

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

In millions (except per share amounts)	Three months ended		
	December 31, 2009	September 27, 2009	December 31, 2008
<b>NET SALES</b>	\$ 3,400	\$ 2,530	\$ 3,288
Cost of sales	2,627	2,027	2,754
<b>GROSS MARGIN</b>	773	503	534
<b>OPERATING EXPENSES AND INCOME</b>			
Selling, general and administrative expenses	348	304	341
Research, development and engineering expenses	108	90	102
Equity, royalty and interest income from investees (Note 1)	67	57	51
Restructuring and other charges	4	22	37
Other operating income (expense), net	5	3	(3)
<b>OPERATING INCOME</b>	385	147	102
Interest income	3	2	4
Interest expense	9	9	9
Other (expense) income, net (Note 2)	(5)	6	(50)
<b>INCOME BEFORE INCOME TAXES</b>	374	146	47
Income tax expense (benefit) (Note 3)	84	36	(12)
<b>NET INCOME</b>	290	110	59
Less: net income attributable to noncontrolling interests	20	15	16
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	\$ 270	\$ 95	\$ 43
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>			
Basic	\$ 1.36	\$ 0.48	\$ 0.22
Diluted	\$ 1.36	\$ 0.48	\$ 0.22
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>			
Basic	198.4	197.4	194.7
Diluted	198.7	197.8	196.6
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	\$ 0.175	\$ 0.175	\$ 0.175

(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)	For the years ended	
	December 31, 2009	December 31, 2008
<b>NET SALES</b>	\$ 10,800	\$ 14,342
Cost of sales	8,631	11,402
<b>GROSS MARGIN</b>	2,169	2,940
<b>OPERATING EXPENSES AND INCOME</b>		
Selling, general and administrative expenses	1,239	1,450
Research, development and engineering expenses	362	422
Equity, royalty and interest income from investees (Note 1)	214	253
Restructuring and other charges	99	37
Other operating (expense) income, net	(1)	(12)
<b>OPERATING INCOME</b>	682	1,272
Interest income	8	18
Interest expense	35	42
Other (expense) income, net (Note 2)	(15)	(70)
<b>INCOME BEFORE INCOME TAXES</b>	640	1,178
Income tax expense (Note 3)	156	360
<b>NET INCOME</b>	484	818
Less: net income attributable to noncontrolling interests	56	63
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	\$ 428	\$ 755
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>		
Basic	\$ 2.17	\$ 3.87
Diluted	\$ 2.16	\$ 3.84
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
Basic	197.4	195.0
Diluted	197.7	196.5
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	\$ 0.70	\$ 0.60

(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)	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 930	\$ 426
Marketable securities	190	77
Accounts and notes receivable, net	2,004	1,782
Inventories	1,341	1,783
Prepaid expenses and other current assets	538	645
Total current assets	5,003	4,713
Long-term assets		
Property, plant and equipment, net	1,886	1,841
Investments and advances related to equity method investees	574	588
Goodwill and other intangible assets, net	592	585
Other assets	761	792
Total assets	\$ 8,816	\$ 8,519
<b>LIABILITIES</b>		
Current liabilities		
Loans payable	\$ 37	\$ 39
Accounts payable (principally trade)	957	1,009
Accrued expenses	1,438	1,591
Total current liabilities	2,432	2,639
Long-term liabilities		
Long-term debt	637	629
Other liabilities	1,727	1,771
Total liabilities	4,796	5,039
<b>EQUITY</b>		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.0 and 221.7 shares issued	1,861	1,793
Retained earnings	3,575	3,288
Treasury stock, at cost, 20.7 and 20.4 shares	(731)	(715)
Common stock held by employee benefits trust, at cost, 3.0 and 5.1 shares	(36)	(61)
Unearned compensation	(1)	(5)
Accumulated other comprehensive loss	(895)	(1,066)
Total Cummins Inc. shareholders' equity	3,773	3,234
Noncontrolling interests	247	246
Total equity	4,020	3,480
Total liabilities and equity	\$ 8,816	\$ 8,519

