by the Human Rights Campaign for the 10th consecutive year
- The Company was ranked among the World's Best in Newsweek's 2014 Green Rankings
- Cummins was named one of the Top 50 companies for diversity by Diversity Inc for the seventh consecutive year

#### ***Fourth quarter 2014 detail (all comparisons to same period in 2013)***

#### **Engine Segment**

- Q4 Sales - \$2.8 billion, up 11 percent
- Q4 Segment EBIT - \$315 million, or 11.1 percent of sales, compared to \$235 million or 9.2 percent of sales
- Strong demand in on-highway markets in North America more than offset weakness in Brazil, China and Europe
- Full year sales \$11 billion, up 9 percent, EBIT of \$1.23 billion compared to \$1.04 billion in 2013

### **Components Segment**

- Q4 Sales - \$1.3 billion, up 16 percent
- Q4 Segment EBIT - \$160 million, or 12.1 percent of sales, compared to \$140 million or 12.3 percent of sales
- Higher demand in on-highway markets in North America, Europe and China
- Full year sales \$5.1 billion, up 18 percent, EBIT of \$684 million compared to \$527 million in 2013

### **Power Generation Segment**

- Q4 Sales - \$760 million, flat compared to 2013
- Q4 Segment EBIT - \$22 million, or 2.9 percent of sales, compared to \$46 million or 6.1 percent of sales. EBIT in the fourth quarter of 2014 includes expense of \$32 million associated with cost reduction activities
- Higher revenues in Latin America and Africa offset weaker demand in Eastern Europe and India
- Full year sales \$2.9 billion, down 4 percent, EBIT of \$168 million compared to \$218 million in 2013

### **Distribution Segment**

- Q4 Sales - \$1.7 billion, up 58 percent, up 7 percent excluding acquisitions
- Q4 Segment EBIT - \$158 million, or 9.3 percent of sales, compared to \$107 million or 10.0 percent of sales
- Current quarter included gains of \$35 million, and amortization costs of \$17 million related to acquisitions
- Higher revenues were primarily driven by acquisitions and stronger demand for parts and service in North America
- Full year sales \$5.2 billion, up 38 percent, EBIT of \$491 million compared to \$388 million in 2013

## **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 54,600 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 7,200 dealer locations. Cummins earned \$1.65 billion on sales of \$19.2 billion in 2014. Press releases can be found on the Web at [www.cummins.com](http://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 2015. 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 2013 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](http://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.*

**The following files are available for download:**

- [PDF](#)

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

<i>In millions, except per share amounts</i>	<i>Three months ended</i>	
	<i>December 31, 2014</i>	<i>December 31, 2013</i>
<b>NET SALES</b>	<b>\$ 5,090</b>	<b>\$ 4,588</b>
Cost of sales	<b>3,817</b>	3,451
<b>GROSS MARGIN</b>	<b>1,273</b>	1,137
<b>OPERATING EXPENSES AND INCOME</b>		
Selling, general and administrative expenses	<b>568</b>	473
Research, development and engineering expenses	<b>187</b>	181
Equity, royalty and interest income from investees	<b>76</b>	80
Other operating income (expense), net	<b>(13 )</b>	(10 )
<b>OPERATING INCOME</b>	<b>581</b>	553
Interest income	<b>6</b>	6
Interest expense	<b>17</b>	19
Other income, net	<b>42</b>	7
<b>INCOME BEFORE INCOME TAXES</b>	<b>612</b>	547
Income tax expense	<b>145</b>	86
<b>CONSOLIDATED NET INCOME</b>	<b>467</b>	461
Less: Net income attributable to noncontrolling interests	<b>23</b>	29
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 444</b>	<b>\$ 432</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>		
Basic	<b>\$ 2.45</b>	\$ 2.33
Diluted	<b>\$ 2.44</b>	\$ 2.32
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	<b>181.4</b>	185.7
Diluted	<b>181.9</b>	186.3
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.78</b>	\$ 0.625

(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)

<i>In millions, except per share amounts</i>	<i>Years ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
<b>NET SALES</b>	<b>\$ 19,221</b>	<b>\$ 17,301</b>
Cost of sales	<b>14,360</b>	13,021

