

CUMMINS INC
Form 8-K
October 27, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: October 27, 2015

CUMMINS INC.
(Exact name of registrant as specified in its charter)
Indiana 1-4949 35-0257090
(State or other Jurisdiction of (Commission File Number) (I.R.S. Employer
Incorporation) Identification No.)

500 Jackson Street
P. O. Box 3005
Columbus, IN 47202-3005
(Principal Executive Office) (Zip Code)

Registrant's telephone number, including area code: (812) 377-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On October 27, 2015, Cummins Inc. (“Cummins,” “the Company,” “the registrant,” “we,” “our,” or “us”) issued the attached press release reporting its financial results for the third quarter of 2015, which is furnished herewith as Exhibit 99.

The information furnished pursuant to this Item 2.02, including Exhibit 99, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is furnished pursuant to Item 2.02 herewith:
99-Press Release dated October 27, 2015

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 27, 2015

CUMMINS INC.
/s/ Marsha L. Hunt
Marsha L. Hunt
Vice President - Corporate Controller
(Principal Accounting Officer)

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

| In millions, except per share amounts | Three months ended | |
|---|-----------------------|-----------------------|
| | September 27, 2015 | September 28, 2014 |
| NET SALES | \$4,620 | \$4,890 |
| Cost of sales | 3,412 | 3,606 |
| GROSS MARGIN | 1,208 | 1,284 |
| OPERATING EXPENSES AND INCOME | | |
| Selling, general and administrative expenses | 530 | 529 |
| Research, development and engineering expenses | 197 | 198 |
| Equity, royalty and interest income from investees | 78 | 99 |
| Other operating (expense) income, net | (2) |) 3 |
| OPERATING INCOME | 557 | 659 |
| Interest income | 9 | 6 |
| Interest expense | 16 | 15 |
| Other income, net | 11 | 19 |
| INCOME BEFORE INCOME TAXES | 561 | 669 |
| Income tax expense | 169 | 230 |
| CONSOLIDATED NET INCOME | 392 | 439 |
| Less: Net income attributable to noncontrolling interests | 12 | 16 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$380 | \$423 |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. | | |
| Basic | \$2.15 | \$2.32 |
| Diluted | \$2.14 | \$2.32 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 177.0 | 182.2 |
| Diluted | 177.4 | 182.7 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$0.975 | \$0.78 |

(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 | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 27, 2015 | September 28, 2014 |
| NET SALES | \$14,344 | \$14,131 |
| Cost of sales | 10,609 | 10,543 |
| GROSS MARGIN | 3,735 | 3,588 |
| OPERATING EXPENSES AND INCOME | | |
| Selling, general and administrative expenses | 1,584 | 1,527 |
| Research, development and engineering expenses | 558 | 567 |
| Equity, royalty and interest income from investees | 240 | 294 |
| Other operating expense, net | (5 |) (4 |
| OPERATING INCOME | 1,828 | 1,784 |
| Interest income | 20 | 17 |
| Interest expense | 47 | 47 |
| Other income, net | 12 | 68 |
| INCOME BEFORE INCOME TAXES | 1,813 | 1,822 |
| Income tax expense | 521 | 553 |
| CONSOLIDATED NET INCOME | 1,292 | 1,269 |
| Less: Net income attributable to noncontrolling interests | 54 | 62 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$1,238 | \$1,207 |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. | | |
| Basic | \$6.92 | \$6.59 |
| Diluted | \$6.90 | \$6.58 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 178.9 | 183.1 |
| Diluted | 179.3 | 183.5 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$2.535 | \$2.03 |