(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	For the years ended	
	December 31, 2009	December 31, 2008
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES (Note 5)</b>	\$ 1,137	\$ 987
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(310)	(543)
Investments in internal use software	(35)	(82)
Investments in and advances to equity investees	(3)	(89)
Acquisition of businesses, net of cash acquired	(2)	(142)
Proceeds from the sale of an equity investment	—	64
Investments in marketable securities—acquisitions	(431)	(390)
Investments in marketable securities—liquidations	335	409
Cash flows from derivatives not designated as hedges	(18)	(53)
Purchases of other investments	(62)	(62)
Other, net	17	40
Net cash used in investing activities	(509)	(848)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	76	76
Payments on borrowings and capital lease obligations	(97)	(152)
Net borrowings under short-term credit agreements	(2)	33
Distributions to noncontrolling shareholders	(34)	(24)
Dividend payments on common stock	(141)	(122)
Proceeds from sale of common stock held by employee benefit trust	72	63
Repurchases of common stock	(20)	(128)
Other, net	5	17
Net cash used in financing activities	(141)	(237)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	17	(53)
Net increase (decrease) in cash and cash equivalents	504	(151)
Cash and cash equivalents at beginning of year	426	577
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 930	\$ 426

(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	Power Generation	Components	Distribution	Non-segment items <sup>(1)</sup>	Total
<b>Three months ended December 31, 2009</b>						
External sales	\$ 1,974	\$ 477	\$ 466	\$ 483	\$ —	\$ 3,400
Intersegment sales	194	124	266	3	(587)	—
Total sales	2,168	601	732	486	(587)	3,400
Depreciation and amortization <sup>(2)</sup>	50	14	20	3	—	87
Research, development and engineering expense	73	8	27	—	—	108
Equity, royalty and interest income from investees	24	6	4	33	—	67
Restructuring charges	—	—	—	—	4	4
Interest income	1	2	—	—	—	3
Segment EBIT	211	34	73	67	(2)	383
<b>Three months ended September 27, 2009</b>						
External sales	\$ 1,270	\$ 444	\$ 395	\$ 421	\$ —	\$ 2,530
Intersegment sales	169	105	196	1	(471)	—
Total sales	1,439	549	591	422	(471)	2,530
Depreciation and amortization <sup>(2)</sup>	49	13	18	5	—	85
Research, development and engineering expense	59	9	22	—	—	90
Equity, royalty and interest income from investees	16	5	4	32	—	57
Restructuring charges	—	—	—	—	22	22
Interest income	1	—	1	—	—	2
Segment EBIT	61	23	31	55	(15)	155
<b>Three months ended December 31, 2008</b>						
External sales	\$ 1,590	\$ 675	\$ 468	\$ 555	\$ —	\$ 3,288
Intersegment sales	346	212	208	2	(768)	—
Total sales	1,936	887	676	557	(768)	3,288
Depreciation and amortization <sup>(2)</sup>	47	10	16	8	—	81
Research, development and engineering expense	71	10	21	—	—	102
Equity, royalty and interest income from investees	8	6	4	33	—	51
Restructuring charges	—	—	—	—	37	37
Interest income	3	—	—	1	—	4
Segment EBIT	(40)	75	(6)	64	(37)	56
<b>For the year ended December 31, 2009</b>						
External sales	\$ 5,582	\$ 1,879	\$ 1,562	\$ 1,777	\$ —	\$ 10,800
Intersegment sales	823	538	793	7	(2,161)	—
Total sales	6,405	2,417	2,355	1,784	(2,161)	10,800
Depreciation and amortization <sup>(2)</sup>	185	49	73	17	—	324
Research, development and engineering expense	241	33	88	—	—	362
Equity, royalty and interest income from investees	54	22	13	125	—	214
Restructuring charges	—	—	—	—	99	99
Interest income	3	3	1	1	—	8
Segment EBIT	252	167	95	235	(74)	675
<b>For the year ended December 31, 2008</b>						
External sales	\$ 7,432	\$ 2,601	\$ 2,154	\$ 2,155	\$ —	\$ 14,342
Intersegment sales	1,378	899	998	9	(3,284)	—
Total sales	8,810	3,500	3,152	2,164	(3,284)	14,342
Depreciation and amortization <sup>(2)</sup>	180	41	65	25	—	311
Research, development and engineering expense	286	41	95	—	—	422
Equity, royalty and interest income from investees	99	23	14	117	—	253
Restructuring charges	—	—	—	—	37	37
Interest income	10	3	3	2	—	18
Segment EBIT	535	376	169	242	(102)	1,220

