

October 25, 2011



## Cummins Reports Strong Third Quarter Results

- **Sales increase 36 percent while EBIT grew by 43 percent**
- **Company on track for full year sales and earnings records despite global macro-economic conditions**

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported strong sales and earnings for the third quarter. Year-over-year growth was driven by global mining and oil & gas markets, on-highway markets in North America and Brazil, and construction demand in Asia.

Third quarter sales were \$4.6 billion, up 36 percent from the same period last year. All segments delivered double-digit growth over the prior year.

Earnings before interest and taxes (EBIT) were \$640 million, or 13.8 percent of sales, compared to \$449 million, or 13.2 percent of sales, in the same period in 2010.

Net income attributable to Cummins Inc. in the third quarter was \$452 million, an increase of 60 percent from a year ago, or \$2.35 per diluted share. This compares to \$283 million or \$1.44 per diluted share a year ago.

"We delivered strong performance in the third quarter and 2011 will be a record year for the company," said Tom Linebarger, President and Chief Operating Officer. "Many of our key markets continue to show strong growth, for example, mining, oil & gas, and North American on-highway markets. However, as discussed at our recent investor conference, there is some uncertainty around the macro-economic environment. Government actions to reduce inflation in India and China have resulted in softer near-term demand than we previously expected. This, along with the recent strengthening of the US Dollar, has caused us to slightly soften full year revenue guidance to a range of \$17.5 to \$18 billion, which would represent an increase of over \$4 billion or over 30 percent compared to 2010".

The Company now expects to deliver record profits of between 14 and 14.5 percent EBIT, compared to 12.5 percent in 2010. This guidance excludes gains from the sale of the exhaust and light-duty filtration businesses.

"Cummins is having its best year ever," said Tim Solso, Chairman and Chief Executive

Officer. "Achieving more than 30 percent revenue growth and record profitability this year, despite all the uncertainty in the world, says a lot about the performance culture at the Company. Cummins has the best technology in the industry, a very strong and experienced leadership team and great global partners. I am very confident in the Company's future."

Engine segment sales of \$2.96 billion were up 43 percent compared to the same quarter a year ago. This increase was driven by on-highway markets in North America and Latin America, strong worldwide oil & gas, mining and construction activity. Engine segment EBIT was \$349 million, or 11.8 percent of sales.

Power Generation segment had sales of \$874 million, a year-over-year increase of 10 percent. Improvements in China, North America, Europe and the Middle East offset weaker demand in India. Power Generation segment EBIT was \$92 million or 10.5 percent of sales.

Components segment sales of \$1.02 billion were up 32 percent year-over-year. All businesses experienced strong growth driven primarily by higher demand in on-highway markets in the US and Europe. Components segment EBIT was \$113 million, or 11.1 percent of sales.

Distribution segment sales were \$783 million, an increase of 37 percent from the third quarter last year. Growth over the prior year was driven by oil & gas markets in North America, power generation demand in Asia, and industrial demand ahead of the Tier 4 emission change in North America and Europe. Distribution segment EBIT was \$104 million, or 13.3 percent of sales.

Other third quarter highlights:

- Cummins repurchased 1.9 million shares at a cost of \$173 million.
- Company increased its dividend 52 percent effective in July.
- S&P increased Cummins' credit rating to 'A'. This follows an upgrade by Fitch Ratings in June.

### **Third quarter details (all comparisons to the same period in 2010)**

#### **Engine Segment**

- Sales - \$2.96 billion, up 43 percent
- Segment EBIT - \$349 million, or 11.8 percent of sales, compared to \$223 million or 10.8 percent of sales
- Growth driven by on-highway markets in North America and Latin America, strong worldwide oil & gas and mining activity, and industrial engines in North America and Europe

#### **Power Generation**

- Sales - \$874 million, up 10 percent
- Segment EBIT - \$92 million or 10.5 percent of sales, compared to \$97 million or 12.3 percent

- Growth driven by China, North America, and Europe was partially offset by weaker demand in India and Latin America.

### **Components**

- Sales - \$1.02 billion, up 32 percent
- EBIT - \$113 million, or 11.1 percent of sales, compared to \$63 million or 8.2 percent of sales
- Growth driven primarily by higher demand in on-highway markets in the United States and stronger growth in the emerging markets

### **Distribution**

- Sales - \$783 million, up 37 percent
- EBIT - \$104 million or 13.3 percent of sales, compared to \$74 million or 12.9 percent of sales
- Growth was driven by oil and gas markets in North America, power generation demand in Asia, and industrial demand ahead of the Tier 4 emission change in North America and Europe

### ***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.*

### ***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 40,000 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 6,000 dealer locations. Cummins earned \$1.0 billion on sales of \$13.2 billion in 2010. Press releases can be found on the Web at [www.cummins.com](http://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.

