UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 28, 2014

Commission File Number 1-4949

CUMMINS INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-0257090**
(State of Incorporation)	(IRS Employer Identification No.)

500 Jackson Street
Box 3005
Columbus, Indiana 47202-3005
(Address of principal executive offices)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of September 28, 2014, there were 182,691,807 shares of common stock outstanding with a par value of $2.50 per share.

Website Access to Company's Reports

Cummins maintains an internet website at www.cummins.com. Investors can obtain copies of our filings from this website free of charge as soon as reasonably practicable after they are electronically filed with, or furnished, to the Securities and Exchange Commission.

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

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

In millions, except per share amounts	Three months ended September 28, 2014	Three months ended September 29, 2013	Nine months ended September 28, 2014	Nine months ended September 29, 2013
NET SALES [a]	**$ 4,890**	$ 4,266	**$ 14,131**	$ 12,713
Cost of sales (Note 2)	**3,606**	3,185	**10,543**	9,570
GROSS MARGIN	**1,284**	1,081	**3,588**	3,143
OPERATING EXPENSES AND INCOME				
Selling, general and administrative expenses (Note 2)	**529**	464	**1,527**	1,344
Research, development and engineering expenses	**198**	173	**567**	532
Equity, royalty and interest income from investees (Note 5)	**99**	91	**294**	281
Other operating income (expense), net	**3**	(11)	**(4)**	—
OPERATING INCOME	**659**	524	**1,784**	1,548
Interest income	**6**	6	**17**	21
Interest expense	**15**	8	**47**	22
Other income (expense), net	**19**	6	**68**	25
INCOME BEFORE INCOME TAXES	**669**	528	**1,822**	1,572
Income tax expense (Note 6)	**230**	154	**553**	445
CONSOLIDATED NET INCOME	**439**	374	**1,269**	1,127
Less: Net income attributable to noncontrolling interests	**16**	19	**62**	76
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 423**	$ 355	**$ 1,207**	$ 1,051
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.				
Basic	**$ 2.32**	$ 1.91	**$ 6.59**	$ 5.61
Diluted	**$ 2.32**	$ 1.90	**$ 6.58**	$ 5.60
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	**182.2**	186.0	**183.1**	187.4
Dilutive effect of stock compensation awards	**0.5**	0.5	**0.4**	0.4
Diluted	**182.7**	186.5	**183.5**	187.8
CASH DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.78**	$ 0.625	**$ 2.03**	$ 1.625

[a] Includes sales to nonconsolidated equity investees of $518 million and $1,656 million and $553 million and $1,681 million for the three and nine month periods ended September 28, 2014 and September 29, 2013, respectively.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Nine months ended September 28, 2014	Nine months ended September 29, 2013
CONSOLIDATED NET INCOME	**$ 439**	$ 374	**$ 1,269**	$ 1,127
Other comprehensive income (loss), net of tax (Note 13)				
Foreign currency translation adjustments	**(172)**	95	**(62)**	(101)
Unrealized gain (loss) on derivatives	**(5)**	10	**—**	(2)
Change in pension and other postretirement defined benefit plans	**14**	16	**28**	56
Unrealized gain (loss) on marketable securities	**(1)**	1	**(12)**	(2)
Total other comprehensive income (loss), net of tax	**(164)**	122	**(46)**	(49)
COMPREHENSIVE INCOME	**275**	496	**1,223**	1,078
Less: Comprehensive income attributable to noncontrolling interest	**10**	10	**59**	45
COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 265**	$ 486	**$ 1,164**	$ 1,033

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

In millions, except par value	September 28, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,328	$ 2,699
Marketable securities (Note 7)	53	150
Total cash, cash equivalents and marketable securities	2,381	2,849
Accounts and notes receivable, net		
Trade and other	2,774	2,362
Nonconsolidated equity investees	285	287
Inventories (Note 8)	2,833	2,381
Prepaid expenses and other current assets	795	760
Total current assets	9,068	8,639
Long-term assets		
Property, plant and equipment	6,899	6,410
Accumulated depreciation	(3,435)	(3,254)
Property, plant and equipment, net	3,464	3,156
Investments and advances related to equity method investees (Note 5)	981	931
Goodwill	465	461
Other intangible assets, net	346	357
Prepaid pensions	701	514
Other assets	619	670
Total assets	$ 15,644	$ 14,728
LIABILITIES		
Current liabilities		
Loans payable	$ 78	$ 17
Accounts payable (principally trade)	1,930	1,557
Current maturities of long-term debt (Note 9)	27	51
Current portion of accrued product warranty (Note 10)	351	360
Accrued compensation, benefits and retirement costs	507	433
Deferred revenue	328	285
Taxes payable (including taxes on income)	134	99
Other accrued expenses	683	566
Total current liabilities	4,038	3,368
Long-term liabilities		
Long-term debt (Note 9)	1,584	1,672
Pensions	234	232
Postretirement benefits other than pensions	333	356
Other liabilities and deferred revenue	1,358	1,230
Total liabilities	7,547	6,858
Commitments and contingencies (Note 11)		
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, $2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued	2,125	2,099
Retained earnings	9,243	8,406
Treasury stock, at cost, 39.6 and 35.6 shares	(2,779)	(2,195)
Common stock held by employee benefits trust, at cost, 1.1 and 1.3 shares	(14)	(16)
Accumulated other comprehensive loss (Note 13)		
Defined benefit postretirement plans	(583)	(611)
Other	(244)	(173)
Total accumulated other comprehensive loss	(827)	(784)
Total Cummins Inc. shareholders' equity	7,748	7,510
Noncontrolling interests	349	360
Total equity	8,097	7,870
Total liabilities and equity	$ 15,644	$ 14,728

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In millions	Nine months ended September 28, 2014	Nine months ended September 29, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	**$ 1,269**	$ 1,127
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	**330**	305
Gain on fair value adjustment for consolidated investees (Note 3)	**(38)**	(12)
Deferred income taxes	**(37)**	78
Equity in income of investees, net of dividends	**(103)**	(98)
Pension contributions in excess of expense (Note 4)	**(154)**	(96)
Other post-retirement benefits payments in excess of expense (Note 4)	**(22)**	(20)
Stock-based compensation expense	**27**	29
Excess tax benefits on stock-based awards	**(5)**	(13)
Translation and hedging activities	**(19)**	26
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	**(236)**	(216)
Inventories	**(302)**	(206)
Other current assets	**(6)**	182
Accounts payable	**316**	252
Accrued expenses	**162**	(146)
Changes in other liabilities and deferred revenue	**184**	147
Other, net	**22**	(6)
Net cash provided by operating activities	**1,388**	1,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(409)**	(417)
Investments in internal use software	**(40)**	(43)
Investments in and advances to equity investees	**(39)**	(12)
Acquisitions of businesses, net of cash acquired (Note 3)	**(266)**	(145)
Investments in marketable securities—acquisitions (Note 7)	**(213)**	(360)
Investments in marketable securities—liquidations (Note 7)	**316**	433
Cash flows from derivatives not designated as hedges	**—**	(15)
Other, net	**11**	14
Net cash used in investing activities	**(640)**	(545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**39**	987
Payments on borrowings and capital lease obligations	**(72)**	(62)
Net (payments) borrowings under short-term credit agreements	**(41)**	34
Distributions to noncontrolling interests	**(52)**	(53)
Dividend payments on common stock	**(370)**	(305)
Repurchases of common stock	**(605)**	(289)
Excess tax benefits on stock-based awards	**5**	13
Other, net	**(3)**	19
Net cash (used in) provided by financing activities	**(1,099)**	344
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(20)**	(2)
Net (decrease) increase in cash and cash equivalents	**(371)**	1,130
Cash and cash equivalents at beginning of year	**2,699**	1,369
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 2,328**	$ 2,499

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

In millions	Common Stock	Additional paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Common Stock Held in Trust	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT DECEMBER 31, 2012	$ 556	$ 1,502	$ 7,343	$ (950)	$ (1,830)	$ (18)	$ 6,603	$ 371	$ 6,974
Net income			1,051				1,051	76	1,127
Other comprehensive income (loss)				(18)			(18)	(31)	(49)
Issuance of shares		5					5	—	5
Employee benefits trust activity		18				2	20	—	20
Acquisition of shares					(289)		(289)	—	(289)
Cash dividends on common stock			(305)				(305)	—	(305)
Distribution to noncontrolling interests							—	(53)	(53)
Stock based awards		1			15		16	—	16
Other shareholder transactions		13					13	5	18
BALANCE AT SEPTEMBER 29, 2013	$ 556	$ 1,539	$ 8,089	$ (968)	$ (2,104)	$ (16)	$ 7,096	$ 368	$ 7,464
BALANCE AT DECEMBER 31, 2013	$ 556	$ 1,543	$ 8,406	$ (784)	$ (2,195)	$ (16)	$ 7,510	$ 360	$ 7,870
Net income			**1,207**				**1,207**	**62**	**1,269**
Other comprehensive income (loss)				**(43)**			**(43)**	**(3)**	**(46)**
Issuance of shares		**8**					**8**	**—**	**8**
Employee benefits trust activity		**19**				**2**	**21**	**—**	**21**
Acquisition of shares					**(605)**		**(605)**	**—**	**(605)**
Cash dividends on common stock			**(370)**				**(370)**	**—**	**(370)**
Distribution to noncontrolling interests							**—**	**(63)**	**(63)**
Stock based awards		**(5)**			**21**		**16**	**—**	**16**
Other shareholder transactions		**4**					**4**	**(7)**	**(3)**
BALANCE AT SEPTEMBER 28, 2014	**$ 556**	**$ 1,569**	**$ 9,243**	**$ (827)**	**$ (2,779)**	**$ (14)**	**$ 7,748**	**$ 349**	**$ 8,097**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. NATURE OF OPERATIONS

Cummins Inc. ("Cummins," "we," "our" or "us") was founded in 1919 as a corporation in Columbus, Indiana, as one of the first diesel engine manufacturers. We are a global power leader that designs, manufactures, distributes and services diesel and natural gas engines and engine-related component products, including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems and electric power generation systems. We sell our products to original equipment manufacturers (OEMs), distributors and other customers worldwide. We serve our customers through a network of over 600 company-owned and independent distributor locations and over 6,800 dealer locations in more than 190 countries and territories.

