

July 28, 2014



## Cummins Reports Results for the Second Quarter of 2014

COLUMBUS, IN -- (Marketwired) -- 07/28/14 -- Cummins Inc. (NYSE: CMI)

- ***Second quarter revenues of \$4.8 billion, EBIT of 13.6 percent of sales on stronger North American truck markets***
- ***Full year revenue expected to grow between 8 and 11 percent and EBIT to be in the range of 12.75 to 13.25 percent of sales***

Cummins Inc. (NYSE: CMI) today reported results for the second quarter of 2014.

Second quarter revenue of \$4.8 billion increased 7 percent from the same quarter in 2013. The increase year-over-year was driven by stronger demand in on-highway markets and distributor acquisitions in North America.

Revenues in North America increased 14 percent while international sales decreased 1 percent compared to the second quarter a year ago. Within international markets, lower revenues in Mexico, Brazil and India offset stronger demand in China.

Earnings before interest and taxes (EBIT) were \$657 million for the second quarter or 13.6 percent of sales. This compares to \$621 million or 13.7 percent of sales a year ago.

Net income attributable to Cummins in the second quarter was \$446 million (\$2.43 per diluted share), compared to \$414 million (\$2.20 per diluted share) in the second quarter of 2013.

"Demand is growing in on-highway markets in North America this year as the economy improves and we have gained market share in medium duty truck and bus markets. Our Components business delivered very strong results in the second quarter generating record sales and profits," said Chairman and CEO Tom Linebarger. "Earlier this month we raised the quarterly dividend by 25 percent and the Board of Directors also approved a new \$1 billion share repurchase program, consistent with our commitment to return 50 percent of operating cash flow to shareholders and reflecting our confidence in the Company's future."

Based on the current forecast, Cummins expects full year 2014 revenues to grow between

8% and 11%, up from its previous forecast of growth of between 6% and 10%, due largely to improving demand in North America. EBIT is expected to be in the range of 12.75 to 13.25 percent of sales.

Other recent highlights:

- The Company named Rich Freeland as President and Chief Operating Officer
- Cummins was named 2013 Powertrain Supplier of the Year by Chrysler Group
- The Company was ranked among the World's Best in Newsweek's 2014 Green Rankings for our continuous efforts to reduce our environmental footprint and make a positive impact on the environment
- For the ninth straight year Cummins was awarded a perfect score by the Human Rights Campaign Foundation (HRC) in the 2014 Corporate Quality Index as part of HRC's Best Place to Work Initiative

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

#### **Engine Segment**

- Sales - \$2.7 billion, up 3 percent
- Segment EBIT - \$311 million, or 11.3 percent of sales, compared to \$339 million or 12.8 percent of sales
- Increased demand in on-highway markets in North America offset weakness in global power generation and the Brazilian truck market

#### **Components Segment**

- Sales - \$1.3 billion, up 15 percent
- Segment EBIT - \$185 million, or 14.5 percent of sales, compared to \$136 million or 12.2 percent of sales
- Higher demand in on-highway markets in North America, Europe and China more than offset weaker demand in Brazil

#### **Power Generation Segment**

- Sales - \$743 million, down 9 percent
- Segment EBIT - \$61 million, or 8.2 percent of sales, compared to \$76 million or 9.3 percent of sales
- Lower revenues in most markets particularly North America, Asia Pacific and Middle East offset stronger demand in China and Africa

#### **Distribution Segment**

- Sales - \$1.2 billion, up 30 percent overall and up 2 percent excluding acquisitions
- Segment EBIT - \$126 million, or 10.2 percent of sales, compared to \$100 million or 10.5 percent of sales
- Higher revenues were primarily driven by acquisitions and stronger demand in North America and Africa.

### **About Cummins**

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service diesel and natural gas engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins currently employs approximately 48,000 people worldwide and serves customers in approximately 190 countries and territories through a network of approximately 600 company-owned and independent distributor locations and approximately 6,800 dealer locations. Cummins earned \$1.48 billion on sales of \$17.3 billion in 2013. Press releases can be found on the Web at [www.cummins.com](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 2014. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, including particularly in the Risk Factors section of our 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. EDT. 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.*