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

|                                                               | Three months ended    |                  |                       |
|---------------------------------------------------------------|-----------------------|------------------|-----------------------|
|                                                               | September 25,<br>2011 | June 26,<br>2011 | September 26,<br>2010 |
| <b>In millions, except per share amounts</b>                  |                       |                  |                       |
| <b>NET SALES</b>                                              | <b>\$ 4,626</b>       | <b>\$ 4,641</b>  | <b>\$ 3,401</b>       |
| Cost of sales                                                 | <b>3,438</b>          | 3,438            | 2,571                 |
| <b>GROSS MARGIN</b>                                           | <b>1,188</b>          | 1,203            | 830                   |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                       |                  |                       |
| Selling, general and administrative expenses                  | <b>489</b>            | 463              | 375                   |
| Research, development and engineering expenses                | <b>164</b>            | 157              | 103                   |
| Equity, royalty and interest income from investees (Note 1)   | <b>102</b>            | 117              | 88                    |
| Gain on sale of business (Note 2)                             | -                     | 68               | -                     |
| Other operating (expense) income, net                         | <b>2</b>              | -                | (5)                   |
| <b>OPERATING INCOME</b>                                       | <b>639</b>            | 768              | 435                   |
| Interest income                                               | <b>9</b>              | 10               | 6                     |
| Interest expense                                              | <b>11</b>             | 13               | 11                    |
| Other income (expense), net                                   | <b>(8)</b>            | (3)              | 8                     |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>629</b>            | 762              | 438                   |
| Income tax expense (Note 3)                                   | <b>157</b>            | 225              | 129                   |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>472</b>            | 537              | 309                   |
| Less: Net income attributable to noncontrolling interests     | <b>20</b>             | 32               | 26                    |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 452</b>         | <b>\$ 505</b>    | <b>\$ 283</b>         |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                       |                  |                       |
| Basic                                                         | <b>\$ 2.35</b>        | <b>\$ 2.61</b>   | <b>\$ 1.45</b>        |

|                                                 |                |          |           |
|-------------------------------------------------|----------------|----------|-----------|
| Diluted                                         | \$ 2.35        | \$ 2.60  | \$ 1.44   |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>      |                |          |           |
| Basic                                           | 192.1          | 193.8    | 195.8     |
| Diluted                                         | 192.7          | 194.4    | 196.3     |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b> | <b>\$ 0.40</b> | \$0.2625 | \$ 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                         | Nine months ended  |                    |
|---------------------------------------------------------------|--------------------|--------------------|
|                                                               | September 25, 2011 | September 26, 2010 |
| <b>NET SALES</b>                                              | <b>\$ 13,127</b>   | <b>\$ 9,087</b>    |
| Cost of sales                                                 | 9,779              | 6,903              |
| <b>GROSS MARGIN</b>                                           | <b>3,348</b>       | <b>2,184</b>       |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                    |                    |
| Selling, general and administrative expenses                  | 1,341              | 1,064              |
| Research, development and engineering expenses                | 450                | 291                |
| Equity, royalty and interest income from investees (Note 1)   | 315                | 261                |
| Gain on sale of business (Note 2)                             | 68                 | -                  |
| Other operating (expense) income, net                         | (4)                | (13)               |
| <b>OPERATING INCOME</b>                                       | <b>1,936</b>       | <b>1,077</b>       |
| Interest income                                               | 25                 | 14                 |
| Interest expense                                              | 34                 | 29                 |
| Other income (expense), net                                   | (14)               | 25                 |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>1,913</b>       | <b>1,087</b>       |
| Income tax expense (Note 3)                                   | 539                | 338                |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>1,374</b>       | <b>749</b>         |
| Less: Net income attributable to noncontrolling interests     | 74                 | 71                 |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 1,300</b>    | <b>\$ 678</b>      |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                    |                    |
| Basic                                                         | \$ 6.71            | \$ 3.44            |
| Diluted                                                       | \$ 6.69            | \$ 3.43            |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                    |                    |
| Basic                                                         | 193.8              | 197.0              |
| Diluted                                                       | 194.4              | 197.4              |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>               | <b>\$ 0.925</b>    | <b>\$ 0.6125</b>   |