<b>GROSS MARGIN</b>	<b>4,861</b>	4,280
<b>OPERATING EXPENSES AND INCOME</b>		
Selling, general and administrative expenses	<b>2,095</b>	1,817
Research, development and engineering expenses	<b>754</b>	713
Equity, royalty and interest income from investees	<b>370</b>	361
Other operating expense, net	<b>(17 )</b>	(10 )
<b>OPERATING INCOME</b>	<b>2,365</b>	2,101
Interest income	<b>23</b>	27
Interest expense	<b>64</b>	41
Other income, net	<b>110</b>	32
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,434</b>	2,119
Income tax expense	<b>698</b>	531
<b>CONSOLIDATED NET INCOME</b>	<b>1,736</b>	1,588
Less: Net income attributable to noncontrolling interests	<b>85</b>	105
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 1,651</b>	<b>\$ 1,483</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>		
Basic	<b>\$ 9.04</b>	\$ 7.93
Diluted	<b>\$ 9.02</b>	\$ 7.91
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	<b>182.7</b>	187.0
Diluted	<b>183.1</b>	187.4
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 2.81</b>	\$ 2.25

(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)

<i>In millions, except par value</i>	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	<b>\$ 2,301</b>	\$ 2,699
Marketable securities	<b>93</b>	150
Total cash, cash equivalents and marketable securities	<b>2,394</b>	2,849
Accounts and notes receivable, net	<b>2,946</b>	2,649
Inventories	<b>2,866</b>	2,381
	<b>849</b>	760
Prepaid expenses and other current assets		
Total current assets	<b>9,055</b>	8,639
Long-term assets		
Property, plant and equipment, net	<b>3,686</b>	3,156
Investments and advances related to equity method investees	<b>981</b>	931
Goodwill and other intangible assets, net	<b>822</b>	818

Other assets	1,232	1,184
Total assets	<u>\$ 15,776</u>	<u>\$ 14,728</u>
<b>LIABILITIES</b>		
Current liabilities		
Loans payable	\$ 86	\$ 17
Accounts payable (principally trade)	1,881	1,557
Accrued expenses	2,054	1,794
Total current liabilities	<u>4,021</u>	<u>3,368</u>
Long-term liabilities		
Long-term debt	1,589	1,672
Other liabilities	2,073	1,818
Total liabilities	<u>7,683</u>	<u>6,858</u>
<b>EQUITY</b>		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued	2,139	2,099
Retained earnings	9,545	8,406
Treasury stock, at cost, 40.1 and 35.6 shares	(2,844)	(2,195)
Common stock held by employee benefits trust, at cost, 1.1 and 1.3 shares	(13)	(16)
Accumulated other comprehensive loss	(1,078)	(784)
Total Cummins Inc. shareholders' equity	<u>7,749</u>	<u>7,510</u>
Noncontrolling interests	344	360
Total equity	<u>8,093</u>	<u>7,870</u>
Total liabilities and equity	<u>\$ 15,776</u>	<u>\$ 14,728</u>

(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>Years ended December 31,</i>	
	<b>2014</b>	<b>2013</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,266</u>	<u>\$ 2,089</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(743)	(676)
Investments in internal use software	(55)	(64)
Investments in and advances to equity investees	(60)	(42)
Acquisitions of businesses, net of cash acquired	(436)	(147)
Investments in marketable securities-acquisitions	(275)	(418)
Investments in marketable securities-liquidations	336	525
Purchases of other investments	-	(40)
Cash flows from derivatives not designated as hedges	(14)	1
Other, net	13	15
Net cash used in investing activities	<u>(1,234)</u>	<u>(846)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	55	1,004

Payments on borrowings and capital lease obligations	(94)	(90)
Distributions to noncontrolling interests	(83)	(75)
Dividend payments on common stock	(512)	(420)
Repurchases of common stock	(670)	(381)
Other, net	(39)	14
Net cash (used in) provided by financing activities	(1,343)	52
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(87)</b>	<b>35</b>
Net (decrease) increase in cash and cash equivalents	(398)	1,330
Cash and cash equivalents at beginning of year	2,699	1,369
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 2,301</b>	<b>\$ 2,699</b>