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

In millions, except per share amounts	Three months ended		
	June 29, 2014	March 30, 2014	June 30, 2013
NET SALES	\$ 4,835	\$ 4,406	\$ 4,525
Cost of sales	3,608	3,290	3,372
GROSS MARGIN	1,227	1,116	1,153
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	535	502	484
Research, development and engineering expenses	179	190	177
Equity, royalty and interest income from investees (Note 1)	105	90	108
Other operating income (expense), net	(6)	(1)	10
OPERATING INCOME	612	513	610
Interest income	6	5	10
Interest expense	15	17	8
Other income, net	39	10	1
INCOME BEFORE INCOME TAXES	642	511	613
Income tax expense (Note 2)	170	153	172
CONSOLIDATED NET INCOME	472	358	441
Less: Net income attributable to noncontrolling interests	26	20	27
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 446	\$ 338	\$ 414
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 2.44	\$ 1.83	\$ 2.20
Diluted	\$ 2.43	\$ 1.83	\$ 2.20

WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	182.8	184.3	187.8
Diluted	183.2	184.7	188.2
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.625	\$ 0.625	\$ 0.50

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

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

In millions, except per share amounts	Six months ended	
	June 29, 2014	June 30, 2013
NET SALES	\$ 9,241	\$ 8,447
Cost of sales	6,898	6,337
GROSS MARGIN	2,343	2,110
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,037	928
Research, development and engineering expenses	369	359
Equity, royalty and interest income from investees (Note 1)	195	190
Other operating income (expense), net	(7)	11
OPERATING INCOME	1,125	1,024
Interest income	11	15
Interest expense	32	14
Other income, net	49	19
INCOME BEFORE INCOME TAXES	1,153	1,044
Income tax expense (Note 2)	323	291
CONSOLIDATED NET INCOME	830	753
Less: Net income attributable to noncontrolling interests	46	57
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 784	\$ 696
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 4.27	\$ 3.70
Diluted	\$ 4.26	\$ 3.69
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	183.5	188.1
Diluted	183.9	188.5

CASH DIVIDENDS DECLARED PER COMMON SHARE \$ 1.25 \$ 1.00

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

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

In millions, except par value	June 29, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,219	\$ 2,699
Marketable securities	158	150
	-----	-----
Total cash, cash equivalents and marketable securities	2,377	2,849
Accounts and notes receivable, net	3,188	2,649
Inventories	2,745	2,381
Prepaid expenses and other current assets	770	760
	-----	-----
Total current assets	9,080	8,639
<b>Long-term assets</b>		
Property, plant and equipment	6,739	6,410
Accumulated depreciation	(3,410)	(3,254)
	-----	-----
Property, plant and equipment, net	3,329	3,156
Investments and advances related to equity method investees	934	931
Goodwill	465	461
Other intangible assets, net	353	357
Other assets	1,339	1,184
	-----	-----
Total assets	\$ 15,500	\$ 14,728
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Loans payable	\$ 30	\$ 17
Accounts payable (principally trade)	1,905	1,557
Current maturities of long-term debt	33	51
Current portion of accrued product warranty	353	360
Accrued compensation, benefits and retirement costs	401	433
Deferred revenue	316	285
Taxes payable (including taxes on income)	125	99
Other accrued expenses	646	566
	-----	-----
Total current liabilities	3,809	3,368
<b>Long-term liabilities</b>		
Long-term debt	1,627	1,672
Pensions	233	232

Postretirement benefits other than pensions	341	356
Other liabilities and deferred revenue	1,332	1,230
	-----	-----
Total liabilities	7,342	6,858
	-----	-----
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued	2,113	2,099
Retained earnings	8,961	8,406
Treasury stock, at cost, 38.4 and 35.6 shares	(2,604)	(2,195)
Common stock held by employee benefits trust, at cost, 1.2 and 1.3 shares	(14)	(16)
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(597)	(611)
Other	(72)	(173)
	-----	-----
Total accumulated other comprehensive loss	(669)	(784)
	-----	-----
Total Cummins Inc. shareholders' equity	7,787	7,510
Noncontrolling interests	371	360
	-----	-----
Total equity	8,158	7,870
	-----	-----
Total liabilities and equity	\$ 15,500	\$ 14,728
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(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)

In millions	Six months ended	
	June 29, 2014	June 30, 2013
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 830	\$ 753
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	217	200
Gain on fair value adjustment for consolidated investees	(20)	(12)
Deferred income taxes	(88)	20
Equity in income of investees, net of dividends	(108)	(57)
Pension contributions in excess of expense	(127)	(78)
Other post-retirement benefits payments in excess of expense	(14)	(15)