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

**CUMMINS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited) (a)

|                                                                                      | September 25, | December 31, |
|--------------------------------------------------------------------------------------|---------------|--------------|
| In millions, except par value                                                        | 2011          | 2010         |
| <b>ASSETS</b>                                                                        |               |              |
| Current assets                                                                       |               |              |
| Cash and cash equivalents                                                            | \$ 1,165      | \$ 1,023     |
| Marketable securities                                                                | 273           | 339          |
| Total cash, cash equivalents and marketable securities                               | 1,438         | 1,362        |
| Accounts and notes receivable, net                                                   | 2,666         | 2,243        |
| Inventories                                                                          | 2,295         | 1,977        |
| Deferred income taxes                                                                | 277           | 314          |
| Prepaid expenses and other current assets                                            | 350           | 393          |
| Total current assets                                                                 | 7,026         | 6,289        |
| Long-term assets                                                                     |               |              |
| Property, plant and equipment                                                        | 5,131         | 4,927        |
| Accumulated depreciation                                                             | (2,963)       | (2,886)      |
| Property, plant and equipment, net                                                   | 2,168         | 2,041        |
| Investments and advances related to equity method investees                          | 830           | 734          |
| Goodwill                                                                             | 346           | 367          |
| Other intangible assets, net                                                         | 215           | 222          |
| Deferred income taxes                                                                | 125           | 203          |
| Other assets                                                                         | 628           | 546          |
| Total assets                                                                         | \$ 11,338     | \$ 10,402    |
| <b>LIABILITIES</b>                                                                   |               |              |
| Current liabilities                                                                  |               |              |
| Loans payable                                                                        | \$ 48         | \$ 82        |
| Accounts payable (principally trade)                                                 | 1,659         | 1,362        |
| Current portion of accrued product warranty                                          | 417           | 421          |
| Accrued compensation, benefits and retirement costs                                  | 481           | 468          |
| Deferred revenue                                                                     | 208           | 182          |
| Taxes payable (including taxes on income)                                            | 251           | 202          |
| Other accrued expenses                                                               | 678           | 543          |
| Total current liabilities                                                            | 3,742         | 3,260        |
| Long-term liabilities                                                                |               |              |
| Long-term debt                                                                       | 665           | 709          |
| Pensions                                                                             | 75            | 195          |
| Postretirement benefits other than pensions                                          | 446           | 439          |
| Other liabilities and deferred revenue                                               | 866           | 803          |
| Total liabilities                                                                    | 5,794         | 5,406        |
| <b>EQUITY</b>                                                                        |               |              |
| Cummins Inc. shareholders' equity                                                    |               |              |
| Common stock, \$2.50 par value, 500 shares authorized, 222.2 and 221.8 shares issued | 1,982         | 1,934        |
| Retained earnings                                                                    | 5,567         | 4,445        |
| Treasury stock, at cost, 29.3 and 24.0 shares                                        | (1,505)       | (964)        |
| Common stock held by employee benefits trust, at cost, 1.9 and 2.1 shares            | (22)          | (25)         |
| Accumulated other comprehensive loss                                                 |               |              |
| Defined benefit postretirement plans                                                 | (606)         | (646)        |
| Other                                                                                | (205)         | (74)         |
| Total accumulated other comprehensive loss                                           | (811)         | (720)        |
| Total Cummins Inc. shareholders' equity                                              | 5,211         | 4,670        |
| Noncontrolling interests                                                             | 333           | 326          |
| Total equity                                                                         | 5,544         | 4,996        |
| Total liabilities and equity                                                         | \$ 11,338     | \$ 10,402    |

(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 CASH FLOWS**  
(Unaudited) (a)