NOTE 2. BASIS OF PRESENTATION

The unaudited *Condensed Consolidated Financial Statements* reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of operations, financial position and cash flows. All such adjustments are of a normal recurring nature. The *Condensed Consolidated Financial Statements* have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted as permitted by such rules and regulations.

We revised the classification of certain amounts for "Cost of sales" and "Selling, general and administrative expenses" for 2014 and 2013. In connection with the integration of recently acquired North American distributors and anticipating the future acquisition and integration of the entire North American channel, our Distribution segment has developed a framework against which Distribution management intends to measure the performance of the distribution channel. The segment EBIT (defined as earnings before interest expense, taxes and noncontrolling interests) performance measure is unchanged, however, certain activities that were previously classified in "Selling, general and administrative expenses" will be classified as "Cost of sales" to align with the new framework and allow for consistent treatment across the channel. We revised the expense presentation of our *Condensed Consolidated Statements of Income* for the periods presented to follow the new cost framework. The net impact of this revision for the six months ended June 29, 2014 was $39 million and for the three and nine months ended September 29, 2013, were $28 million and $76 million , respectively. The revision had no impact on reported net income, cash flows or the balance sheet.

Additionally, certain other reclassifications have been made to prior period amounts to conform to the presentation of the current period condensed financial statements.

Our reporting period usually ends on the Sunday closest to the last day of the quarterly calendar period. The third quarters of 2014 and 2013 ended on September 28 and September 29, respectively. The interim periods for both 2014 and 2013 contained 13 weeks, while the nine month periods both contained 39 weeks. Our fiscal year ends on December 31, regardless of the day of the week on which December 31 falls.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts in the *Condensed Consolidated Financial Statements*. Significant estimates and assumptions in these *Condensed Consolidated Financial Statements* require the exercise of judgment and are used for, but not limited to, allowance for doubtful accounts, estimates of future cash flows and other assumptions associated with goodwill and long-lived asset impairment tests, useful lives for depreciation and amortization, warranty programs, determination of discount and other rate assumptions for pension and other postretirement benefit expenses, income taxes and deferred tax valuation allowances, lease classifications and contingencies. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates.

The weighted-average diluted common shares outstanding exclude the anti-dilutive effect of certain stock options since such options had an exercise price in excess of the monthly average market value of our common stock. The options excluded from diluted earnings per share for the three and nine month periods ended September 28, 2014 and September 29, 2013, were as follows:

	Three months ended		Nine months ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Options excluded	**225,773**	184,775	**110,488**	479,276

These interim condensed financial statements should be read in conjunction with the *Consolidated Financial Statements* included in our Annual Report on Form 10-K for the year ended December 31, 2013. Our interim period financial results for the three and nine month interim periods presented are not necessarily indicative of results to be expected for any other interim period or for the entire year. The year-end *Condensed Consolidated Balance Sheet* data was derived from audited financial statements, but does not include all disclosures required by GAAP.

NOTE 3. ACQUISITIONS

In September 2013, we announced our intention to acquire the equity that we do not already own in most of our partially-owned United States and Canadian distributors over the next three to five years. In each acquisition we recorded a gain related to the remeasurement of our existing ownership interest to fair value in accordance with GAAP. We believe the price paid to the former principal is representative of fair value. As such, we valued our existing ownership interest by applying the price paid to the former principal to our existing ownership on a relative basis. The amount paid to the former principal is determined in accordance with a pre-existing agreement that attempts to value the business on a fair value basis. Gains recognized in the remeasurement are included in other income (expense), in the *Condensed Consolidated Statements of Income*. The following is a summary of the acquisition activity for the first nine months of 2014 and 2013.

Cummins Eastern Canada LP

On August 4, 2014, we acquired the remaining 50 percent interest in Cummins Eastern Canada LP (Eastern Canada) from the former distributor principal. The preliminary purchase consideration was $62 million, which included $22 million in cash and an additional $32 million to eliminate outstanding debt. The remaining $8 million will be paid in future periods. The intangible assets are primarily customer related, the majority of which will be amortized within one year subject to customary purchase price adjustments. 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, third quarter 2014 Distribution segment results included an $18 million gain, as we were required to re-measure our pre-existing 50 percent ownership interest in Eastern Canada to fair value in accordance with GAAP. The transaction generated $5 million of goodwill based on the preliminary purchase price allocation. Net sales for Eastern Canada were $228 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.

Cummins Power Systems LLC

On May 5, 2014, we acquired the remaining 30 percent interest in Cummins Power Systems LLC (Power Systems) from the former distributor principal for consideration of approximately $14 million in cash. The entity was previously consolidated and, as a result, the acquisition was accounted for as an equity transaction instead of a business combination.

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 $42 million in cash and an additional $48 million paid to eliminate outstanding debt as of September 28, 2014. 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. 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 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

Cummins Mid-South LLC

On February 14, 2014, we acquired the remaining 62.2 percent interest in Cummins Mid-South LLC (Mid-South) from the former distributor principal. The purchase consideration was $118 million as presented below, which included $32 million in cash paid in the first quarter along with an additional $61 million paid to eliminate outstanding debt. As of September 28, 2014, an additional $23 million had been paid. 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, first quarter 2014 Distribution segment results included a $6 million gain, as we were required to re-measure our pre-existing 37.8 percent ownership interest in Mid-South to fair value in accordance with GAAP. In the second quarter of 2014, we recognized an additional $1 million gain as the result of the final valuation. The transaction generated $4 million of goodwill. Net sales for Mid-South were $368 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 was as follows:

In millions		
Accounts receivable	$	71
Inventory		70
Fixed assets		37
Intangible assets		8
Goodwill		4
Other current assets		10
Current liabilities		(43)
Other long-term liability		(4)
Total business valuation		153
Fair value of pre-existing 37.8 percent interest		(35)
Purchase price	$	118

Cummins Rocky Mountain LLC

In May 2013, we acquired the remaining 67 percent interest in Cummins Rocky Mountain LLC (Rocky Mountain) from the former distributor principal for consideration of approximately $62 million in cash and an additional $74 million in cash paid to creditors to eliminate all debt related to the entity. The purchase price was approximately $136 million as presented below. The intangible assets are primarily customer related and are being amortized over periods ranging from one to four years. The acquisition was accounted for as a business combination, with the results of the acquired entity included in the Distribution operating segment subsequent to the acquisition date. Distribution segment results also included a $5 million gain, as we were required to re-measure our pre-existing 33 percent ownership interest in Rocky Mountain to fair value in accordance with GAAP. Net sales for Rocky Mountain were $384 million for the year ended December 31, 2012. 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 was as follows:

In millions		
Accounts receivable	$	48
Inventory		100
Fixed assets		34
Intangible assets		8
Goodwill		10
Other current assets		8
Current liabilities		(41)
Total business valuation		167
Fair value of pre-existing 33 percent interest		(31)
Purchase price	$	136

Cummins Northwest LLC

In January 2013, we acquired the remaining 50 percent interest in Cummins Northwest LLC (Northwest) from the former distributor principal for consideration of approximately $18 million. We immediately formed a new partnership with a new distributor principal and sold 20.01 percent to the new distributor principal. We retained a new ownership in Northwest of 79.99 percent. The acquisition was accounted for as a business combination, with the results of the acquired entity included in the Distribution segment subsequent to the acquisition date. Distribution segment results also included a $7 million gain, as we were required to re-measure our pre-existing 50 percent ownership interest in Northwest to fair value in accordance with GAAP. The transaction generated $3 million of goodwill. Net sales for Northwest were $137 million for the year ended December 31, 2012. 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.

In July 2013, we acquired the remaining 20.01 percent from the new distributor principal for an additional $4 million. Since the entity was already consolidated, the acquisition was accounted for as an equity transaction instead of a business combination.