<sup>(1)</sup> Includes intercompany eliminations and unallocated corporate expenses. For the three months and the year ended December 31, 2009, unallocated corporate expenses include \$4 million and \$99 million of restructuring and other charges and gains of \$7 million and \$12 million related to flood damages, respectively. For both the three months and the year ended December 31, 2008, unallocated corporate expenses include \$37 million of restructuring charges and a \$36 million decrease in cash surrender value in corporate owned life insurance (COLI). For the year ended December 31, 2008, unallocated corporate expenses also included \$5 million related to flood damages. For the three months ended September 27, 2009, unallocated corporate expenses included restructuring and other charges of \$22 million and a gain of \$8 million related to flood damages.

<sup>(2)</sup> Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in our *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 Financial Statements* is shown in the table below:

<b>In millions</b>	<b>Three months ended</b>			<b>For the years ended</b>	
	<b>December 31, 2009</b>	<b>September 27, 2009</b>	<b>December 31, 2008</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Segment EBIT	\$ 383	\$ 155	\$ 56	\$ 675	\$ 1,220
Less:					
Interest expense	9	9	9	35	42
Income before income taxes	<u>\$ 374</u>	<u>\$ 146</u>	<u>\$ 47</u>	<u>\$ 640</u>	<u>\$ 1,178</u>

**FINANCIAL MEASURES THAT SUPPLEMENT GAAP**  
**(Unaudited)**

**Earnings before interest, taxes, noncontrolling interests and restructuring and other charges**

We define EBIT as earnings or loss 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 consolidated net income attributable to Cummins Inc., for each of the applicable periods:

<b>In millions</b>	<b>Three months ended</b>			<b>For the years ended</b>	
	<b>December 31, 2009</b>	<b>September 27, 2009</b>	<b>December 31, 2008</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Earnings before interest, income taxes and restructuring and other charges	\$ 387	\$ 177	\$ 93	\$ 774	\$ 1,257
<i>Earnings before interest expense, income taxes and restructuring and other charges as a percentage of sales</i>	<i>11.4%</i>	<i>7.0%</i>	<i>2.8%</i>	<i>7.2%</i>	<i>8.8%</i>
Less:					
Restructuring and other charges	<u>4</u>	<u>22</u>	<u>37</u>	<u>99</u>	<u>37</u>
Earnings before interest and income taxes	\$ 383	\$ 155	\$ 56	\$ 675	\$ 1,220
<i>EBIT as a percentage of net sales</i>	<i>11.3%</i>	<i>6.1%</i>	<i>1.7%</i>	<i>6.3%</i>	<i>8.5%</i>
Less:					
Interest expense	9	9	9	35	42
Income tax expense (benefit)	<u>84</u>	<u>36</u>	<u>(12)</u>	<u>156</u>	<u>360</u>
Net income	<u>290</u>	<u>110</u>	<u>59</u>	<u>484</u>	<u>818</u>
Less:					
Net income attributable to noncontrolling interests	<u>20</u>	<u>15</u>	<u>16</u>	<u>56</u>	<u>63</u>
Net income attributable to Cummins Inc.	<u>\$ 270</u>	<u>\$ 95</u>	<u>\$ 43</u>	<u>\$ 428</u>	<u>\$ 755</u>
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<i>7.9%</i>	<i>3.8%</i>	<i>1.3%</i>	<i>4.0%</i>	<i>5.3%</i>

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

**Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring and other charges**

We believe this is a useful measure of our operating performance for the period presented as it illustrates our operating performance without regard to restructuring. 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 restructuring and other charges to Net income attributable to Cummins Inc. for the three months and the year ended December 31, 2009, the three months and year ended December 31, 2008, and the three months ended September 27, 2009.