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

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

| In millions, except par value | September 27, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$1,688 | \$2,301 |
| Marketable securities | 35 | 93 |
| Total cash, cash equivalents and marketable securities | 1,723 | 2,394 |
| Accounts and notes receivable, net | 3,159 | 2,946 |
| Inventories | 3,059 | 2,866 |
| Prepaid expenses and other current assets | 921 | 849 |
| Total current assets | 8,862 | 9,055 |
| Long-term assets | | |
| Property, plant and equipment | 7,262 | 7,123 |
| Accumulated depreciation | (3,545 |) (3,437 |
| Property, plant and equipment, net | 3,717 | 3,686 |
| Investments and advances related to equity method investees | 959 | 981 |
| Goodwill | 481 | 479 |
| Other intangible assets, net | 337 | 343 |
| Pension assets | 785 | 637 |
| Other assets | 656 | 595 |
| Total assets | \$15,797 | \$15,776 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable (principally trade) | \$1,824 | \$1,881 |
| Loans payable | 27 | 86 |
| Current portion of accrued product warranty | 388 | 363 |
| Accrued compensation, benefits and retirement costs | 505 | 508 |
| Current portion of deferred revenue | 414 | 401 |
| Other accrued expenses | 779 | 759 |
| Current maturities of long-term debt | 31 | 23 |
| Total current liabilities | 3,968 | 4,021 |
| Long-term liabilities | | |
| Long-term debt | 1,595 | 1,589 |
| Postretirement benefits other than pensions | 347 | 369 |
| Pensions | 292 | 289 |
| Other liabilities and deferred revenue | 1,514 | 1,415 |
| Total liabilities | \$7,716 | \$7,683 |
| EQUITY | | |
| Cummins Inc. shareholders' equity | | |
| Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued | \$2,173 | \$2,139 |
| Retained earnings | 10,331 | 9,545 |
| Treasury stock, at cost, 44.7 and 40.1 shares | (3,486 |) (2,844 |
| Common stock held by employee benefits trust, at cost, 1.0 and 1.1 shares | (11 |) (13 |

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| | | | |
|---|----------|----------|---|
| Accumulated other comprehensive loss | (1,258 |) (1,078 |) |
| Total Cummins Inc. shareholders' equity | 7,749 | 7,749 | |
| Noncontrolling interests | 332 | 344 | |
| Total equity | \$8,081 | \$8,093 | |
| Total liabilities and equity | \$15,797 | \$15,776 | |

(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 | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 27, 2015 | September 28, 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 1,292 | \$ 1,269 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities | | |
| Depreciation and amortization | 383 | 330 |
| Gain on fair value adjustment for consolidated investees | (17 |) (38 |
| Deferred income taxes | (120 |) (37 |
| Equity in income of investees, net of dividends | (68 |) (103 |
| Pension contributions in excess of expense | (119 |) (154 |
| Other post-retirement benefits payments in excess of expense | (18 |) (22 |
| Stock-based compensation expense | 24 | 27 |
| Translation and hedging activities | 22 | (19 |
| Changes in current assets and liabilities, net of acquisitions | | |
| Accounts and notes receivable | (163 |) (236 |
| Inventories | (179 |) (302 |
| Other current assets | 133 | (6 |
| Accounts payable | (52 |) 316 |
| Accrued expenses | (153 |) 162 |
| Changes in other liabilities and deferred revenue | 219 | 184 |
| Other, net | (53 |) 17 |
| Net cash provided by operating activities | 1,131 | 1,388 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (393 |) (409 |
| Investments in internal use software | (38 |) (40 |
| Investments in and advances to equity investees | (9 |) (39 |
| Acquisitions of businesses, net of cash acquired | (102 |) (266 |
| Investments in marketable securities—acquisitions | (175 |) (213 |
| Investments in marketable securities—liquidations | 228 | 316 |
| Cash flows from derivatives not designated as hedges | 17 | — |
| Other, net | (5 |) 11 |
| Net cash used in investing activities | (477 |) (640 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 24 | 39 |
| Payments on borrowings and capital lease obligations | (64 |) (72 |
| Net payments under short-term credit agreements | (38 |) (41 |
| Distributions to noncontrolling interests | (35 |) (52 |
| Dividend payments on common stock | (452 |) (370 |
| Repurchases of common stock | (650 |) (605 |
| Other, net | — | 2 |
| Net cash used in financing activities | (1,215 |) (1,099 |
| | (52 |) (20 |