NOTE 4. PENSION AND OTHER POSTRETIREMENT BENEFITS

We sponsor funded and unfunded domestic and foreign defined benefit pension and other postretirement plans. Contributions to these plans were as follows:

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Defined benefit pension and other postretirement plans				
Voluntary contribution	**$ 34**	$ 33	**$ 109**	$ 110
Mandatory contribution	**7**	7	**88**	51
Defined benefit pension contributions	**41**	40	**197**	161
Other postretirement plans	**12**	11	**35**	37
Total defined benefit plans	**$ 53**	$ 51	**$ 232**	$ 198
Defined contribution pension plans	**$ 16**	$ 14	**$ 57**	$ 50

We anticipate making additional defined benefit pension contributions and other postretirement benefit payments during the remainder of 2014 of $8 million and $11 million, respectively. The $205 million of pension contributions for the full year include voluntary contributions of approximately $111 million. These contributions and payments may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants.

The components of net periodic pension and other postretirement benefit costs under our plans were as follows:

	Pension					
	U.S. Plans		U.K. Plans		Other Postretirement Benefits	
	Three months ended					
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Service cost	**$ 16**	$ 17	**$ 7**	$ 5	**$ —**	$ —
Interest cost	**26**	23	**16**	14	**4**	4
Expected return on plan assets	**(43)**	(42)	**(23)**	(17)	**—**	—
Recognized net actuarial loss	**8**	16	**7**	6	**—**	2
Net periodic benefit cost	**$ 7**	$ 14	**$ 7**	$ 8	**$ 4**	$ 6

	Pension					
	U.S. Plans		U.K. Plans		Other Postretirement Benefits	
	Nine months ended					
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Service cost	**$ 50**	$ 52	**$ 19**	$ 15	**$ —**	$ —
Interest cost	**79**	70	**49**	42	**13**	12
Expected return on plan assets	**(131)**	(126)	**(66)**	(53)	**—**	—
Recognized net actuarial loss	**23**	47	**20**	18	**—**	5
Net periodic benefit cost	**$ 21**	$ 43	**$ 22**	$ 22	**$ 13**	$ 17

NOTE 5. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Distribution Entities				
North American distributors	**$ 27**	$ 34	**$ 89**	$ 98
Komatsu Cummins Chile, Ltda.	**8**	6	**22**	17
All other distributors	**—**	1	**2**	1
Manufacturing Entities				
Dongfeng Cummins Engine Company, Ltd.	**15**	13	**51**	45
Chongqing Cummins Engine Company, Ltd.	**13**	15	**39**	44
Beijing Foton Cummins Engine Co., Ltd. (Light-duty)	**10**	4	**24**	14
Shanghai Fleetguard Filter Co., Ltd.	**3**	4	**9**	11
Tata Cummins, Ltd.	**2**	1	**6**	4
Cummins Westport, Inc.	**2**	2	**3**	5
Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty)	**(5)**	(4)	**(18)**	(14)
All other manufacturers	**13**	7	**36**	29
Cummins share of net income	**88**	83	**263**	254
Royalty and interest income	**11**	8	**31**	27
Equity, royalty and interest income from investees	**$ 99**	$ 91	**$ 294**	$ 281

NOTE 6. INCOME TAXES

Our effective tax rate for the year is expected to approximate 29.5 percent, excluding any one-time items that may arise. The expected tax rate does not include the benefits of 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 nine month periods ended September 28, 2014, were 34.4 percent and 30.4 percent, respectively. The tax rate for the three months ended September 28, 2014, included a $19 million discrete tax expense to reflect the reduction in value of state tax credits as a result of a favorable state tax rate change that will lower future taxes. Additionally, the tax rate for the nine month period included a second quarter $2 million discrete tax benefit for the release of reserves for uncertain tax positions related to multiple state audit settlements, a first quarter $12 million discrete tax expense attributable primarily to state deferred tax adjustments, as well as a first quarter $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 nine month periods ended September 29, 2013, were 29.2 percent and 28.3 percent, respectively. These tax rates include a $7 million discrete net tax expense for the third quarter tax adjustments: $4 million expense attributable to prior year tax return true-up adjustments, $1 million benefit related to release of prior year tax reserves and a discrete tax charge for $4 million related to a third quarter enactment of U.K. tax law changes. In addition, the nine month tax rate includes a discrete tax benefit in the first quarter of 2013 of $28 million attributable to the reinstatement of the research credit back to 2012, as well as a discrete tax expense in the first quarter of 2013 of $17 million, which primarily relates to the write-off of a deferred tax asset deemed unrecoverable.

The increase in the three month effective tax rate from 2013 to 2014 is primarily due to unfavorable changes in the jurisdictional mix of pre-tax income and the 2014 unfavorable discrete tax items.

We anticipate that we may resolve tax matters related primarily to certain tax credits presently under examination in U.S. federal and state tax jurisdictions. As of September 28, 2014, we estimate that it is reasonably possible that unrecognized tax benefits may decrease in an amount ranging from $0 to $75 million in the next 12 months due to the resolution of these issues. We do not expect this resolution to have a material impact on our results of operations.

NOTE 7. MARKETABLE SECURITIES

A summary of marketable securities, all of which are classified as current, was as follows:

	September 28, 2014			December 31, 2013		
In millions	**Cost**	**Gross unrealized gains/(losses)**	**Estimated fair value**	**Cost**	**Gross unrealized gains/(losses)**	**Estimated fair value**
Available-for-sale						
Level 1[1]						
Debt mutual funds	**$ 26**	**$ —**	**$ 26**	$ 72	$ —	$ 72
Equity securities and other	**7**	**—**	**7**	10	13	23
Total level 1	**33**	**—**	**33**	82	13	95
Level 2[2]						
Debt mutual funds	**14**	**1**	**15**	27	2	29
Bank debentures	**3**	**—**	**3**	2	—	2
Certificates of deposit	**—**	**—**	**—**	22	—	22
Government debt securities-non-U.S.	**3**	**(1)**	**2**	3	(1)	2
Total level 2	**20**	**—**	**20**	54	1	55
Total marketable securities	**$ 53**	**$ —**	**$ 53**	$ 136	$ 14	$ 150

[1] The fair value of Level 1 securities is estimated primarily by referencing quoted prices in active markets for identical assets.

[2] The fair value of Level 2 securities is estimated primarily using actively quoted prices for similar instruments from brokers and observable inputs, including market transactions and third-party pricing services. We do not currently have any Level 3 securities, and there were no transfers into or out of Level 2 or 3 during the first nine months of 2014 and 2013.

The proceeds from sales and maturities of marketable securities and gross realized gains and losses from the sale of available-for-sale securities were as follows:

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Proceeds from sales and maturities of marketable securities	**$ 137**	$ 153	**$ 316**	$ 433
Gross realized gains from the sale of available-for-sale securities	**1**	1	**14**	12

At September 28, 2014, the fair value of available-for-sale investments in debt securities that utilize a Level 2 fair value measure by contractual maturity was as follows:

Maturity date	Fair value (in millions)
1 year or less	$ 16
1 - 5 years	3
5 - 10 years	1
Total	$ 20

NOTE 8. INVENTORIES

Inventories are stated at the lower of cost or market. Inventories included the following:

In millions	September 28, 2014	December 31, 2013
Finished products	**$ 1,775**	$ 1,487
Work-in-process and raw materials	**1,182**	1,005
Inventories at FIFO cost	**2,957**	2,492
Excess of FIFO over LIFO	**(124)**	(111)
Total inventories	**$ 2,833**	$ 2,381

NOTE 9. DEBT

A summary of long-term debt was as follows:

In millions	September 28, 2014	December 31, 2013
Long-term debt		
Senior notes, 3.65%, due 2023 [(1)]	**$ 500**	$ 500
Debentures, 6.75%, due 2027	**58**	58
Debentures, 7.125%, due 2028 [(1)]	**250**	250
Senior notes, 4.875%, due 2043	**500**	500
Debentures, 5.65%, due 2098 (effective interest rate 7.48%)	**165**	165
Credit facilities related to consolidated joint ventures	**7**	92
Other	**38**	65
	1,518	1,630
Unamortized discount	**(47)**	(48)
Fair value adjustments due to hedge on indebtedness [(1)]	**51**	49
Capital leases	**89**	92
Total long-term debt	**1,611**	1,723
Less: Current maturities of long-term debt	**(27)**	(51)
Long-term debt	**$ 1,584**	$ 1,672

(1) In February 2014, we settled our November 2005 interest rate swap which previously converted our $250 million debt issue, due in 2028, from a fixed rate to a floating rate based on a LIBOR spread. We are amortizing the $52 million gain realized upon settlement over the remaining 14-year term of related debt. Also, in February 2014, we entered into a series of interest rate swaps to effectively convert our September 2013, $500 million debt issue, due in 2023, from a fixed rate of 3.65 percent to a floating rate equal to the one-month LIBOR plus a spread. See Note 12, "DERIVATIVES" for further details.

Principal payments required on long-term debt during the next five years are as follows:

	Required Principal Payments				
In millions	**2014**	**2015**	**2016**	**2017**	**2018**
Payment	$ 11	$ 22	$ 32	$ 12	$ 16

Fair Value of Debt

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, considering our risk premium, the fair value and carrying value of total debt, including current maturities, was as follows:

In millions	September 28, 2014	December 31, 2013
Fair value of total debt[1]	**$ 1,922**	$ 1,877
Carrying value of total debt	**1,689**	1,740

(1) The fair value of debt is derived from Level 2 inputs.