| In millions                                                                                    | Nine months ended     |                       |
|------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                | September 25,<br>2011 | September 26,<br>2010 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                    |                       |                       |
| Consolidated net income                                                                        | \$ 1,374              | \$ 749                |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                       |                       |
| Depreciation and amortization                                                                  | 243                   | 239                   |
| Gain on sale of business (Note 2)                                                              | (68)                  | -                     |
| Gain on fair value adjustment for consolidated investee                                        | -                     | (12)                  |
| Deferred income taxes                                                                          | 148                   | 83                    |
| Equity in income of investees, net of dividends                                                | 7                     | (95)                  |
| Pension contributions in excess of expense                                                     | (71)                  | (114)                 |
| Excess tax benefits on stock based awards                                                      | (4)                   | (8)                   |
| Other post-retirement benefits payments in excess of expense                                   | (10)                  | (22)                  |
| Stock-based compensation expense                                                               | 28                    | 17                    |
| Translation and hedging activities                                                             | (14)                  | 10                    |
| Changes in current assets and liabilities, net of acquisitions and divestitures:               |                       |                       |
| Accounts and notes receivable                                                                  | (469)                 | (198)                 |
| Inventories                                                                                    | (367)                 | (524)                 |
| Other current assets                                                                           | (5)                   | (16)                  |
| Accounts payable                                                                               | 317                   | 336                   |
| Accrued expenses                                                                               | 173                   | 102                   |
| Changes in other liabilities and deferred revenue                                              | 93                    | 97                    |
| Other, net                                                                                     | (7)                   | (25)                  |
| Net cash provided by operating activities                                                      | <u>1,368</u>          | <u>619</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                    |                       |                       |
| Capital expenditures                                                                           | (377)                 | (170)                 |
| Investments in internal use software                                                           | (31)                  | (28)                  |
| Proceeds from disposals of property, plant and equipment                                       | 5                     | 46                    |
| Investments in and advances to equity investees                                                | (104)                 | (17)                  |
| Proceeds from sale of business, net of cash sold (Note 2)                                      | 111                   | -                     |
| Acquisition of businesses, net of cash acquired                                                | -                     | (77)                  |
| Investments in marketable securities—acquisitions                                              | (538)                 | (560)                 |
| Investments in marketable securities—liquidations                                              | 572                   | 452                   |
| Purchases of other investments                                                                 | -                     | (54)                  |
| Cash flows from derivatives not designated as hedges                                           | 4                     | 2                     |
| Other, net                                                                                     | 2                     | -                     |
| Net cash used in investing activities                                                          | <u>(356)</u>          | <u>(406)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                    |                       |                       |
| Proceeds from borrowings                                                                       | 96                    | 163                   |
| Payments on borrowings and capital lease obligations                                           | (174)                 | (64)                  |
| Net borrowings under short-term credit agreements                                              | (5)                   | (4)                   |
| Distributions to noncontrolling interests                                                      | (50)                  | (21)                  |
| Dividend payments on common stock                                                              | (178)                 | (120)                 |
| Proceeds from sale of common stock held by employee benefit trust                              | -                     | 52                    |
| Repurchases of common stock                                                                    | (546)                 | (241)                 |
| Excess tax benefits on stock-based awards                                                      | 4                     | 8                     |
| Other, net                                                                                     | 13                    | 17                    |
| Net cash used in financing activities                                                          | <u>(840)</u>          | <u>(210)</u>          |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                            | <u>(30)</u>           | <u>4</u>              |
| Net increase (decrease) in cash and cash equivalents                                           | 142                   | 7                     |
| Cash and cash equivalents at beginning of year                                                 | 1,023                 | 930                   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                              | <u>\$ 1,165</u>       | <u>\$ 937</u>         |

(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)