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH
EQUIVALENTS

| | | | |
|--|---------|---------|---|
| Net decrease in cash and cash equivalents | (613 |) (371 |) |
| Cash and cash equivalents at beginning of year | 2,301 | 2,699 | |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$1,688 | \$2,328 | |

(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 | Distribution | Components | Power Generation | Non-segment Items ⁽¹⁾ | Total |
|--|----------|--------------|--------------------|------------------|----------------------------------|----------|
| Three months ended September 27, 2015 | | | | | | |
| External sales | \$ 1,800 | \$ 1,543 | \$ 891 | \$ 386 | \$ — | \$ 4,620 |
| Intersegment sales | 728 | 8 | 349 | 273 | (1,358) | — |
| Total sales | 2,528 | 1,551 | 1,240 | 659 | (1,358) | 4,620 |
| Depreciation and amortization ⁽²⁾ | 60 | 26 | 28 | 14 | — | 128 |
| Research, development and engineering expenses | 116 | 2 | 65 | 14 | — | 197 |
| Equity, royalty and interest income from investees | 40 | 19 | 9 | 10 | — | 78 |
| Interest income | 6 | 1 | 1 | 1 | — | 9 |
| Segment EBIT | 252 | 123 | ⁽³⁾ 156 | 42 | 4 | 577 |
| Segment EBIT as a percentage of total sales | 10.0 | % 7.9 | % 12.6 | % 6.4 | % | 12.5 % |
| Three months ended September 28, 2014 | | | | | | |
| External sales | \$ 2,181 | \$ 1,282 | \$ 946 | \$ 481 | \$ — | \$ 4,890 |
| Intersegment sales | 635 | 10 | 341 | 273 | (1,259) | — |
| Total sales | 2,816 | 1,292 | 1,287 | 754 | (1,259) | 4,890 |
| Depreciation and amortization ⁽²⁾ | 50 | 22 | 27 | 13 | — | 112 |
| Research, development and engineering expenses | 114 | 2 | 64 | 18 | — | 198 |
| Equity, royalty and interest income from investees | 40 | 37 | 9 | 13 | — | 99 |
| Interest income | 3 | 1 | 1 | 1 | — | 6 |
| Segment EBIT | 330 | 131 | ⁽³⁾ 172 | 60 | (9) | 684 |
| Segment EBIT as a percentage of total sales | 11.7 | % 10.1 | % 13.4 | % 8.0 | % | 14.0 % |

Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses.

- (1) There were no significant unallocated corporate expenses for the three months ended September 27, 2015 and September 28, 2014.
- (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."
 Distribution segment EBIT included gains of \$17 million and \$18 million on the fair value adjustments resulting
- (3) from acquisitions of the controlling interests in North American distributors for the three months ended September 27, 2015 and September 28, 2014, respectively.

CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)