Stock-based compensation expense	21	19
Excess tax benefits on stock-based awards	(5)	(8)
Translation and hedging activities	(9)	3
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	(321)	(265)
Inventories	(223)	(184)
Other current assets	4	214
Accounts payable	289	310
Accrued expenses	120	(87)
Changes in other liabilities and deferred revenue	116	100
Other, net	19	47
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	701	960
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(245)	(275)
Investments in internal use software	(26)	(24)
Investments in and advances to equity investees	(11)	(4)
Acquisitions of businesses, net of cash acquired	(193)	(134)
Investments in marketable securities-acquisitions	(179)	(243)
Investments in marketable securities-liquidations	179	280
Cash flows from derivatives not designated as hedges	4	(23)
Other, net	8	12
	-----	-----
Net cash used in investing activities	(463)	(411)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	17	2
Payments on borrowings and capital lease obligations	(39)	(51)
Net borrowings (payments) under short-term credit agreements	(48)	56
Distributions to noncontrolling interests	(32)	(28)
Dividend payments on common stock	(229)	(189)
Repurchases of common stock	(430)	(289)
Excess tax benefits on stock-based awards	5	8
Other, net	-	18
	-----	-----
Net cash used in financing activities	(756)	(473)
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	38	(63)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(480)	13
Cash and cash equivalents at beginning of year	2,699	1,369
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CASH AND CASH EQUIVALENTS AT END OF PERIOD \$	2,219	\$ 1,382
	=====	=====



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

CUMMINS INC. AND SUBSIDIARIES  
SEGMENT INFORMATION  
(Unaudited)

In millions	Engine	Components	Power Generation	Distribution	Non- segment Items (1)	Total
Three months ended June 29, 2014						
External sales	\$2,178	\$ 953	\$ 475	\$ 1,229	\$ -	\$4,835
Intersegment sales	566	327	268	9	(1,170)	-
Total sales	2,744	1,280	743	1,238	(1,170)	4,835
Depreciation and amortization (2)	52	26	13	20	-	111
Research, development and engineering expenses	105	53	18	3	-	179
Equity, royalty and interest income from investees	45	9	9	42	-	105
Interest income	4	1	1	-	-	6
Segment EBIT	311	185	61	126 (3)	(26)	657
Segment EBIT as a percentage of total sales	11.3%	14.5%	8.2%	10.2%		13.6%
Three months ended March 30, 2014						
External sales	\$2,090	\$ 922	\$ 452	\$ 942	\$ -	\$4,406
Intersegment sales	473	308	187	8	(976)	-
Total sales	2,563	1,230	639	950	(976)	4,406
Depreciation and amortization (2)	51	26	12	16	-	105
Research, development						

and engineering expenses	116	53	19	2	-	190
Equity, royalty and interest income from investees	32	9	8	41	-	90
Interest income	2	1	1	1	-	5
Segment EBIT	269	167	25	76 (3)	(9)	528
Segment EBIT as a percentage of total sales	10.5%	13.6%	3.9%	8.0%		12.0%
Three months ended June 30, 2013						
External sales	\$2,209	\$ 786	\$ 583	\$ 947	\$ -	\$4,525
Intersegment sales	447	331	231	7	(1,016)	-
Total sales	2,656	1,117	814	954	(1,016)	4,525
Depreciation and amortization (2)	51	23	12	15	-	101
Research, development and engineering expenses	102	57	17	1	-	177
Equity, royalty and interest income from investees	52	9	10	37	-	108
Interest income	7	-	2	1	-	10
Segment EBIT	339	136	76	100 (3)	(30)	621
Segment EBIT as a percentage of total sales	12.8%	12.2%	9.3%	10.5%		13.7%

- (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 June 29, 2014, March 30, 2014 and June 30, 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 June 29, 2014, March 30, 2014 and June 30, 2013 included gains of \$14 million, \$6 million and \$5 million on the fair value adjustments resulting from the

acquisitions of controlling interests in North American distributors in each period, respectively.

CUMMINS INC. AND SUBSIDIARIES  
SEGMENT INFORMATION  
(Unaudited)

In millions	Engine	Components	Power Generation	Distribution	Non- segment Items (1)	Total
Six months ended June 29, 2014						
External sales	\$4,268	\$ 1,875	\$ 927	\$ 2,171	\$ -	\$9,241
Intersegment sales	1,039	635	455	17	(2,146)	-
Total sales	5,307	2,510	1,382	2,188	(2,146)	9,241
Depreciation and amortization (2)	103	52	25	36	-	216
Research, development and engineering expenses	221	106	37	5	-	369
Equity, royalty and interest income from investees	77	18	17	83	-	195
Interest income	6	2	2	1	-	11
Segment EBIT	580	352	86	202 (3)	(35)	1,185
Segment EBIT as a percentage of total sales	10.9%	14.0%	6.2%	9.2%		12.8%
Six months ended June 30, 2013						
External sales	\$4,094	\$ 1,508	\$ 1,122	\$ 1,723	\$ -	\$8,447
Intersegment sales	865	627	438	9	(1,939)	-
Total sales	4,959	2,135	1,560	1,732	(1,939)	8,447
Depreciation and amortization (2)	103	47	24	25	-	199
Research, development and engineering expenses	207	114	35	3	-	359
Equity,						

royalty and interest income from investees	75	16	17	82	-	190
Interest income	9	1	4	1	-	15
Segment EBIT	534	255	127	195 (3)	(53)	1,058
Segment EBIT as a percentage of total sales	10.8%	11.9%	8.1%	11.3%		12.5%