|                                                    | Power    |            | Non-segment |              |                      |           |
|----------------------------------------------------|----------|------------|-------------|--------------|----------------------|-----------|
|                                                    | Engine   | Generation | Components  | Distribution | Items <sup>(1)</sup> | Total     |
| <b>In millions</b>                                 |          |            |             |              |                      |           |
| <b>Three months ended September 25, 2011</b>       |          |            |             |              |                      |           |
| External sales                                     | \$ 2,539 | \$ 604     | \$ 704      | \$ 779       | \$ -                 | \$ 4,626  |
| Intersegment sales                                 | 416      | 270        | 311         | 4            | (1,001)              | -         |
| Total sales                                        | 2,955    | 874        | 1,015       | 783          | (1,001)              | 4,626     |
| Depreciation and amortization <sup>(2)</sup>       | 46       | 11         | 19          | 6            | -                    | 82        |
| Research, development and engineering expenses     | 103      | 14         | 46          | 1            | -                    | 164       |
| Equity, royalty and interest income from investees | 35       | 16         | 7           | 44           | -                    | 102       |
| Interest income                                    | 5        | 2          | 1           | 1            | -                    | 9         |
| Segment EBIT                                       | 349      | 92         | 113         | 104          | (18)                 | 640       |
| <b>Three months ended June 26, 2011</b>            |          |            |             |              |                      |           |
| External sales                                     | \$ 2,476 | \$ 649     | \$ 741      | \$ 775       | \$ -                 | \$ 4,641  |
| Intersegment sales                                 | 424      | 260        | 291         | 10           | (985)                | -         |
| Total sales                                        | 2,900    | 909        | 1,032       | 785          | (985)                | 4,641     |
| Depreciation and amortization <sup>(2)</sup>       | 44       | 11         | 18          | 5            | -                    | 78        |
| Research, development and engineering expenses     | 102      | 12         | 43          | -            | -                    | 157       |
| Equity, royalty and interest income from investees | 49       | 13         | 9           | 46           | -                    | 117       |
| Interest income                                    | 6        | 3          | 1           | -            | -                    | 10        |
| Segment EBIT                                       | 377      | 105        | 120         | 106          | 67                   | 775       |
| <b>Three months ended September 26, 2010</b>       |          |            |             |              |                      |           |
| External sales                                     | \$ 1,727 | \$ 564     | \$ 540      | \$ 570       | \$ -                 | \$ 3,401  |
| Intersegment sales                                 | 342      | 227        | 229         | 3            | (801)                | -         |
| Total sales                                        | 2,069    | 791        | 769         | 573          | (801)                | 3,401     |
| Depreciation and amortization <sup>(2)</sup>       | 42       | 10         | 20          | 5            | -                    | 77        |
| Research, development and engineering expenses     | 65       | 8          | 30          | -            | -                    | 103       |
| Equity, royalty and interest income from investees | 37       | 12         | 6           | 33           | -                    | 88        |
| Interest income                                    | 3        | 2          | -           | 1            | -                    | 6         |
| Segment EBIT                                       | 223      | 97         | 63          | 74           | (8)                  | 449       |
| <b>Nine months ended September 25, 2011</b>        |          |            |             |              |                      |           |
| External sales                                     | \$ 7,021 | \$ 1,810   | \$ 2,105    | \$ 2,191     | \$ -                 | \$ 13,127 |
| Intersegment sales                                 | 1,225    | 768        | 866         | 19           | (2,878)              | -         |
| Total sales                                        | 8,246    | 2,578      | 2,971       | 2,210        | (2,878)              | 13,127    |
| Depreciation and amortization <sup>(2)</sup>       | 135      | 32         | 55          | 17           | -                    | 239       |
| Research, development and engineering expenses     | 285      | 37         | 126         | 2            | -                    | 450       |
| Equity, royalty and interest income from investees | 126      | 37         | 24          | 128          | -                    | 315       |
| Interest income                                    | 14       | 6          | 3           | 2            | -                    | 25        |
| Segment EBIT                                       | 1,016    | 286        | 338         | 299          | 8                    | 1,947     |
| <b>Nine months ended September 26, 2010</b>        |          |            |             |              |                      |           |
| External sales                                     | \$ 4,495 | \$ 1,460   | \$ 1,515    | \$ 1,617     | \$ -                 | \$ 9,087  |
| Intersegment sales                                 | 896      | 556        | 613         | 8            | (2,073)              | -         |
| Total sales                                        | 5,391    | 2,016      | 2,128       | 1,625        | (2,073)              | 9,087     |
| Depreciation and amortization <sup>(2)</sup>       | 125      | 31         | 61          | 19           | -                    | 236       |
| Research, development and engineering expenses     | 187      | 23         | 81          | -            | -                    | 291       |
| Equity, royalty and interest income from investees | 124      | 27         | 17          | 93           | -                    | 261       |
| Interest income                                    | 7        | 4          | 1           | 2            | -                    | 14        |
| Segment EBIT                                       | 553      | 207        | 195         | 215          | (54)                 | 1,116     |

- (1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. The three months ended June 26, 2011, and the nine months ended September 25, 2011, include a \$68 million gain (\$37 million after-tax) related to the sale of our exhaust business from the Components segment. The gain has been excluded from segment results as it was not considered by management in its evaluation of operating results for the three months ended June 26, 2011, and the nine months ended September 25, 2011. For the three and nine months ended September 26, 2010, unallocated corporate expenses included \$32 million of Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. In the third quarter of 2010, it was determined that we overpaid a Brazilian revenue based tax during 2004-2008. Our 2010 results include a pre-tax recovery related to tax credits on imported products arising from this overpayment. The recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the quarter. There were no other significant unallocated corporate expenses for the three and nine months ended September 25, 2011 and September 26, 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."

**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:

| In millions                | Three months ended    |                  |                       | Nine months ended     |                       |
|----------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
|                            | September 25,<br>2011 | June 26,<br>2011 | September 26,<br>2010 | September 25,<br>2011 | September 26,<br>2010 |
| Segment EBIT               | \$ 640                | \$ 775           | \$ 449                | \$ 1,947              | \$ 1,116              |
| Less:                      |                       |                  |                       |                       |                       |
| Interest expense           | 11                    | 13               | 11                    | 34                    | 29                    |
| Income before income taxes | <u>\$ 629</u>         | <u>\$ 762</u>    | <u>\$ 438</u>         | <u>\$ 1,913</u>       | <u>\$ 1,087</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:

| In millions                                        | Three months ended    |                  |                       | Nine months ended     |                       |
|----------------------------------------------------|-----------------------|------------------|-----------------------|-----------------------|-----------------------|
|                                                    | September 25,<br>2011 | June 26,<br>2011 | September 26,<br>2010 | September 25,<br>2011 | September 26,<br>2010 |
| <b>Distribution Entities</b>                       |                       |                  |                       |                       |                       |
| North American distributors                        | \$ 35                 | \$ 35            | \$ 26                 | \$ 100                | \$ 72                 |
| Komatsu Cummins Chile, Ltda                        | 6                     | 6                | 5                     | 16                    | 11                    |
| All other distributors                             | 1                     | 1                | -                     | 3                     | 2                     |
| <b>Manufacturing Entities</b>                      |                       |                  |                       |                       |                       |
| Chongqing Cummins Engine Company, Ltd.             | 20                    | 19               | 12                    | 51                    | 35                    |
| Dongfeng Cummins Engine Company, Ltd.              | 15                    | 26               | 24                    | 64                    | 76                    |
| Shanghai Fleetguard Filter Co., Ltd.               | 4                     | 4                | 3                     | 12                    | 9                     |
| Cummins Westport, Inc.                             | 4                     | 3                | 2                     | 8                     | 7                     |
| Tata Cummins, Ltd.                                 | 2                     | 3                | 4                     | 9                     | 11                    |
| Valvoline Cummins, Ltd.                            | 2                     | 2                | 2                     | 6                     | 7                     |
| Komatsu manufacturing alliances                    | -                     | (1)              | 2                     | 1                     | 7                     |
| Beijing Foton Cummins Engine Co., Ltd.             | (2)                   | (1)              | (6)                   | (5)                   | (12)                  |
| All other manufacturers                            | 7                     | 6                | 7                     | 19                    | 14                    |
| Cummins share of net income                        | <u>94</u>             | <u>103</u>       | <u>81</u>             | <u>284</u>            | <u>239</u>            |
| Royalty and interest income                        | <u>8</u>              | <u>14</u>        | <u>7</u>              | <u>31</u>             | <u>22</u>             |
| Equity, royalty and interest income from investees | <u>\$ 102</u>         | <u>\$ 117</u>    | <u>\$ 88</u>          | <u>\$ 315</u>         | <u>\$ 261</u>         |

**NOTE 2. SALE OF EXHAUST BUSINESS**

In January 2011, we reached an agreement to sell 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. The transaction closed in the second quarter of 2011. This business was historically included in our Components segment. The sales price was \$123 million. We recognized a pre-tax gain on the sale of \$68 million, which included an allocation of goodwill of \$19 million. The transaction had a working capital adjustment mechanism that was determined in the third quarter. There was not a significant change to the measurement of the gain. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the nine months ended September 25, 2011.

Sales for this business were \$171 million, \$126 million and \$169 million in 2010, 2009 and 2008, respectively. Income before income taxes for this business was approximately \$22 million, \$11 million and \$19 million in 2010, 2009 and 2008, 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.

### NOTE 3. INCOME TAXES

Our effective tax rate for the year is expected to approximate 29.5 percent, absent any discrete period activity. Our tax rate is generally less than the 35 percent U.S. income tax rate primarily due to lower income tax rates on foreign income and research tax credits. The tax rates for the three and nine month periods ended September 25, 2011, were 25.0 percent and 28.2 percent, respectively. The tax rate for the third quarter includes discrete items that total a benefit of \$29 million (or \$0.15 per share) related primarily to amended tax returns for prior periods. The tax rate for the nine months ended September 25, 2011, includes total discrete tax benefits of \$25 million.

Our effective tax rates for the comparable prior year periods were 29.5 percent and 31.1 percent, respectively. In July 2010, the U.K. passed legislation which reduced our U.K. tax rate from 28 percent to 27 percent in 2011. We had an additional charge to our third quarter tax provision of approximately \$2 million to reduce the value of our U.K. deferred tax assets. The tax rate for the nine month period included a discrete income tax charge of \$7 million related to the enactment of the "Patient Protection and Affordable Care Act." The lower rate in 2011 compared to 2010 is a result of the geographic mix of earnings.