| In millions | Engine | Distribution | Components | Power Generation | Non-segment Items ⁽¹⁾ | Total | |
|---|---------|--------------|--------------------|---------------------|-------------------------------------|----------|---|
| Nine months ended September 27, 2015 | | | | | | | |
| External sales | \$5,747 | \$4,499 | \$2,839 | \$1,259 | \$— | \$14,344 | |
| Intersegment sales | 2,174 | 23 | 1,097 | 827 | (4,121) | — | |
| Total sales | 7,921 | 4,522 | 3,936 | 2,086 | (4,121) | 14,344 | |
| Depreciation and amortization ⁽²⁾ | 178 | 78 | 82 | 43 | — | 381 | |
| Research, development and engineering expenses | 321 | 8 | 183 | 46 | — | 558 | |
| Equity, royalty and interest income from investees | 127 | 60 | 26 | 27 | — | 240 | |
| Interest income | 11 | 3 | 3 | 3 | — | 20 | |
| Segment EBIT | 846 | 324 | ⁽³⁾ 574 | 148 | (32) | 1,860 | |
| Segment EBIT as a percentage of total sales | 10.7 | % 7.2 | % 14.6 | % 7.1 | % | 13.0 | % |
| Nine months ended September 28, 2014 | | | | | | | |
| External sales | \$6,449 | \$3,453 | \$2,821 | \$1,408 | \$— | \$14,131 | |
| Intersegment sales | 1,674 | 27 | 976 | 728 | (3,405) | — | |
| Total sales | 8,123 | 3,480 | 3,797 | 2,136 | (3,405) | 14,131 | |
| Depreciation and amortization ⁽²⁾ | 153 | 58 | 79 | 38 | — | 328 | |
| Research, development and engineering expenses | 335 | 7 | 170 | 55 | — | 567 | |
| Equity, royalty and interest income from investees | 117 | 120 | 27 | 30 | — | 294 | |
| Interest income | 9 | 2 | 3 | 3 | — | 17 | |
| Segment EBIT | 910 | 333 | ⁽³⁾ 524 | 146 | (44) | 1,869 | |
| Segment EBIT as a percentage of total sales | 11.2 | % 9.6 | % 13.8 | % 6.8 | % | 13.2 | % |

Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses.

(1) There were no significant unallocated corporate expenses for the nine months ended September 27, 2015 and September 28, 2014.

(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 \$2 million for both the nine months ended September 27, 2015 and September 28, 2014.

(3) Distribution segment EBIT included gains of \$17 million and \$38 million on the fair value adjustments resulting from the acquisitions of the controlling interests in North American distributors for the nine months ended September 27, 2015 and September 28, 2014, respectively.

A reconciliation of our segment information to the corresponding amounts in the Condensed Consolidated Statements of Income is shown in the table below:

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| In millions | Three months ended | | Nine months ended | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| Total EBIT | \$577 | \$684 | \$1,860 | \$1,869 |
| Less: Interest expense | 16 | 15 | 47 | 47 |
| Income before income taxes | \$561 | \$669 | \$1,813 | \$1,822 |

CUMMINS INC. AND SUBSIDIARIES
 SELECTED FOOTNOTE DATA
 (Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

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

| In millions | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| Distribution Entities | | | | |
| North American distributors | \$9 | \$ 27 | \$27 | \$ 89 |
| Komatsu Cummins Chile, Ltda. | 8 | 8 | 23 | 22 |
| All other distributors | 1 | — | 2 | 2 |
| Manufacturing Entities | | | | |
| Beijing Foton Cummins Engine Co., Ltd | 18 | 5 | 47 | 6 |
| Dongfeng Cummins Engine Company, Ltd. | 11 | 15 | 40 | 51 |
| Chongqing Cummins Engine Company, Ltd. | 9 | 13 | 32 | 39 |
| All other manufacturers | 13 | 20 | 41 | 54 |
| Cummins share of net income | 69 | 88 | 212 | 263 |
| Royalty and interest income | 9 | 11 | 28 | 31 |
| Equity, royalty and interest income from investees | \$78 | \$ 99 | \$240 | \$ 294 |

NOTE 2. INCOME TAXES

The effective tax rate for the three and nine month periods ended September 27, 2015, was 30.1 percent and 28.7 percent, respectively. The tax rate for the nine month period ended September 27, 2015, included a net \$14 million discrete tax benefit primarily to reflect the release of reserves for uncertain tax positions related to a favorable federal audit settlement.