(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>Distribution</i>	<i>Components</i>	<i>Power Generation</i>	<i>Non- segment Items <sup>(1)</sup></i>	<i>Total</i>
<b>Three months ended December 31, 2014</b>						
External sales	\$ 1,988	\$ 1,682	\$ 970	\$ 450	\$ -	\$ 5,090
Intersegment sales	851	12	351	310	(1,524)	-
Total sales	2,839	1,694	1,321	760	(1,524)	5,090
Depreciation and amortization <sup>(2)</sup>	54	28	27	15	-	124
Research, development and engineering expenses	103	2	60	22	-	187
Equity, royalty and interest income from investees	30	28	9	9	-	76
Interest income	3	2	1	-	-	6
Segment EBIT	315	158	(3) 160	22	(4) (26)	629
Segment EBIT as a percentage of total sales	11.1%	9.3%	12.1%	2.9%		12.4%
<b>Three months ended December 31, 2013</b>						
External sales	\$ 2,131	\$ 1,065	\$ 859	\$ 533	\$ -	\$ 4,588
Intersegment sales	431	8	276	226	(941)	-
Total sales	2,562	1,073	1,135	759	(941)	4,588
Depreciation and amortization <sup>(2)</sup>	49	14	25	13	-	101
Research, development and engineering expenses	106	2	53	20	-	181
Equity, royalty and interest income from investees	30	41	7	2	-	80
Interest income	3	1	1	1	-	6
Segment EBIT	235	107	140	46	38	566
Segment EBIT as a percentage of total sales	9.2%	10.0%	12.3%	6.1%		12.3%



- (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, 2014 and December 31, 2013.
- (2)Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Income* as "Interest expense."
- (3)Distribution segment EBIT for the three months ended December 31, 2014 included gains of \$35 million on the fair value adjustments resulting from the acquisitions of controlling interests in North American distributors.
- (4)Power Generation segment EBIT for the three months ended December 31, 2014, included actions taken to reduce its future cost structure. Costs associated with these actions were \$32 million and are primarily related to the closure of a plant in Germany. The charge also included \$3 million of targeted actions throughout the business including various headcount reductions to better align capacity with current levels of demand.

CUMMINS INC. AND SUBSIDIARIES  
SEGMENT INFORMATION  
(Unaudited)

<i>In millions</i>	<i>Engine</i>	<i>Distribution</i>	<i>Components</i>	<i>Power Generation</i>	<i>Non-segment Items <sup>(1)</sup></i>	<i>Total</i>
<b>Year ended December 31, 2014</b>						
External sales	\$ 8,437	\$ 5,135	\$ 3,791	\$ 1,858	\$ -	\$ 19,221
Intersegment sales	2,525	39	1,327	1,038	(4,929)	-
Total sales	10,962	5,174	5,118	2,896	(4,929)	19,221
Depreciation and amortization <sup>(2)</sup>	207	86	106	53	-	452
Research, development and engineering expenses	438	9	230	77	-	754
Equity, royalty and interest income from investees	147	148	36	39	-	370
Interest income	12	4	4	3	-	23
Segment EBIT	1,225	491 <sup>(3)</sup>	684	168 <sup>(4)</sup>	(70)	2,498
Segment EBIT as a percentage of total sales	11.2%	9.5%	13.4%	5.8%		13.0%
<b>Year ended December 31, 2013</b>						
External sales	\$ 8,270	\$ 3,726	\$ 3,151	\$ 2,154	\$ -	\$ 17,301
Intersegment sales	1,743	23	1,191	877	(3,834)	-
Total sales	10,013	3,749	4,342	3,031	(3,834)	17,301
Depreciation and amortization <sup>(2)</sup>	205	54	96	50	-	405
Research, development and engineering expenses	416	6	218	73	-	713
Equity, royalty and interest income from investees	136	165	28	32	-	361
Interest income	16	2	3	6	-	27
Segment EBIT	1,041	388 <sup>(3)</sup>	527	218	(14)	2,160
Segment EBIT as a percentage of total sales	10.4%	10.3%	12.1%	7.2%		12.5%

- (1)Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the years ended December 31, 2014 and December 31, 2013.
- (2)Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Income* as "Interest expense." The amortization of debt discount and deferred costs were \$3 million and \$2 million for the years ended December 31, 2014 and 2013, respectively.
- (3)Distribution segment EBIT for the years ended December 31, 2014 and December 31, 2013 included gains of \$73 million and \$12 million on the fair value adjustments resulting from the acquisitions of controlling interests in North American distributors in each period, respectively.
- (4)Power Generation segment EBIT for the year ended December 31, 2014, included actions taken to reduce its future cost structure. Costs associated with these actions were \$32 million and are primarily related to the closure of a plant in Germany. The charge also included \$3 million of targeted actions throughout the business including various headcount reductions to better align capacity with current levels of demand.