- (1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the six months ended June 29, 2014 and June 30, 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 \$1 million and \$5 million for the six months ended June 29, 2014 and June 30, 2013, respectively.
- (3) Distribution segment EBIT for the six months ended June 29, 2014 and June 30, 2013 included gains of \$20 million and \$12 million on the fair value adjustments resulting from the acquisitions of controlling interests in North American distributors in each period, respectively.

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			Six months ended	
	June 29, 2014	March 30, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Total EBIT	\$ 657	\$ 528	\$ 621	\$ 1,185	\$ 1,058
Less: Interest expense	15	17	8	32	14
Income before income taxes	\$ 642	\$ 511	\$ 613	\$ 1,153	\$ 1,044

CUMMINS INC. AND SUBSIDIARIES  
SELECTED FOOTNOTE DATA  
(Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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

Three months ended	Six months ended
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In millions	June 29, 2014	March 30, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Distribution Entities					
North American distributors	\$ 30	\$ 32	\$ 29	\$ 62	\$ 64
Komatsu Cummins Chile, Ltda.	8	6	6	14	11
All other distributors	1	1	-	2	-
Manufacturing Entities					
Dongfeng Cummins Engine Company, Ltd.	22	14	20	36	32
Chongqing Cummins Engine Company, Ltd.	15	11	17	26	29
Beijing Foton Cummins Engine Co., Ltd. (Light-duty)	8	6	9	14	10
Shanghai Fleetguard Filter Co., Ltd.	3	3	4	6	7
Tata Cummins, Ltd.	2	2	2	4	3
Cummins Westport, Inc.	-	1	3	1	3
Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty)	(7)	(6)	(7)	(13)	(10)
All other manufacturers	14	9	15	23	22
Cummins share of net income	96	79	98	175	171
Royalty and interest income	9	11	10	20	19
Equity, royalty and interest income from investees	\$ 105	\$ 90	\$ 108	\$ 195	\$ 190

## NOTE 2. INCOME TAXES

Our effective tax rate for the year is expected to approximate 28 percent, excluding any one-time items that may arise and the research tax credit which expired December 31, 2013 and has not yet been renewed by Congress. Our tax rate is generally less than the 35 percent U.S. statutory income tax rate primarily due to lower tax rates on foreign income. The effective tax rates for the three and six month periods ended June 29, 2014, were 26.5 percent and 28 percent, respectively. The tax rate for the three months ended June 29, 2014, included a \$2 million discrete tax benefit for the release of reserves for uncertain tax

positions related to multiple state audit settlements. Additionally, the tax rate for the six month period included a \$12 million discrete tax expense attributable primarily to state deferred tax adjustments, as well as a \$6 million discrete net tax benefit resulting from a \$70 million dividend paid from China earnings generated prior to 2012.

Our effective tax rate for the three month period ended March 30, 2014, was 29.9 percent, and included a \$12 million discrete tax expense attributable primarily to state deferred tax adjustments, as well as a \$6 million discrete net tax benefit resulting from a \$70 million dividend paid from China earnings generated prior to 2012.

Our effective tax rates for the three and six month periods ended June 30, 2013, were 28.1 percent and 27.9 percent, respectively. These tax rates included a discrete tax benefit of \$28 million attributable to the 2012 research credit reinstated in January 2013, as well as a discrete tax expense of \$17 million, which primarily related to the write-off of a deferred tax asset deemed unrecoverable. The decrease in the three month effective tax rate from 2013 to 2014 is primarily due to favorable changes in the jurisdictional mix of pre-tax income and the 2014 favorable discrete tax item related to state audit settlements.