CUMMINS INC. AND SUBSIDIARIES
 SELECTED FOOTNOTE DATA
 (Unaudited)

NOTE 3. ACQUISITIONS

The Distribution segment North American distributor acquisitions in the third quarter of 2015 were as follows:

| Entity Acquired | Date of Acquisition | Additional Percent Interest Acquired | Payments to Former Owners | Acquisition Related Debt Retirements | Total Purchase Consideration | Type of Acquisition ⁽¹⁾ | Gain Recognized | Goodwill Acquired | Intangible Assets Recognized | Net Sales Previous Fiscal Year Ended ⁽³⁾ |
|---------------------------------------|---------------------|--------------------------------------|---------------------------|--------------------------------------|------------------------------|------------------------------------|-----------------|-------------------|------------------------------|---|
| Cummins Crosspoint LLC ⁽⁴⁾ | 08/03/15 | 50 % | \$ 20 | \$ 36 | \$ 65 | ⁽⁵⁾ COMB | \$ 10 | \$ 7 | \$ 2 | \$ 258 |
| Cummins Atlantic LLC ⁽⁴⁾ | 08/03/15 | 51 % | 14 | 28 | 48 | ⁽⁵⁾ COMB | 7 | 2 | 6 | 245 |
| Cummins Central Power LLC | 06/29/15 | 20.01 % | 8 | — | 8 | ⁽⁵⁾ EQUITY | — | — | — | — |

All results from acquired entities were included in Distribution segment results subsequent to the acquisition date.

- (1) Previously consolidated entities were accounted for as equity transactions (EQUITY). Newly consolidated entities were accounted for as business combinations (COMB) with gains recognized based on the requirement to remeasure our pre-existing ownership to fair value in accordance with GAAP.
- (2) Intangible assets acquired in business combinations were mostly customer related, the majority of which will be amortized over a period of up to five years from the date of the acquisition.
- (3) Sales amounts are not fully incremental to our consolidated sales as the amount would be reduced by the elimination of sales to the previously unconsolidated entity.
- (4) Purchase accounting for this acquisition is preliminary awaiting customary adjustments to purchase price in accordance with the purchase agreements.
- (5) The "Total Purchase Consideration" represents the total amount that will or is estimated to be paid to complete the acquisition. In some instances a portion of the acquisition payment has not yet been made and will be paid in future periods in accordance with the purchase contract. The total outstanding consideration at September 27, 2015 for these entities was \$15 million.

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

Earnings before interest, income 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, GAAP and may not be consistent with measures used by other companies. It should be considered supplemental data. Below is a reconciliation of EBIT to "Net income attributable to Cummins Inc." for each of the applicable periods:

| In millions | Three months ended | | Nine months ended | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 | |
| Earnings before interest expense and income taxes | \$577 | \$684 | \$1,860 | \$1,869 | |
| EBIT as a percentage of net sales | 12.5 | % 14.0 | % 13.0 | % 13.2 | % |
| Less | | | | | |
| Interest expense | 16 | 15 | 47 | 47 | |
| Income tax expense | 169 | 230 | 521 | 553 | |
| Consolidated net income | 392 | 439 | 1,292 | 1,269 | |
| Less | | | | | |
| Net income attributable to noncontrolling interests | 12 | 16 | 54 | 62 | |
| Net income attributable to Cummins Inc. | \$380 | \$423 | \$1,238 | \$1,207 | |
| Net income attributable to Cummins Inc. as a percentage of net sales | 8.2 | % 8.7 | % 8.6 | % 8.5 | % |

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

Engine Segment Sales by Market and Unit Shipments by Engine Classification

In the first quarter of 2015, our Engine segment reorganized its reporting structure to include the following markets: heavy-duty truck, medium-duty truck and bus, light-duty automotive (pickup and light commercial vehicle), industrial and stationary power. Sales by market for our Engine segment by business (including 2014 and 2013 reorganized balances) were as follows:

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|---------------------------|---------|---------|---------|-----|---------|
| Heavy-duty truck | \$757 | \$875 | \$784 | \$— | \$2,416 |
| Medium-duty truck and bus | 608 | 674 | 585 | — | 1,867 |
| Light-duty automotive | 381 | 354 | 339 | — | 1,074 |
| Industrial | 616 | 624 | 617 | — | 1,857 |
| Stationary power | 234 | 270 | 203 | — | 707 |
| Total sales | \$2,596 | \$2,797 | \$2,528 | \$— | \$7,921 |