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>	<i>Three months ended</i>		<i>Twelve months ended</i>	
	<i>December 31, 2014</i>	<i>December 31, 2013</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Total EBIT	\$ 629	\$ 566	\$ 2,498	\$ 2,160
Less: Interest expense	17	19	64	41
Income before income taxes	\$ 612	\$ 547	\$ 2,434	\$ 2,119

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:

<i>In millions</i>	<i>Three months ended</i>		<i>Years ended</i>	
	<i>December 31, 2014</i>	<i>December 31, 2013</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
<b><i>Distribution Entities</i></b>				
North American distributors	\$ 18	\$ 31	\$ 107	\$ 129
Komatsu Cummins Chile, Ltda.	7	8	29	25
All other distributors	2	-	4	1
<b><i>Manufacturing Entities</i></b>				
Dongfeng Cummins Engine Company, Ltd.	16	18	67	63
Chongqing Cummins Engine Company, Ltd.	12	14	51	58
Beijing Foton Cummins Engine Co., Ltd. (Light-duty)	4	3	28	17
Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty)	(12)	(7)	(30)	(21)
All other manufacturers	20	4	74	53
Cummins share of net income	67	71	330	325
Royalty and interest income	9	9	40	36
Equity, royalty and interest income from investees	\$ 76	\$ 80	\$ 370	\$ 361

## NOTE 2. INCOME TAXES

U.S. tax legislation was passed in the fourth quarter extending the federal research tax credit to 2014. We recorded a \$24 million benefit in the fourth quarter related to this legislation.

## NOTE 3. ACQUISITIONS

The Distribution segment joint venture acquisitions for the fourth quarter 2014 were as follows:

<i>Entity Acquired</i>	<i>Date of Acquisition</i>	<i>Additional Percent Interest Acquired</i>	<i>Payments to Former Owners</i>	<i>Acquisition Related Debt Retirements</i>	<i>Total Purchase Consideration</i>	<i>Type of Acquisition (1)</i>	<i>Gain Recognized (1)</i>	<i>Goodwill Acquired</i>
Cummins Bridgeway LLC	11/03/14	54 %	\$ 22	\$ 45	\$ 77 <sup>(3)</sup>	COMB	\$ 13	\$ 4
Cummins Npower LLC	09/29/14	50 %	33	34	73 <sup>(3)</sup>	COMB	15	7

(1) All results from acquired entities were included in Distribution segment results subsequent to the acquisition date. Newly consolidated entities were accounted for as business combinations (COMB) with gains recognized based on the requirement to remeasure our pre-existing ownership to fair value in accordance with GAAP.

(2) Purchase accounting for this acquisition is preliminary awaiting customary adjustment to purchase price in accordance with the purchase agreements.

(3) The "Total Purchase Consideration" represents the total amount that will or is estimated to be paid to complete the acquisition. In some instances a portion of the acquisition payment has not yet been made and will be paid in future periods in accordance with the purchase contract. The total outstanding consideration as of December 31, 2014 for these entities was \$18 million.

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 and plant closing and other actions. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. to net income attributable to Cummins Inc. excluding special items for the following periods:

<i>In millions</i>	<i>Three months ended</i>			
	<i>December 31, 2014</i>		<i>December 31, 2013</i>	
	<i>Net Income</i>	<i>Diluted EPS</i>	<i>Net Income</i>	<i>Diluted EPS</i>
Net income attributable to Cummins Inc.	\$ 444	\$ 2.44	\$ 432	\$ 2.32
Add				
Power Generation segment actions <sup>(1)</sup>	21	0.12	-	-
Less				
Tax items	-	-	70	0.38
Net income attributable to Cummins Inc. excluding special items	\$ 465	\$ 2.56	\$ 362	\$ 1.94

  

<i>In millions</i>	<i>Years ended</i>			
	<i>December 31, 2014</i>		<i>December 31, 2013</i>	
	<i>Net Income</i>	<i>Diluted EPS</i>	<i>Net Income</i>	<i>Diluted EPS</i>
Net income attributable to Cummins Inc.	\$ 1,651	\$ 9.02	\$ 1,483	\$ 7.91

Add

Power Generation segment actions <sup>(1)</sup>	<b>21</b>	<b>0.11</b>	-	-
Less				
Tax items	-	-	74	0.39
Net income attributable to Cummins Inc. excluding special items	<u><b>\$ 1,672</b></u>	<u><b>\$ 9.13</b></u>	<u><b>\$ 1,409</b></u>	<u><b>\$ 7.52</b></u>

<sup>(1)</sup> In the fourth quarter of 2014, we recorded a plant closing and initiated other actions totaling \$32 million (\$21 million after tax).