NOTE 10. PRODUCT WARRANTY LIABILITY

We charge the estimated costs of warranty programs, other than product recalls, to income when the sale is recorded. We use historical claims experience to develop the estimated liability. We review product recall programs on a quarterly basis and, if necessary, record a liability when we commit to an action, or when they become probable and estimable, which is reflected in the provision for warranties issued line. We also sell extended warranty coverage on several engines. A tabular reconciliation of the product warranty liability, including the deferred revenue related to our extended warranty coverage and accrued recall programs was as follows:

	Nine months ended	
In millions	**September 28, 2014**	**September 29, 2013**
Balance, beginning of year	**$ 1,129**	$ 1,088
Provision for warranties issued	**307**	317
Deferred revenue on extended warranty contracts sold	**175**	138
Payments	**(313)**	(312)
Amortization of deferred revenue on extended warranty contracts	**(109)**	(84)
Changes in estimates for pre-existing warranties	**28**	(26)
Foreign currency translation	**(4)**	(3)
Balance, end of period	**$ 1,213**	$ 1,118

Warranty related deferred revenue, supplier recovery receivables and the long-term portion of the warranty liability on our September 28, 2014, balance sheet were as follows:

In millions	September 28, 2014	Balance Sheet Location
Deferred revenue related to extended coverage programs		
Current portion	$ 159	Deferred revenue
Long-term portion	401	Other liabilities and deferred revenue
Total	$ 560	
Receivables related to estimated supplier recoveries		
Current portion	$ 9	Trade and other receivables
Long-term portion	3	Other assets
Total	$ 12	
Long-term portion of warranty liability	$ 302	Other liabilities and deferred revenue

NOTE 11. COMMITMENTS AND CONTINGENCIES

We are subject to numerous lawsuits and claims arising out of the ordinary course of our business, including actions related to product liability; personal injury; the use and performance of our products; warranty matters; patent, trademark or other intellectual property infringement; contractual liability; the conduct of our business; tax reporting in foreign jurisdictions; distributor termination; workplace safety; and environmental matters. We also have been identified as a potentially responsible party at multiple waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. We have denied liability with respect to many of these lawsuits, claims and proceedings and are vigorously defending such lawsuits, claims and proceedings. We carry various forms of commercial, property and casualty, product liability and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us with respect to these lawsuits, claims and proceedings. We do not believe that these lawsuits are material individually or in the aggregate. While we believe we have also established adequate accruals for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

We conduct significant business operations in Brazil that are subject to the Brazilian federal, state and local labor, social security, tax and customs laws. While we believe we comply with such laws, they are complex, subject to varying interpretations and we are often engaged in litigation regarding the application of these laws to particular circumstances.

U.S. Distributor Commitments

Our distribution agreements with independent and partially-owned distributors generally have a renewable three-year term and are restricted to specified territories. Our distributors develop and maintain a network of dealers with which we have no direct relationship. Our distributors are permitted to sell other, noncompetitive products only with our consent. We license all of our distributors to use our name and logo in connection with the sale and service of our products, with no right to assign or sublicense the trademarks, except to authorized dealers, without our consent. Products are sold to the distributors at standard domestic or international distributor net prices, as applicable. Net prices are wholesale prices we establish to permit our distributors an adequate margin on their sales. Subject to local laws, we can generally refuse to renew these agreements upon expiration or terminate them upon written notice for inadequate sales, change in principal ownership and certain other reasons. Distributors also have the right to terminate the agreements upon 60-day notice without cause, or 30-day notice for cause. Upon termination or failure to renew, we are required to purchase the distributor’s current inventory, signage and special tools and may, at our option purchase other assets of the distributor, but are under no obligation to do so.

Other Guarantees and Commitments

In addition to the matters discussed above, from time to time we enter into other guarantee arrangements, including guarantees of non-U.S. distributor financing, residual value guarantees on equipment under operating leases and other miscellaneous guarantees of third-party obligations. As of September 28, 2014, the maximum potential loss related to these other guarantees was $8 million.

We have arrangements with certain suppliers that require us to purchase minimum volumes or be subject to monetary penalties. The penalty amounts are less than our purchase commitments and essentially allow the supplier to recover their tooling costs in most instances. As of September 28, 2014, if we were to stop purchasing from each of these suppliers, the aggregate amount of the penalty would be approximately $86 million, of which $47 million relates to a contract with an engine parts supplier that extends to 2016. These arrangements enable us to secure critical components. We do not currently anticipate paying any penalties under these contracts.

During the second quarter of 2014, we began entering into physical forward contracts with suppliers of platinum and palladium to purchase minimum volumes of the commodities at contractually stated prices for various periods, not to exceed two years. As of September 28, 2014, the total commitments under these contracts were $51 million. These arrangements enable us to fix the prices of these commodities, which otherwise are subject to market volatility.

We have guarantees with certain customers that require us to satisfactorily honor contractual or regulatory obligations, or compensate for monetary losses related to nonperformance. These performance bonds and other performance-related guarantees were $80 million at September 28, 2014 and $66 million at December 31, 2013.

Indemnifications

Periodically, we enter into various contractual arrangements where we agree to indemnify a third-party against certain types of losses. Common types of indemnities include:

- product liability and license, patent or trademark indemnifications,
- asset sale agreements where we agree to indemnify the purchaser against future environmental exposures related to the asset sold and
- any contractual agreement where we agree to indemnify the counter-party for losses suffered as a result of a misrepresentation in the contract.

We regularly evaluate the probability of having to incur costs associated with these indemnities and accrue for expected losses that are probable. Because the indemnifications are not related to specified known liabilities and due to their uncertain nature, we are unable to estimate the maximum amount of the potential loss associated with these indemnifications.

Joint Venture Commitments

As of September 28, 2014, we have committed to invest an additional$4 million in existing joint ventures, of which $1 million is expected to be funded in 2014.

NOTE 12. DERIVATIVES

We are exposed to financial risk resulting from volatility in foreign exchange rates, commodity prices and interest rates. This risk is closely monitored and managed through the use of financial derivative instruments including foreign currency forward contracts, commodity zero-cost collars and interest rate swaps. These instruments, as further described below, are accounted for as cash flow or fair value hedges or as economic hedges not designated as hedges for accounting purposes. Financial derivatives are used expressly for hedging purposes and under no circumstances are they used for speculative purposes. When material, we adjust the estimated fair value of our derivative contracts for counter-party or our credit risk. None of our derivative instruments are subject to collateral requirements. Substantially all of our derivative contracts are subject to master netting arrangements which provide us with the option to settle certain contracts on a net basis when they settle on the same day with the same currency. In addition, these arrangements provide for a net settlement of all contracts with a given counterparty in the event that the arrangement is terminated due to the occurrence of default or a termination event.

Commodity Price Risk

During the second quarter of 2014, we chose to de-designate and unwind all of our cash flow hedges for platinum and palladium. As of the de-designation date, we had an unrealized net gain of $2 million in "Accumulated other comprehensive loss" (AOCL) that will be reclassified to income during the next year as the related purchases are made. See Note 11, "COMMITMENTS AND CONTINGENCIES" for additional information on new platinum and palladium purchase committments.

Interest Rate Risk

We are exposed to market risk from fluctuations in interest rates. We manage our exposure to interest rate fluctuations through the use of interest rate swaps. The objective of the swaps is to more effectively balance our borrowing costs and interest rate risk.

In February 2014, we settled our November 2005 interest rate swap which previously converted our $250 million debt issue, due in 2028, from a fixed rate to a floating rate based on a LIBOR spread. We are amortizing the $52 million gain realized upon settlement over the remaining 14-year term of related debt.

Also, in February 2014, we entered into a series of interest rate swaps to effectively convert our September 2013 $500 million debt issue, due in 2023, from a fixed rate of 3.65 percent to a floating rate equal to the one-month LIBOR plus a spread. The terms of the swaps mirror those of the debt, with interest paid semi-annually. The swaps were designated, and will be accounted for, as fair value hedges under GAAP. The gain or loss on these derivative instruments, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current income as "Interest expense." The net swap settlements that accrue each period are also reported in interest expense.

The following table summarizes these gains and losses for the three and nine month periods presented below:

	Three months ended				Nine months ended			
In millions	**September 28, 2014**		**September 29, 2013**		**September 28, 2014**		**September 29, 2013**	
Income Statement Classification	**Gain/(Loss) on Swaps**	**Gain/(Loss) on Borrowings**	**Gain/(Loss) on Swaps**	**Gain/(Loss) on Borrowings**	**Gain/(Loss) on Swaps**	**Gain/(Loss) on Borrowings**	**Gain/(Loss) on Swaps**	**Gain/(Loss) on Borrowings**
Interest expense[1]	**$ —**	**$ 2**	$ (6)	$ 6	**$ 8**	**$ (5)**	$ (34)	$ 34

[1]The difference between the gain/(loss) on swaps and borrowings represents hedge ineffectiveness.