### **NOTE 3. ACQUISITION**

#### ***Cummins Southern Plains LLC***

On March 31, 2014, we acquired the remaining 50 percent interest in Cummins Southern Plains LLC (Southern Plains) from the former distributor principal. The purchase consideration was \$92 million as presented below, which included \$41 million in cash and an additional \$48 million paid to eliminate outstanding debt. The remaining \$3 million will be paid in future periods. The intangible assets are primarily customer related and are being amortized over periods ranging from one to five years. The acquisition was accounted for as a business combination and the results of the acquired entity were included in the Distribution operating segment subsequent to the acquisition date. As a result of this transaction, second quarter 2014 Distribution segment results included a \$13 million gain, as we were required to re-measure our pre-existing 50 percent ownership interest in Southern Plains to fair value in accordance with GAAP. The transaction generated less than \$1 million of goodwill based on the purchase price allocation. Net sales for Southern Plains were \$433 million for the year ended December 31, 2013. This amount is not fully incremental to our consolidated sales as the amount would be reduced by the elimination of sales to the previously unconsolidated entity.

The final purchase price allocation as of June 29, 2014, was as follows:

In millions

Accounts receivable	\$	63
Inventory		59
Fixed assets		47
Intangible assets		11
Other current assets		9
Current liabilities		(53)
		-----
Total business valuation		136
Fair value of pre-existing 50 percent interest		(44)

Purchase price

-----  
\$ 92  
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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. 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. Below is a reconciliation of EBIT to "Net income attributable to Cummins Inc.," for each of the applicable periods:

	Three months ended			Six months ended	
In millions	June 29, 2014	March 30, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Earnings before interest expense and income taxes	\$ 657	\$ 528	\$ 621	\$ 1,185	\$ 1,058
EBIT as a percentage of net sales	13.6 %	12.0 %	13.7 %	12.8 %	12.5 %
Less					
Interest expense	15	17	8	32	14
Income tax expense	170	153	172	323	291
Consolidated net income	472	358	441	830	753
Less					
Net income attributable to noncontrolling interests	26	20	27	46	57
Net income attributable to Cummins Inc.	\$ 446	\$ 338	\$ 414	\$ 784	\$ 696
Net income attributable to Cummins Inc. as a percentage of net sales	9.2 %	7.7 %	9.1 %	8.5 %	8.2 %

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	\$ -	\$ -	\$ 1,518
Medium-duty truck and bus	601	646	-	-	1,247
Light-duty automotive and RV	361	336	-	-	697
Industrial	700	757	-	-	1,457
Stationary power	179	209	-	-	388
<b>Total sales</b>	<b>\$ 2,563</b>	<b>\$ 2,744</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,307</b>

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
<b>Total sales</b>	<b>\$ 2,303</b>	<b>\$ 2,656</b>	<b>\$ 2,492</b>	<b>\$ 2,562</b>	<b>\$10,013</b>

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

2014

Units	Q1	Q2	Q3	Q4	YTD
Midrange	118,900	118,700	-	-	237,600
Heavy-duty	28,800	30,300	-	-	59,100
High-horsepower	3,400	3,900	-	-	7,300
<b>Total units</b>	<b>151,100</b>	<b>152,900</b>	<b>-</b>	<b>-</b>	<b>304,000</b>

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
<b>Total units</b>	<b>123,700</b>	<b>153,800</b>	<b>143,800</b>	<b>144,900</b>	<b>566,200</b>

Component segment sales by business

2014



In millions	Q1	Q2	Q3	Q4	YTD
Emission Solutions	\$ 543	\$ 582	\$ -	\$ -	\$ 1,125
Turbo Technologies	313	307	-	-	620
Filtration	265	275	-	-	540
Fuel systems	109	116	-	-	225
Total sales	\$ 1,230	\$ 1,280	\$ -	\$ -	\$ 2,510

2013					
In millions	Q1	Q2	Q3	Q4	YTD
Emission Solutions	\$ 400	\$ 444	\$ 458	\$ 489	\$ 1,791
Turbo Technologies	266	294	263	292	1,115
Filtration	255	271	248	254	1,028
Fuel systems	97	108	103	100	408
Total sales	\$ 1,018	\$ 1,117	\$ 1,072	\$ 1,135	\$ 4,342

Power Generation segment sales by business

2014					
In millions	Q1	Q2	Q3	Q4	YTD
Power products	\$ 373	\$ 445	\$ -	\$ -	\$ 818
Power systems	137	141	-	-	278
Alternators	105	126	-	-	231
Power solutions	24	31	-	-	55
Total sales	\$ 639	\$ 743	\$ -	\$ -	\$ 1,382

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

Distribution segment sales by business

2014					
In millions	Q1	Q2	Q3	Q4	YTD
Parts and filtration	\$ 382	\$ 461	\$ -	\$ -	\$ 843
Power generation	193	278	-	-	471
Engines	174	249	-	-	423
Service	201	250	-	-	451
Total sales	\$ 950	\$ 1,238	\$ -	\$ -	\$ 2,188

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

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Source: Cummins Inc.