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

***Earnings before interest, taxes, noncontrolling interests and special items***

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. This measure is not in accordance with, or an alternative for, GAAP and may not be consistent with measures used by other companies. It should be considered supplemental data. Below is a reconciliation of EBIT to "Net income attributable to Cummins Inc.," for each of the applicable periods:

<i>In millions</i>	<i>Three months ended</i>		<i>Years ended</i>	
	<i>December 31, 2014</i>	<i>December 31, 2013</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Earnings before interest expense, income taxes and special items	<b>\$ 661</b>	<b>\$ 566</b>	<b>\$ 2,530</b>	<b>\$ 2,160</b>
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	<b>13.0 %</b>	<b>12.3 %</b>	<b>13.2 %</b>	<b>12.5 %</b>
Less				
Plant closing and other actions	<b>32</b>	<b>-</b>	<b>32</b>	<b>-</b>
Earnings before interest expense and income taxes	<b>\$ 629</b>	<b>\$ 566</b>	<b>\$ 2,498</b>	<b>\$ 2,160</b>
<i>EBIT as a percentage of net sales</i>	<b>12.4 %</b>	<b>12.3 %</b>	<b>13.0 %</b>	<b>12.5 %</b>
Less				
Interest expense	<b>17</b>	<b>19</b>	<b>64</b>	<b>41</b>
Income tax expense	<b>145</b>	<b>86</b>	<b>698</b>	<b>531</b>
Consolidated net income	<b>467</b>	<b>461</b>	<b>1,736</b>	<b>1,588</b>
Less				
Net income attributable to noncontrolling interests	<b>23</b>	<b>29</b>	<b>85</b>	<b>105</b>
Net income attributable to Cummins Inc.	<b>\$ 444</b>	<b>\$ 432</b>	<b>\$ 1,651</b>	<b>\$ 1,483</b>
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<b>8.7 %</b>	<b>9.4 %</b>	<b>8.6 %</b>	<b>8.6 %</b>

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

## Engine segment net sales by market:

### 2014

#### In millions

	Q1	Q2	Q3	Q4	YTD
Heavy-duty truck	\$ 722	\$ 796	\$ 823	\$ 798	\$ 3,139
Medium-duty truck and bus	601	646	631	652	2,530
Light-duty automotive and RV	361	336	354	385	1,436
Industrial	700	757	788	795	3,040
Stationary power	179	209	220	209	817
Total sales	\$ 2,563	\$ 2,744	\$ 2,816	\$ 2,839	\$ 10,962

### 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

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

### 2014

#### Units

	Q1	Q2	Q3	Q4	YTD
Midrange	118,900	118,700	117,700	115,900	471,200
Heavy-duty	28,800	30,300	32,300	30,700	122,100
High-horsepower	3,400	3,900	3,900	3,600	14,800
Total units	151,100	152,900	153,900	150,200	608,100

### 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

## Distribution segment sales by business:

### 2014

#### In millions

	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 382	\$ 461	\$ 491	\$ 590	\$ 1,924
Power generation	193	278	279	413	1,163
Engines	174	249	270	368	1,061
Service	201	250	252	323	1,026
Total sales	\$ 950	\$ 1,238	\$ 1,292	\$ 1,694	\$ 5,174

### 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

## Component segment sales by business:

**2014****In millions**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Emission Solutions	\$ 543	\$ 582	\$ 598	\$ <b>620</b>	\$ 2,343
Turbo Technologies	313	307	297	<b>305</b>	1,222
Filtration	265	275	268	<b>267</b>	1,075
Fuel systems	109	116	124	<b>129</b>	478
Total sales	<u>\$ 1,230</u>	<u>\$ 1,280</u>	<u>\$ 1,287</u>	<u>\$ <b>1,321</b></u>	<u>\$ 5,118</u>

**2013****In millions**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
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	<u>\$ 1,018</u>	<u>\$ 1,117</u>	<u>\$ 1,072</u>	<u>\$ 1,135</u>	<u>\$ 4,342</u>

## Power Generation segment sales by business:

**2014****In millions**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Power products	\$ 373	\$ 445	\$ 439	\$ <b>412</b>	\$ 1,669
Power systems	137	141	159	<b>194</b>	631
Alternators	105	126	115	<b>103</b>	449
Power solutions	24	31	41	<b>51</b>	147
Total sales	<u>\$ 639</u>	<u>\$ 743</u>	<u>\$ 754</u>	<u>\$ <b>760</b></u>	<u>\$ 2,896</u>

**2013****In millions**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
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	<u>\$ 746</u>	<u>\$ 814</u>	<u>\$ 712</u>	<u>\$ 759</u>	<u>\$ 3,031</u>

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Source: Cummins Inc.