Cash Flow Hedging

The following table summarizes the effect on our *Condensed Consolidated Statements of Income* for derivative instruments classified as cash flow hedges for the three and nine month periods presented below:

In millions[1]	**Three months ended**		**Nine months ended**	
Derivatives in cash flow hedging relationships	**September 28, 2014**	**September 29, 2013**	**September 28, 2014**	**September 29, 2013**
Gain/(loss) reclassified from AOCL into income - Net sales[2]	**$ 1**	$ (2)	**$ 6**	$ (4)
Gain/(loss) reclassified from AOCL into income - Cost of sales[3]	**1**	(2)	**(2)**	1
Total	**$ 2**	$ (4)	**$ 4**	$ (3)

[1]The table does not include amounts related to ineffectiveness or the effective portion of gain (loss) recognized in AOCL as they were not material for the periods presented.

[2]Includes foreign currency forward contracts.

[3]Includes commodity swap contracts.

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Derivatives Not Designated as Hedging Instruments

The following table summarizes the effect on our *Condensed Consolidated Statements of Income* for derivative instruments not classified as cash flow hedges for the three and nine month periods presented below:

In millions	Three months ended		Nine months ended	
Derivatives not designated as hedging instruments	**September 28, 2014**	**September 29, 2013**	**September 28, 2014**	**September 29, 2013**
Gain/(loss) recognized in income - Cost of sales[1]	**$ 1**	$ (1)	**$ (2)**	$ (2)
Gain/(loss) recognized in income - Other income (expense), net[2]	**(12)**	19	**(5)**	(3)
Total	**$ (11)**	$ 18	**$ (7)**	$ (5)

[1] Includes foreign currency forward contracts and commodity zero-cost collars.
[2] Includes foreign currency forward contracts.

Fair Value Amount and Location of Derivative Instruments

The following table summarizes the location and fair value of interest rate swap contracts, foreign currency forward contracts, commodity swap contracts and commodity zero-cost collars on our *Condensed Consolidated Balance Sheets:*

	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
In millions	**September 28, 2014**	**December 31, 2013**	**September 28, 2014**	**December 31, 2013**
Notional amount[1]	**$ 603**	$ 425	**$ 747**	$ 547
Derivative assets recorded in:				
Prepaid expenses and other current assets	**—**	5	**—**	6
Other assets	**5**	49	**—**	—
Total derivative assets[2]	**$ 5**	$ 54	**$ —**	$ 6
Derivative liabilities recorded in:				
Other accrued expenses	**2**	5	**1**	5
Total derivative liabilities[2]	**$ 2**	$ 5	**$ 1**	$ 5

[1] Commodity zero-cost collars are not designated as hedging instruments and had a notional quantity of 4,578 and 5,421 metric tons of copper at September 28, 2014 and December 31, 2013, respectively. These instruments are not included in the notional amounts above as they were subject to a USD denominated cap and floor; however, they are included in the total asset and liability balances as appropriate. The average cap and floor at September 28, 2014 and December 31, 2013 were $7,265 and $6,619 and $7,639 and $6,978, respectively.

[2] Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated primarily using actively quoted prices for similar instruments from brokers and observable inputs, including market transactions and third-party pricing services. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the first nine months of 2014 and 2013.

We have elected to present our derivative contracts on a gross basis in our *Condensed Consolidated Balance Sheets.* Had we chosen to present on a net basis, we would have derivatives in a net asset position of $4 million and $53 million and derivatives in a net liability position of $2 million and $3 million at September 28, 2014 and December 31, 2013, respectively.

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NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Following are the changes in accumulated other comprehensive income (loss) by component for the three and nine months ended:

	Three months ended						
In millions	Change in pensions and other postretirement defined benefit plans	Foreign currency translation adjustment	Unrealized gain (loss) on marketable securities	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at June 30, 2013	$ (754)	$ (338)	$ 5	$ (12)	$ (1,099)		
Other comprehensive income before reclassifications							
Before tax amount	—	105	2	10	117	$ (9)	$ 108
Tax (provision) benefit	—	(1)	1	(3)	(3)	—	(3)
After tax amount	—	104	3	7	114	(9)	105
Amounts reclassified from accumulated other comprehensive income(1)(2)	16	—	(2)	3	17	—	17
Net current period other comprehensive income (loss)	16	104	1	10	131	$ (9)	$ 122
Balance at September 29, 2013	$ (738)	$ (234)	$ 6	$ (2)	$ (968)		
Balance at June 29, 2014	$ (597)	$ (76)	$ —	$ 4	$ (669)		
Other comprehensive income before reclassifications							
Before tax amount	**—**	**(184)**	**—**	**(5)**	**(189)**	**$ (6)**	**$ (195)**
Tax (provision) benefit	**—**	**18**	**—**	**1**	**19**	**—**	**19**
After tax amount	**—**	**(166)**	**—**	**(4)**	**(170)**	**(6)**	**(176)**
Amounts reclassified from accumulated other comprehensive income(1)(2)	**14**	**—**	**(1)**	**(1)**	**12**	**—**	**12**
Net current period other comprehensive income (loss)	**14**	**(166)**	**(1)**	**(5)**	**(158)**	**$ (6)**	**$ (164)**
Balance at September 28, 2014	**$ (583)**	**$ (242)**	**$ (1)**	**$ (1)**	**$ (827)**		

In millions	Nine months ended Change in pensions and other postretirement defined benefit plans	Foreign currency translation adjustment	Unrealized gain (loss) on marketable securities	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at December 31, 2012	$ (794)	$ (161)	$ 5	$ —	$ (950)		
Other comprehensive income before reclassifications							
Before tax amount	13	(86)	10	(7)	(70)	$ (28)	$ (98)
Tax (provision) benefit	(5)	13	(1)	2	9	—	9
After tax amount	8	(73)	9	(5)	(61)	(28)	(89)
Amounts reclassified from accumulated other comprehensive income(1)(2)	48	—	(8)	3	43	(3)	40
Net current period other comprehensive income (loss)	56	(73)	1	(2)	(18)	$ (31)	$ (49)
Balance at September 29, 2013	$ (738)	$ (234)	$ 6	$ (2)	$ (968)		
Balance at December 31, 2013	$ (611)	$ (179)	$ 7	$ (1)	$ (784)		
Other comprehensive income before reclassifications							
Before tax amount	**(7)**	**(77)**	**(1)**	**5**	**(80)**	**$ 1**	**$ (79)**
Tax (provision) benefit	**1**	**14**	**—**	**(2)**	**13**	**—**	**13**
After tax amount	**(6)**	**(63)**	**(1)**	**3**	**(67)**	**1**	**(66)**
Amounts reclassified from accumulated other comprehensive income(1)(2)	**34**	**—**	**(7)**	**(3)**	**24**	**(4)**	**20**
Net current period other comprehensive income (loss)	**28**	**(63)**	**(8)**	**—**	**(43)**	**$ (3)**	**$ (46)**
Balance at September 28, 2014	**$ (583)**	**$ (242)**	**$ (1)**	**$ (1)**	**$ (827)**		

(1)Amounts are net of tax.
(2)See reclassifications out of accumulated other comprehensive income (loss) disclosure below for further details.

Following are the items reclassified out of accumulated other comprehensive income (loss) and the related tax effects:

In millions	Three months ended		Nine months ended		
(Gain)/Loss Components	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013	Statement of Income Location
Realized (gain) loss on marketable securities	**$ (1)**	$ (1)	**$ (14)**	$ (12)	Other income (expense), net
Income tax expense	**—**	(1)	**3**	1	Income tax expense
Net realized (gain) loss on marketable securities	**(1)**	(2)	**(11)**	(11)	
Realized (gain) loss on derivatives					
Foreign currency forward contracts	**(1)**	2	**(6)**	4	Net sales
Commodity swap contracts	**(1)**	2	**2**	(1)	Cost of sales
Total before taxes	**(2)**	4	**(4)**	3	
Income tax expense	**1**	(1)	**1**	—	Income tax expense
Net realized (gain) loss on derivatives	**(1)**	3	**(3)**	3	
Change in pension and other postretirement defined benefit plans					
Recognized actuarial loss	**18**	24	**47**	71	[1]
Total before taxes	**18**	24	**47**	71	
Income tax expense	**(4)**	(8)	**(13)**	(23)	Income tax expense
Net change in pensions and other postretirement defined benefit plans	**14**	16	**34**	48	
Total reclassifications for the period	**$ 12**	$ 17	**$ 20**	$ 40	

[1] These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 4).

NOTE 14. OPERATING SEGMENTS

Operating segments under GAAP are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Cummins' chief operating decision-maker (CODM) is the Chief Executive Officer.

Our reportable operating segments consist of the following: Engine, Components, Power Generation and Distribution. This reporting structure is organized according to the products and markets each segment serves and allows management to focus its efforts on providing enhanced service to a wide range of customers. The Engine segment produces engines and parts for sale to customers in on-highway and various industrial markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, mining, agriculture, marine, oil and gas, rail and military equipment. The Components segment sells filtration products, aftertreatment systems, turbochargers and fuel systems. The Power Generation segment is an integrated provider of power systems, which sells engines, generator sets and alternators. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world.