In millions	Three months ended						For the years ended			
	December 31, 2009		September 27, 2009		December 31, 2008		December 31, 2009		December 31, 2008	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc. excluding restructuring and other charges	\$ 272	\$ 1.37	\$ 110	\$ 0.56	\$ 69	\$ 0.35	\$ 493	\$ 2.49	\$ 781	\$ 3.97
Less:										
Restructuring and other charges, net <sup>(1)</sup>	2	0.01	15	0.08	26	0.13	65	0.33	26	0.13
Net income attributable to Cummins Inc.	<u>\$ 270</u>	<u>\$ 1.36</u>	<u>\$ 95</u>	<u>\$ 0.48</u>	<u>\$ 43</u>	<u>\$ 0.22</u>	<u>\$ 428</u>	<u>\$ 2.16</u>	<u>\$ 755</u>	<u>\$ 3.84</u>

<sup>(1)</sup> During the three months ended December 31, 2009, September 27, 2009, and December 31, 2008, management approved and committed to undertake restructuring actions. These actions resulted in pretax charges of \$4 million, \$22 million and \$37 million, respectively. For the years ended December 31, 2009 and 2008, the total pretax restructuring and other charges were \$99 million and \$37 million, respectively. These charges included employee-related liabilities for severance and benefits of approximately, exit costs, and pension and other postretirement benefit curtailment charges.

**SUPPLEMENTAL INFORMATION**

In 2009, the Power Generation segment reorganized its reporting structure to include the following businesses: Commercial Products, Alternators, Commercial Projects, Power Electronics and Consumer. Sales by quarter for our Power Generation segment by business for the years 2008 and 2007 were as follows:

2008	Three months ended				Year ended
	March 30, 2008	June 29, 2008	September 28, 2008	December 31, 2008	December 31, 2008
<b>In millions</b>					
Commercial Products	\$ 444	\$ 555	\$ 559	\$ 558	\$ 2,116
Alternator	156	178	174	178	686
Commercial Projects	86	111	63	68	328
Power Electronics	27	31	35	39	132
Consumer	74	63	57	44	238
Total sales	<u>\$ 787</u>	<u>\$ 938</u>	<u>\$ 888</u>	<u>\$ 887</u>	<u>\$ 3,500</u>
2007	Three months ended				Year ended
	April 1, 2007	July 1, 2007	September 30, 2007	December 31, 2007	December 31, 2007
<b>In millions</b>					
Commercial Products	\$ 383	\$ 448	\$ 449	\$ 481	\$ 1,761
Alternator	132	156	163	172	623
Commercial Projects	45	44	49	81	219
Power Electronics	26	26	28	28	108
Consumer	89	95	87	78	349
Total sales	<u>\$ 675</u>	<u>\$ 769</u>	<u>\$ 776</u>	<u>\$ 840</u>	<u>\$ 3,060</u>

**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* was as follows:

In millions	Three months ended			For the years ended	
	December 31, 2009	September 27, 2009	December 31, 2008	December 31, 2009	December 31, 2008
<b>Distribution Entities</b>					
North American distributors	\$ 26	\$ 25	\$ 28	\$ 100	\$ 100
Komatsu Cummins Chile, Ltda.	3	3	2	12	7
All others	1	1	2	3	5
<b>Manufacturing Entities</b>					
Dongfeng Cummins Engine Company, Ltd.	15	11	5	33	55
Chongqing Cummins Engine Company, Ltd.	8	8	7	36	30
Tata Cummins Ltd.	3	2	—	5	7
Valvoline Cummins, Ltd.	2	3	—	7	2
Shanghai Fleetguard Filter Co. Ltd.	2	2	1	7	8
Cummins MerCruiser Diesel Marine LLC	(5)	(2)	(2)	(10)	3
All others	5	—	2	3	14
Cummins share of net income	60	53	45	196	231
Royalty and interest income	7	4	6	18	22
Equity, royalty and interest income from investees	\$ 67	\$ 57	\$ 51	\$ 214	\$ 253