#### 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:

|             | Three months ended |               |                    | Nine months ended  |                    |
|-------------|--------------------|---------------|--------------------|--------------------|--------------------|
|             | September 25, 2011 | June 26, 2011 | September 26, 2010 | September 25, 2011 | September 26, 2010 |
| In millions |                    |               |                    |                    |                    |

|                                                                                                                 |    |            |    |            |    |            |    |              |    |              |
|-----------------------------------------------------------------------------------------------------------------|----|------------|----|------------|----|------------|----|--------------|----|--------------|
| Earnings before interest expense, income taxes and gain on sale of business                                     | \$ | 640        | \$ | 707        | \$ | 449        | \$ | 1,879        | \$ | 1,116        |
| <i>Earnings before interest expense, income taxes and gain on sale of business as a percentage of net sales</i> |    | 13.8%      |    | 15.2%      |    | 13.2%      |    | 14.3%        |    | 12.3%        |
| Add:                                                                                                            |    |            |    |            |    |            |    |              |    |              |
| Gain on sale of business                                                                                        |    | -          |    | 68         |    | -          |    | 68           |    | -            |
| Earnings before interest expense and income taxes                                                               |    | <u>640</u> |    | <u>775</u> |    | <u>449</u> |    | <u>1,947</u> |    | <u>1,116</u> |
| <i>EBIT as a percentage of net sales</i>                                                                        |    | 13.8%      |    | 16.7%      |    | 13.2%      |    | 14.8%        |    | 12.3%        |
| Less:                                                                                                           |    |            |    |            |    |            |    |              |    |              |
| Interest expense                                                                                                |    | 11         |    | 13         |    | 11         |    | 34           |    | 29           |
| Income tax expense                                                                                              |    | <u>157</u> |    | <u>225</u> |    | <u>129</u> |    | <u>539</u>   |    | <u>338</u>   |
| Consolidated net income                                                                                         |    | <u>472</u> |    | <u>537</u> |    | <u>309</u> |    | <u>1,374</u> |    | <u>749</u>   |
| Less:                                                                                                           |    |            |    |            |    |            |    |              |    |              |
| Net income attributable to noncontrolling interests                                                             |    | 20         |    | 32         |    | 26         |    | 74           |    | 71           |
| Net income attributable to Cummins Inc.                                                                         | \$ | <u>452</u> | \$ | <u>505</u> | \$ | <u>283</u> | \$ | <u>1,300</u> | \$ | <u>678</u>   |
| <i>Net income attributable to Cummins Inc. as a percentage of net sales</i>                                     |    | 9.8%       |    | 10.9%      |    | 8.3%       |    | 9.9%         |    | 7.5%         |

### Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding gain on sale of business and discrete income tax items

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our underlying operating performance and trends without regard to discrete income tax items and the gain related to the sale of our exhaust business. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. excluding gain on sale of business and discrete income tax items to "Net income attributable to Cummins Inc." for the three and nine month periods ended September 25, 2011.

| In millions                                                                                                  | Three months ended |                | Nine months ended  |                |
|--------------------------------------------------------------------------------------------------------------|--------------------|----------------|--------------------|----------------|
|                                                                                                              | September 25, 2011 |                | September 25, 2011 |                |
|                                                                                                              | Net Income         | Diluted EPS    | Net Income         | Diluted EPS    |
| Net income attributable to Cummins Inc. excluding discrete income tax items and the gain on sale of business | \$ 423             | \$ 2.20        | \$ 1,234           | \$ 6.35        |
| Add:                                                                                                         |                    |                |                    |                |
| Third quarter discrete income tax items                                                                      | 29                 | 0.15           | 29                 | 0.15           |
| Gain on sale of business <sup>(1)</sup>                                                                      | -                  | -              | 37                 | 0.19           |
| Net income attributable to Cummins Inc.                                                                      | <u>\$ 452</u>      | <u>\$ 2.35</u> | <u>\$ 1,300</u>    | <u>\$ 6.69</u> |

(1) The gain has been excluded from operating results as it was not considered by management in its evaluation of performance for the nine months ended September 25, 2011.

Engine segment net sales by market

**2011**

| <b>In millions</b>        | <b>Q1</b>      | <b>Q2</b>      | <b>Q3</b>             | <b>Q4</b>   | <b>YTD</b>     |
|---------------------------|----------------|----------------|-----------------------|-------------|----------------|
| Heavy-duty truck          | \$ 485         | \$ 693         | <b>\$ 748</b>         | \$ -        | \$1,926        |
| Medium-duty truck and bus | 474            | 608            | <b>640</b>            | -           | 1,722          |
| Light-duty auto and RV    | 296            | 310            | <b>271</b>            | -           | 877            |
| Industrial                | 855            | 988            | <b>977</b>            | -           | 2,820          |
| Stationary power          | 281            | 301            | <b>319</b>            | -           | 901            |
| Total sales               | <u>\$2,391</u> | <u>\$2,900</u> | <u><b>\$2,955</b></u> | <u>\$ -</u> | <u>\$8,246</u> |