We use segment EBIT (defined as earnings before interest expense, taxes and noncontrolling interests) as a primary basis for the CODM to evaluate the performance of each of our operating segments. Segment amounts exclude certain expenses not specifically identifiable to segments.

The accounting policies of our operating segments are the same as those applied in our *Condensed Consolidated Financial Statements.* We prepared the financial results of our operating segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We have allocated certain common costs and expenses, primarily corporate functions, among segments differently than we would for stand-alone financial information prepared in accordance with GAAP. These include certain costs and expenses of shared services, such as information technology, human resources, legal and finance. We also do not allocate debt-related items, actuarial gains or losses, prior service costs or credits, changes in cash surrender value of corporate owned life insurance, divestiture gains or losses or income taxes to individual segments. Segment EBIT may not be consistent with measures used by other companies.

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Summarized financial information regarding our reportable operating segments for the three and nine month periods is shown in the table below:

In millions	Engine	Components	Power Generation	Distribution		Non-segment Items [1]	Total
Three months ended September 28, 2014							
External sales	**$ 2,181**	**$ 946**	**$ 481**	**$ 1,282**		**$ —**	**$ 4,890**
Intersegment sales	**635**	**341**	**273**	**10**		**(1,259)**	**—**
Total sales	**2,816**	**1,287**	**754**	**1,292**		**(1,259)**	**4,890**
Depreciation and amortization[2]	**50**	**27**	**13**	**22**		**—**	**112**
Research, development and engineering expenses	**114**	**64**	**18**	**2**		**—**	**198**
Equity, royalty and interest income from investees	**40**	**9**	**13**	**37**		**—**	**99**
Interest income	**3**	**1**	**1**	**1**		**—**	**6**
Segment EBIT	**330**	**172**	**60**	**131**	(3)	**(9)**	**684**
Three months ended September 29, 2013							
External sales	$ 2,045	$ 784	$ 499	$ 938		$ —	$ 4,266
Intersegment sales	447	288	213	6		(954)	—
Total sales	2,492	1,072	712	944		(954)	4,266
Depreciation and amortization[2]	53	24	13	15		—	105
Research, development and engineering expenses	103	51	18	1		—	173
Equity, royalty and interest income from investees	31	5	13	42		—	91
Interest income	4	1	1	—		—	6
Segment EBIT	272	132	45	86	(3)	1	536
Nine months ended September 28, 2014							
External sales	**$ 6,449**	**$ 2,821**	**$ 1,408**	**$ 3,453**		**$ —**	**$ 14,131**
Intersegment sales	**1,674**	**976**	**728**	**27**		**(3,405)**	**—**
Total sales	**8,123**	**3,797**	**2,136**	**3,480**		**(3,405)**	**14,131**
Depreciation and amortization[2]	**153**	**79**	**38**	**58**		**—**	**328**
Research, development and engineering expenses	**335**	**170**	**55**	**7**		**—**	**567**
Equity, royalty and interest income from investees	**117**	**27**	**30**	**120**		**—**	**294**
Interest income	**9**	**3**	**3**	**2**		**—**	**17**
Segment EBIT	**910**	**524**	**146**	**333**	(3)	**(44)**	**1,869**
Nine months ended September 29, 2013							
External sales	$ 6,139	$ 2,292	$ 1,621	$ 2,661		$ —	$ 12,713
Intersegment sales	1,312	915	651	15		(2,893)	—
Total sales	7,451	3,207	2,272	2,676		(2,893)	12,713
Depreciation and amortization[2]	156	71	37	40		—	304
Research, development and engineering expenses	310	165	53	4		—	532
Equity, royalty and interest income from investees	106	21	30	124		—	281
Interest income	13	2	5	1		—	21
Segment EBIT	806	387	172	281	(3)	(52)	1,594

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three and nine months ended September 28, 2014 and September 29, 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 $2 million and $8 million for the nine months ended September 28, 2014 and September 29, 2013, respectively.

(3) Distribution segment EBIT included gains as disclosed in the table below. See Note 3, "ACQUISITIONS" for additional information.

Distribution segment EBIT included gains on the fair value adjustment resulting from the acquisition of controlling interests in North American distributors in the periods presented below:

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Eastern Canada	**$ 18**	$ —	**$ 18**	$ —
Southern Plains	**—**	—	**13**	—
Mid-South	**—**	—	**7**	—
Rocky Mountain	**—**	—	**—**	5
Northwest	**—**	—	**—**	7
Total gains included in EBIT	**$ 18**	$ —	**$ 38**	$ 12

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

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Total EBIT	**$ 684**	$ 536	**$ 1,869**	$ 1,594
Less: Interest expense	**15**	8	**47**	22
Income before income taxes	**$ 669**	$ 528	**$ 1,822**	$ 1,572

NOTE 15. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The standard contains principles that we will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that we will recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that we expect to be entitled to in exchange for those goods or services. The standard allows either full or modified retrospective adoption. Early adoption is not permitted. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The new rules will become effective for annual and interim periods beginning January 1, 2017. We are in the process of evaluating the impact the amendment will have on our *Consolidated Financial Statements* and determining our method for adoption.

NOTE 16. SUBSEQUENT EVENTS

Acquisition of Cummins Npower LLC

On September 29, 2014, we acquired the remaining 50 percent interest in Cummins Npower LLC (Npower) from the former distributor principal for consideration of approximately $39 million in cash and an additional $33 million paid to creditors to eliminate all debt related to the entity, or total consideration of $72 million, subject to customary purchase price adjustments.

Acquisition of Cummins Power South LLC

On September 29, 2014, we acquired the remaining 50 percent interest in Cummins Power South LLC (Power South) from the former distributor principal for consideration of approximately $19 million in cash and an additional $16 million paid to creditors to eliminate all debt related to the entity, or total consideration of $35 million, subject to customary purchase price adjustments.

These acquisitions will be accounted for as business combinations and the results of the acquired entities will be included in the Distribution operating segment beginning with the fourth quarter of 2014.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cummins Inc. and its consolidated subsidiaries are hereinafter sometimes referred to as "Cummins," "we," "our" or "us."

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain parts of this quarterly report contain forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that are based on current expectations, estimates and projections about the industries in which we operate and management's beliefs and assumptions. Forward-looking statements are generally accompanied by words such as "anticipates," "expects," "forecasts," "intends," "plans," "believes," "seeks," "estimates," "could," "should" or words of similar meaning. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which we refer to as "future factors," which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some future factors that could cause our results to differ materially from the results discussed in such forward-looking statements are discussed below and shareholders, potential investors and other readers are urged to consider these future factors carefully in evaluating forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Future factors that could affect the outcome of forward-looking statements include the following:

- a sustained slowdown or significant downturn in our markets;
- a slowdown in infrastructure development;
- unpredictability in the adoption, implementation and enforcement of emission standards around the world;
- the actions of, and income from, joint ventures and other investees that we do not directly control;
- changes in the engine outsourcing practices of significant customers;
- a downturn in the North American truck industry or financial distress of a major truck customer;
- a major customer experiencing financial distress;
- any significant problems in our new engine platforms;
- supply shortages and supplier financial risk, particularly from any of our single-sourced suppliers;
- variability in material and commodity costs;
- product recalls;
- competitor pricing activity;
- increasing competition, including increased global competition among our customers in emerging markets;
- exposure to information technology security threats and sophisticated "cyber attacks;"
- political, economic and other risks from operations in numerous countries;
- changes in taxation;
- global legal and ethical compliance costs and risks;
- aligning our capacity and production with our demand;
- product liability claims;
- the development of new technologies;

- obtaining additional customers for our new light-duty diesel engine platform and avoiding any related write-down in our investments in such platform;
- increasingly stringent environmental laws and regulations;
- foreign currency exchange rate changes;
- the price and availability of energy;
- the performance of our pension plan assets;
- labor relations;
- changes in accounting standards;
- our sales mix of products;
- protection and validity of our patent and other intellectual property rights;
- technological implementation and cost/financial risks in our increasing use of large, multi-year contracts;
- the cyclical nature of some of our markets;
- the outcome of pending and future litigation and governmental proceedings;
- continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business;
- the consummation and integration of the planned acquisitions of our partially-owned United States and Canadian distributors; and
- other risk factors described in our Form 10-K, Part I, Item 1A under the caption “Risk Factors” and in this Form 10-Q, Part II, Item 1A under the caption "Risk Factors."