**NOTE 2. OTHER (EXPENSE) INCOME**

Other (expense) income included the following:

In millions	Three months ended			For the years ended	
	December 31, 2009	September 27, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Other (expense) income:					
Change in cash surrender value of corporate owned life insurance	\$ (5)	\$ 3	\$ (36)	\$ (4)	\$ (36)
Foreign currency (losses) gains	(2)	(1)	(23)	(20)	(46)
Other, net	2	4	9	9	12
Total other (expense) income, net	\$ (5)	\$ 6	\$ (50)	\$ (15)	\$ (70)

**NOTE 3. INCOME TAXES**

Our effective tax rate for the fourth quarter and full year of 2009 was 22.5 percent and 24.4 percent, respectively. Our income tax provision for the fourth quarter includes benefits totaling \$29 million related to adjustments to deferred tax accounts. Absent these benefits, the effective tax rate for the quarter is 30 percent and the year is 29 percent. We released \$19 million of deferred tax liabilities on foreign earnings now considered to be permanently reinvested outside of the United States and recorded a deferred tax asset of \$10 million related to prior period matters.

**NOTE 4. NONCONTROLLING INTERESTS**

On January 1, 2009, we adopted changes issued by the Financial Accounting Standards Board to consolidation accounting and reporting. These changes, among others, require that minority interests be renamed noncontrolling interests and a company present a consolidated net income measure that includes the amount attributable to such noncontrolling interests for all periods presented.

**CUMMINS INC. AND SUBSIDIARIES**  
**SELECTED FOOTNOTE DATA**  
**(Unaudited)**

**NOTE 5. DEPRECIATION AND AMORTIZATION**

Depreciation and amortization expense included in operating activities of the *Condensed Consolidated Statements of Cash Flows* for the years ended December 31, 2009 and 2008, was \$326 million and \$314 million, respectively.

**NOT FILED AS PART OF 8-K****Supplemental Information****Sales****2009**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Engine business:					
Heavy-duty truck	\$ 394	\$ 395	\$ 493	\$ 714	\$ 1,996
Medium-duty bus and truck	229	240	294	469	1,232
Light-duty auto and RV	156	94	120	318	688
Industrial	467	440	407	507	1,821
Stationary power	246	137	125	160	668
Total Engine business	1,492	1,306	1,439	2,168	6,405
Power Generation	657	610	549	601	2,417
Components	530	502	591	732	2,355
Distribution	413	463	422	486	1,784
Eliminations	(653)	(450)	(471)	(587)	(2,161)
Total	\$ 2,439	\$ 2,431	\$ 2,530	\$ 3,400	\$ 10,800

**2008**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Engine business:					
Heavy-duty truck	\$ 536	\$ 672	\$ 630	\$ 470	\$ 2,308
Medium-duty bus and truck	397	422	406	325	1,550
Light-duty auto and RV	275	205	170	154	804
Industrial	733	804	788	704	3,029
Stationary power	268	283	285	283	1,119
Total Engine business	2,209	2,386	2,279	1,936	8,810
Power Generation	787	938	888	887	3,500
Components	820	855	801	676	3,152
Distribution	445	581	581	557	2,164
Eliminations	(787)	(873)	(856)	(768)	(3,284)
Total	\$ 3,474	\$ 3,887	\$ 3,693	\$ 3,288	\$ 14,342

**Engine Shipments****2009**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Mid-range	\$ 60,600	\$ 49,200	\$ 58,800	\$ 100,600	\$ 269,200
Heavy-duty	16,600	16,400	20,600	32,300	85,900
High horsepower	3,900	3,200	2,600	3,700	13,400
Total	\$ 81,100	\$ 68,800	\$ 82,000	\$ 136,600	\$ 368,500

**2008**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Mid-range	\$ 114,200	\$ 114,800	\$ 102,400	\$ 86,900	\$ 418,300
Heavy-duty	24,700	31,700	29,400	22,500	108,300
High horsepower	4,600	5,500	5,300	5,200	20,600
Total	\$ 143,500	\$ 152,000	\$ 137,100	\$ 114,600	\$ 547,200