**2010**

| <b>In millions</b>        | <b>Q1</b>      | <b>Q2</b>      | <b>Q3</b>      | <b>Q4</b>      | <b>YTD</b>     |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Heavy-duty truck          | \$ 252         | \$ 340         | \$ 395         | \$ 516         | \$1,503        |
| Medium-duty bus and truck | 217            | 352            | 430            | 436            | 1,435          |
| Light-duty auto 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**

| <b>Units</b>    | <b>Q1</b>      | <b>Q2</b>      | <b>Q3</b>             | <b>Q4</b> | <b>YTD</b>     |
|-----------------|----------------|----------------|-----------------------|-----------|----------------|
| Midrange        | 109,400        | 131,300        | <b>130,600</b>        | -         | 371,300        |
| Heavy-duty      | 20,000         | 29,900         | <b>31,100</b>         | -         | 81,000         |
| High-horsepower | 4,900          | 5,700          | <b>5,600</b>          | -         | 16,200         |
| Total units     | <u>134,300</u> | <u>166,900</u> | <u><b>167,300</b></u> | <u>-</u>  | <u>468,500</u> |

**2010**

| <b>Units</b>    | <b>Q1</b>     | <b>Q2</b>      | <b>Q3</b>      | <b>Q4</b>      | <b>YTD</b>     |
|-----------------|---------------|----------------|----------------|----------------|----------------|
| 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> |

Power generation segment sales by business

**2011**

| <b>In millions</b>     | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>           | <b>Q4</b>   | <b>YTD</b>     |
|------------------------|--------------|--------------|---------------------|-------------|----------------|
| Commercial products    | \$505        | \$568        | <b>\$579</b>        | \$ -        | \$1,652        |
| Generator technologies | 153          | 190          | <b>166</b>          | -           | 509            |
| Consumer               | 50           | 53           | <b>48</b>           | -           | 151            |
| Commercial projects    | 55           | 58           | <b>46</b>           | -           | 159            |
| Power electronics      | 32           | 40           | <b>35</b>           | -           | 107            |
| Total sales            | <u>\$795</u> | <u>\$909</u> | <u><b>\$874</b></u> | <u>\$ -</u> | <u>\$2,578</u> |

**2010**

| <b>In millions</b>     | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>    | <b>Q4</b>    | <b>YTD</b>     |
|------------------------|--------------|--------------|--------------|--------------|----------------|
| 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> |

**BUSINESS UNIT SALES DATA**  
(Unaudited)

Component segment sales by business

**2011**

| <b>In millions</b> | <b>Q1</b>    | <b>Q2</b>      | <b>Q3</b>      | <b>Q4</b>   | <b>YTD</b>     |
|--------------------|--------------|----------------|----------------|-------------|----------------|
| Turbo technologies | \$297        | \$ 314         | \$ 298         | \$ -        | \$ 909         |
| Emission solutions | 273          | 311            | 306            | -           | 890            |
| Filtration         | 255          | 287            | 288            | -           | 830            |
| Fuel systems       | 99           | 120            | 123            | -           | 342            |
| Total sales        | <u>\$924</u> | <u>\$1,032</u> | <u>\$1,015</u> | <u>\$ -</u> | <u>\$2,971</u> |

**2010**

| <b>In millions</b> | <b>Q1</b>    | <b>Q2</b>     | <b>Q3</b>     | <b>Q4</b>    | <b>YTD</b>     |
|--------------------|--------------|---------------|---------------|--------------|----------------|
| Turbo technologies | \$200        | \$ 226        | \$ 239        | \$283        | \$ 948         |
| Emission solutions | 137          | 170           | 192           | 251          | 750            |
| 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> |

Distribution segment sales by product

**2011**

| <b>In millions</b>   | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>    | <b>Q4</b>   | <b>YTD</b>     |
|----------------------|--------------|--------------|--------------|-------------|----------------|
| Parts and filtration | \$235        | \$271        | \$283        | \$ -        | \$ 789         |
| Power generation     | 145          | 195          | 191          | -           | 531            |
| Engines              | 140          | 186          | 171          | -           | 497            |
| Service              | 122          | 133          | 138          | -           | 393            |
| Total sales          | <u>\$642</u> | <u>\$785</u> | <u>\$783</u> | <u>\$ -</u> | <u>\$2,210</u> |

**2010**

| <b>In millions</b>   | <b>Q1</b>    | <b>Q2</b>    | <b>Q3</b>    | <b>Q4</b>    | <b>YTD</b>     |
|----------------------|--------------|--------------|--------------|--------------|----------------|
| 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> |

Cummins Inc.  
Janet Williams, 317-610-2488  
Director - Corporate Communications  
[janet.williams@cummins.com](mailto:janet.williams@cummins.com)

Source: Cummins Inc.