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 quarterly report and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ORGANIZATION OF INFORMATION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) was prepared to provide the reader with a view and perspective of our business through the eyes of management and should be read in conjunction with our *Consolidated Financial Statements* and accompanying *Notes to Consolidated Financial Statements* in the "Financial Statements" section of our 2013 Form 10-K. Our MD&A is presented in the following sections:

- Executive Summary and Financial Highlights
- Outlook
- Results of Operations
- Operating Segment Results
- Liquidity and Capital Resources
- Application of Critical Accounting Estimates
- Recently Issued Accounting Pronouncements

EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS

We are a global power leader that designs, manufactures, distributes and services diesel and natural gas engines and engine-related component products, including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems and electric power generation systems. We sell our products to original equipment manufacturers (OEMs), distributors and other customers worldwide. We have long-standing relationships with many of the leading manufacturers in the markets we serve, including PACCAR Inc, Daimler Trucks North America, Chrysler Group, LLC (Chrysler), Volvo AB, Komatsu, Navistar International Corporation, Aggreko plc, Ford Motor Company and MAN Nutzfahrzeuge AG. We serve our customers through a network of over 600 company-owned and independent distributor locations and over 6,800 dealer locations in more than 190 countries and territories.

Our reportable operating segments consist of the following: Engine, Components, Power Generation and Distribution. This reporting structure is organized according to the products and markets each segment serves and allows management to focus its efforts on providing enhanced service to a wide range of customers. The Engine segment produces engines and parts for sale to customers in on-highway and various industrial markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, mining, agriculture, marine, oil and gas, rail and military equipment. The Components segment sells filtration products, aftertreatment systems, turbochargers and fuel systems. The Power Generation segment is an integrated provider of power systems, which sells engines, generator sets and alternators. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world.

Our financial performance depends, in large part, on varying conditions in the markets we serve, particularly the on-highway, construction and general industrial markets. Demand in these markets tends to fluctuate in response to overall economic conditions. Our sales may also be impacted by OEM inventory levels and production schedules and stoppages. Economic downturns in markets we serve generally result in reduced sales of our products and can result in price reductions in certain products and/or markets. As a worldwide business, our operations are also affected by currency, political, economic and regulatory matters, including adoption and enforcement of environmental and emission standards, in the countries we serve. As part of our growth strategy, we invest in businesses in certain countries that carry high levels of these risks such as China, Brazil, India, Mexico, Russia and countries in the Middle East and Africa. At the same time, our geographic diversity and broad product and service offerings have helped limit the impact from a drop in demand in any one industry or customer or the economy of any single country on our consolidated results.

Worldwide revenues increased 15 percent in the three months ended September 28, 2014, as compared to the same period in 2013, primarily due to improvements in North American on-highway demand. Revenue in the U.S. and Canada improved by 19 percent primarily due to higher demand in the North American on-highway markets driving sales in both the Engine and Components segments, as well as improved Distribution segment sales related to the consolidation of partially-owned North American distributors since June 30, 2013. Despite continued international economic uncertainty in the third quarter of 2014, our international revenues (excludes the U.S. and Canada) improved by 10 percent with sales up or relatively flat in many of our markets. International revenue growth was led by increased demand in the Components segment, especially the emission solutions business in Western Europe and China due to additional content as the result of new emission regulations, increased construction demand in Europe and improved commercial marine engine demand, primarily in China and Europe. These increases were partially offset by decreased international on-highway demand.

Worldwide revenues increased 11 percent in the first nine months of 2014 as compared to the same period in 2013 primarily due to improvements in North American on-highway demand. Revenue in the U.S. and Canada improved by 19 percent primarily due to increased demand in the North American on-highway markets driving sales in both the Engine and Components segments, as well as improved Distribution segment sales related to the consolidation of partially-owned North American distributors since December 31, 2012. These increases were partially offset by the reduced demand in the North American power generation markets. Despite continued international economic uncertainty in the first nine months of 2014, our international revenues improved by 3 percent. International revenue growth was led by increased demand in the Components segment, especially the emission solutions business in Western Europe and China due to additional content as the result of new emission regulations, increased construction demand in Europe and improved commercial marine engine demand, primarily in China and Europe. These increases were partially offset by decreased international on-highway demand with decreased shipments of 13 percent and 12 percent in the heavy-duty and medium-duty truck markets, respectively, and decreased demand in international power generation markets.

The following tables contain sales and earnings before interest expense, income taxes and noncontrolling interests (EBIT) results by operating segment for the three and nine month periods ended September 28, 2014 and September 29, 2013. Refer to the section titled "Operating Segment Results" for a more detailed discussion of net sales and EBIT by operating segment, including the reconciliation of segment EBIT to income before taxes.

	Three months ended							
Operating Segments	**September 28, 2014**			**September 29, 2013**			**Percent change 2014 vs. 2013**	
In millions	**Sales**	**Percent of Total**	**EBIT**	**Sales**	**Percent of Total**	**EBIT**	**Sales**	**EBIT**
Engine	**$ 2,816**	**58 %**	**$ 330**	$ 2,492	58 %	$ 272	13%	21%
Components	**1,287**	**26 %**	**172**	1,072	25 %	132	20%	30%
Power Generation	**754**	**15 %**	**60**	712	17 %	45	6%	33%
Distribution	**1,292**	**26 %**	**131**	944	22 %	86	37%	52%
Intersegment eliminations	**(1,259)**	**(25)%**	**—**	(954)	(22)%	—	32%	—
Non-segment	**—**	**—**	**(9)**	—	—	1	—	NM
Total	**$ 4,890**	**100 %**	**$ 684**	$ 4,266	100 %	$ 536	15%	28%

"NM" - not meaningful information

Net income attributable to Cummins was $423 million, or $2.32 per diluted share, on sales of $4.9 billion for the three months ended September 28, 2014, versus the comparable prior year period with net income attributable to Cummins of $355 million, or $1.90 per diluted share, on sales of $4.3 billion. The increase in net income and earnings per share was driven by improved gross margin, partially offset by higher selling, general and administrative expenses. The improved gross margin was the result of higher volumes, favorable mix, lower material and commodity costs and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since June 30, 2013, partially offset by unfavorable foreign currency fluctuations. Diluted earnings per share for the three months ended September 28, 2014, benefited $0.01 from lower shares outstanding due to 2014 purchases under the stock repurchase program.

	Nine months ended							
Operating Segments	**September 28, 2014**			**September 29, 2013**			**Percent change 2014 vs. 2013**	
In millions	**Sales**	**Percent of Total**	**EBIT**	**Sales**	**Percent of Total**	**EBIT**	**Sales**	**EBIT**
Engine	**$ 8,123**	**57 %**	**$ 910**	$ 7,451	59 %	$ 806	9 %	13 %
Components	**3,797**	**27 %**	**524**	3,207	25 %	387	18 %	35 %
Power Generation	**2,136**	**15 %**	**146**	2,272	18 %	172	(6)%	(15)%
Distribution	**3,480**	**25 %**	**333**	2,676	21 %	281	30 %	19 %
Intersegment eliminations	**(3,405)**	**(24)%**	**—**	(2,893)	(23)%	—	18 %	—
Non-segment	**—**	**—**	**(44)**	—	—	(52)	—	(15)%
Total	**$ 14,131**	**100 %**	**$ 1,869**	$ 12,713	100 %	$ 1,594	11 %	17 %

Net income attributable to Cummins was $1,207 million, or $6.58 per diluted share, on sales of $14.1 billion for the nine months ended September 28, 2014, versus the comparable prior year period with net income attributable to Cummins of $1,051 million, or $5.60 per diluted share, on sales of $12.7 billion. The increase in net income and earnings per share was driven by improved gross margin, partially offset by higher selling, general and administrative expenses. The improved gross margin was the result of higher volumes, lower material and commodity costs, favorable mix and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since December 31, 2012, partially offset by unfavorable foreign currency fluctuations. Diluted earnings per share for the nine months ended September 28, 2014, benefited $0.10 from lower shares outstanding, primarily due to purchases under the stock repurchase program.

We generated $1,388 million of operating cash flows for the nine months ended September 28, 2014, compared to $1,333 million for the same period in 2013. Refer to the section titled "Operating Activities" in the "Liquidity and Capital Resources" section for a discussion of items impacting cash flows.

In September 2013, we announced our intention to acquire the equity that we do not already own in most of our partially-owned United States and Canadian distributors over the next three to five years. During the first nine months of 2014 we spent $324 million on these acquisitions and the related debt retirements. We plan to spend an additional $150 million to $200 million during the fourth quarter of 2014. Refer to Note 3, "ACQUISITIONS" for additional information. We acquired the remaining equity in the following entities during the first nine months of 2014.

- On August 4, 2014, we acquired the remaining 50 percent interest in Cummins Eastern Canada LP (Eastern Canada) from the former distributor principal for $62 million.
- On May 5, 2014, we acquired the remaining 30 percent interest in Cummins Power Systems LLC (Power Systems) from the former distributor principal for $14 million.
- On March 31, 2014, we acquired the remaining 50 percent interest in Cummins Southern Plains LLC (Southern Plains) from the former distributor principal for $92 million.
- On February 14, 2014, we acquired the remaining 62.2 percent interest in Cummins Mid-South LLC (Mid-South) from the former distributor principal for $118 million.

We repurchased $605 million of stock under the 2012 Board of Directors authorized plan during the first nine months of 2014. In July 2014, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon the completion of the 2012 repurchase plan.