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|---------------------------|---------|---------|---------|---------|----------|
| Heavy-duty truck | \$718 | \$769 | \$801 | \$784 | \$3,072 |
| Medium-duty truck and bus | 575 | 605 | 599 | 652 | 2,431 |
| Light-duty automotive | 391 | 392 | 396 | 388 | 1,567 |
| Industrial | 669 | 739 | 768 | 775 | 2,951 |
| Stationary power | 210 | 239 | 252 | 240 | 941 |
| Total sales | \$2,563 | \$2,744 | \$2,816 | \$2,839 | \$10,962 |

2013

| In millions | YTD |
|---------------------------|----------|
| Heavy-duty truck | \$2,618 |
| Medium-duty truck and bus | 2,064 |
| Light-duty automotive | 1,465 |
| Industrial | 2,921 |
| Stationary power | 945 |
| Total sales | \$10,013 |

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

2015

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|---------|---------|---------|----|---------|
| Mid-range | 112,400 | 120,000 | 107,400 | — | 339,800 |
| Heavy-duty | 28,700 | 32,800 | 28,600 | — | 90,100 |
| High-horsepower | 3,500 | 3,700 | 3,200 | — | 10,400 |
| Total units | 144,600 | 156,500 | 139,200 | — | 440,300 |

2014

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

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

Distribution Segment Sales by Business

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|----------------------|---------|---------|---------|-----|---------|
| Parts and filtration | \$573 | \$598 | \$604 | \$— | \$1,775 |
| Engines | 321 | 318 | 323 | — | 962 |
| Power generation | 298 | 272 | 323 | — | 893 |
| Service | 284 | 307 | 301 | — | 892 |
| Total sales | \$1,476 | \$1,495 | \$1,551 | \$— | \$4,522 |

2014

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

Component Segment Sales by Business

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|---------|---------|---------|-----|---------|
| Emission solutions | \$613 | \$679 | \$607 | \$— | \$1,899 |
| Turbo technologies | 301 | 307 | 266 | — | 874 |
| Filtration | 255 | 266 | 240 | — | 761 |
| Fuel systems | 130 | 145 | 127 | — | 402 |
| Total sales | \$1,299 | \$1,397 | \$1,240 | \$— | \$3,936 |

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|---------|---------|---------|---------|---------|
| Emission solutions | \$543 | \$582 | \$598 | \$620 | \$2,343 |
| Turbo technologies | 313 | 307 | 297 | 305 | 1,222 |
| Filtration | 265 | 275 | 268 | 267 | 1,075 |
| Fuel systems | 109 | 116 | 124 | 129 | 478 |
| Total sales | \$1,230 | \$1,280 | \$1,287 | \$1,321 | \$5,118 |

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

Power Generation Segment Sales by Business

In the first quarter of 2015, our Power Generation segment reorganized its reporting structure to include the following businesses: power systems, alternators and power solutions. Sales for our Power Generation segment by business (including 2014 and 2013 reorganized balances) were as follows:

2015

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|-------|-------|-------|-----|---------|
| Power systems | \$543 | \$611 | \$551 | \$— | \$1,705 |
| Alternators | 98 | 92 | 86 | — | 276 |
| Power solutions | 39 | 44 | 22 | — | 105 |
| Total sales | \$680 | \$747 | \$659 | \$— | \$2,086 |

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|-------|-------|-------|-------|---------|
| Power systems | \$510 | \$586 | \$598 | \$606 | \$2,300 |
| Alternators | 105 | 126 | 115 | 103 | 449 |
| Power solutions | 24 | 31 | 41 | 51 | 147 |
| Total sales | \$639 | \$743 | \$754 | \$760 | \$2,896 |

2013

| In millions | YTD |
|-----------------|---------|
| Power systems | \$2,381 |
| Alternators | 496 |
| Power solutions | 154 |
| Total sales | \$3,031 |