Our debt to capital ratio (total capital defined as debt plus equity) at September 28, 2014, was 17.3 percent, compared to 18.1 percent at December 31, 2013. As of the date of filing this Quarterly Report on Form 10-Q, we had an 'A+' credit rating with a 'Stable' outlook from Standard & Poor's Rating Services, an 'A' credit rating with a 'Stable' outlook from Fitch Ratings and an 'A3' credit rating with a 'Stable' outlook from Moody's Investors Service, Inc. In addition to the $2.4 billion in cash and marketable securities on hand, we also have access to our credit facilities, if necessary, to meet currently anticipated investment and funding needs.

In July 2014, the Board of Directors authorized a dividend increase of approximately 25 percent from $0.625 per share to $0.78 per share on a quarterly basis.

Our global pension plans, including our unfunded and non-qualified plans, were 107 percent funded at December 31, 2013. Our U.S. qualified plan, which represents approximately 55 percent of the worldwide pension obligation, was 121 percent funded and our United Kingdom (U.K.) plan was 106 percent funded. We expect to contribute $205 million to our global pension plans in 2014. We anticipate pension and other postretirement benefit cost in 2014 to decrease by approximately $36 million pre-tax, or approximately $0.12 per diluted share, when compared to 2013 due to reduced loss amortization resulting from improved U.S. asset performance and a higher discount rate, Refer to Note 4, "PENSION AND OTHER POSTRETIREMENT BENEFITS" for additional information regarding our pension plans.

We expect our effective tax rate for the full year of 2014 to approximate 29.5 percent, excluding any one-time tax items.

OUTLOOK

Near-Term

In the third quarter of 2014, demand remained strong in several end markets in North America compared to the same period in the prior year, led by strong North American on-highway demand. Demand remained weak in many international markets due to lower on-highway demand.

We currently expect the following positive trends for the remainder of 2014:

- Market share gains in the North American medium-duty truck and bus markets should continue to positively impact sales in both the Engine and Components segments.
- Demand in the North American heavy-duty truck market is expected to remain strong.
- We will acquire three additional North American distributors in Q4 which will increase our Distribution segment revenues and EBIT dollars, however, will be dilutive to Distribution EBIT as a percentage of sales.
- The new Euro VI regulations, effective January 1, 2014, are expected to continue to positively impact sales for aftertreatment products.

We currently expect the following challenges to our business that may reduce our earnings potential for the remainder of 2014:

- Power generation markets are expected to remain weak.
- Demand in most end markets in India is expected to remain weak.
- Weak economic growth in Brazil could continue to negatively impact our on-highway and power generation businesses.
- Demand in certain European markets could remain weak due to continued economic uncertainty.
- Growth in emerging markets could be negatively impacted if emission regulations are not strictly enforced.
- Foreign currency volatility could continue to put pressure on earnings.

Long-Term

We believe that, over the longer term, there will be economic improvements in most of our current markets and that our opportunities for long-term profitable growth will continue as the result of the following four macroeconomic trends that should benefit our businesses:

- tightening emissions controls across the world;
- infrastructure needs in emerging markets;
- energy availability and cost issues; and
- globalization of industries like ours.

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RESULTS OF OPERATIONS

In millions (except per share amounts)	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
NET SALES	**$ 4,890**	$ 4,266	$ 624	15 %	**$ 14,131**	$ 12,713	$ 1,418	11 %
Cost of sales (1)	**3,606**	3,185	(421)	(13)%	**10,543**	9,570	(973)	(10)%
GROSS MARGIN	**1,284**	1,081	203	19 %	**3,588**	3,143	445	14 %
OPERATING EXPENSES AND INCOME								
Selling, general and administrative expenses (1)	**529**	464	(65)	(14)%	**1,527**	1,344	(183)	(14)%
Research, development and engineering expenses	**198**	173	(25)	(14)%	**567**	532	(35)	(7)%
Equity, royalty and interest income from investees	**99**	91	8	9 %	**294**	281	13	5 %
Other operating income (expense), net	**3**	(11)	14	NM	**(4)**	—	(4)	NM
OPERATING INCOME	**659**	524	135	26 %	**1,784**	1,548	236	15 %
Interest income	**6**	6	—	— %	**17**	21	(4)	(19)%
Interest expense	**15**	8	(7)	(88)%	**47**	22	(25)	NM
Other income (expense), net	**19**	6	13	NM	**68**	25	43	NM
INCOME BEFORE INCOME TAXES	**669**	528	141	27 %	**1,822**	1,572	250	16 %
Income tax expense	**230**	154	(76)	(49)%	**553**	445	(108)	(24)%
CONSOLIDATED NET INCOME	**439**	374	65	17 %	**1,269**	1,127	142	13 %
Less: Net income attributable to noncontrolling interests	**16**	19	3	16 %	**62**	76	14	18 %
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 423**	$ 355	$ 68	19 %	**$ 1,207**	$ 1,051	$ 156	15 %
Diluted earnings per common share attributable to Cummins Inc.	**$ 2.32**	$ 1.90	$ 0.42	22 %	**$ 6.58**	$ 5.60	$ 0.98	18 %

(1) Certain amounts for "Cost of sales" and "Selling, general and administrative expenses" for 2014 and 2013 were revised to conform to the current classifications. See Note 2, "BASIS OF PRESENTATION," to the *Condensed Consolidated Financial Statements* for further information.

Percent of sales	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Percentage Points	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Percentage Points
Gross margin	26.3%	25.3%	1.0	25.4%	24.7%	0.7
Selling, general and administrative expenses	10.8%	10.9%	0.1	10.8%	10.6%	(0.2)
Research, development and engineering expenses	4.0%	4.1%	0.1	4.0%	4.2%	0.2

Net Sales

Net sales for the three months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to higher North American on-highway demand and the impact from the acquisitions of the partially-owned North American distributors since June 30, 2013. The primary drivers by segment were as follows:

- Distribution segment sales increased by 37 percent primarily due to the acquisitions of North American distributors.
- Engine segment sales increased by 13 percent due to higher demand in the North American on-highway markets and increased demand in certain industrial markets.
- Components segment sales increased by 20 percent primarily due to higher demand in the North American on-highway markets and increased demand in Europe and China.
- Power Generation segment sales increased by 6 percent mainly due to higher volumes within the power systems and the power products businesses.

Net sales for the nine months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to higher North American on-highway demand and the impact from the acquisitions of the partially-owned North American distributors since December 31, 2012. The primary drivers by segment were as follows:

- Distribution segment sales increased by 30 percent primarily due to the acquisitions of North American distributors.
- Engine segment sales increased by 9 percent due to higher demand in the North American on-highway markets.
- Components segment sales increased by 18 percent primarily due to higher demand in on-highway markets in North America, Europe and China.

These increases were partially offset by the following:

- Power Generation segment sales decreased by 6 percent mainly due to lower volumes within the power systems and the power products businesses.
- Foreign currency fluctuations unfavorably impacted sales.

A more detailed discussion of sales by segment is presented in the "OPERATING SEGMENT RESULTS" section.

Sales to international markets, based on location of customers, for the three and nine months ended September 28, 2014, were 44 percent and 44 percent, respectively, of total net sales compared with 46 percent and 48 percent of total net sales, respectively, for the comparable periods in 2013. A more detailed discussion of sales by segment is presented in the "OPERATING SEGMENT RESULTS" section.

Gross Margin

Gross margin increased for the three months ended September 28, 2014, versus the comparable period in 2013, and increased as a percentage of sales by 1.0 percentage point as higher volumes, favorable mix, lower material and commodity costs and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since June 30, 2013, were partially offset by higher warranty costs and unfavorable foreign currency fluctuations. Gross margin increased for the nine months ended September 28, 2014, versus the comparable period in 2013, and increased as a percentage of sales by 0.7 percentage points as higher volumes, lower material and commodity costs, favorable mix and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since December 31, 2012, were partially offset by unfavorable foreign currency fluctuations.

The provision for base warranties issued as a percent of sales for the three and nine months ended September 28, 2014, were 1.9 percent and 2.0 percent, respectively, compared to 2.0 percent and 2.2 percent for the comparable periods in 2013. A more detailed discussion of margin by segment is presented in the "OPERATING SEGMENT RESULTS" section.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to higher compensation and related expenses of $28 million and acquisition costs in our Distribution segment, partially offset by lower discretionary spending. Selling, general and administrative expenses for the nine months ended September 28, 2014, increased versus the comparable period in 2013 due to higher compensation and related expenses of $61 million, increased discretionary spending of $16 million and acquisition costs in our Distribution segment. Compensation and related expenses include salaries, fringe benefits and variable compensation.

Research, Development and Engineering Expenses

Research, development and engineering expenses for the three months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to higher compensation and related expenses of $12 million and decreased expense recovery of $11 million. Research, development and engineering expenses for the nine months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to higher compensation and related expenses of $25 million, partially offset by decreased consulting expenses of $7 million. Compensation and related expenses include salaries, fringe benefits and variable compensation. Research activities continue to focus on development of new products to meet future emission standards around the world and improvements in fuel economy performance.

Equity, Royalty and Interest Income From Investees

Equity, royalty and interest income from investees increased for the three and nine months ended September 28, 2014, versus the comparable periods in 2013. The primarily drivers were as follows:

	Increase/(Decrease) September 28, 2014 vs. September 29, 2013	
In millions	Three months ended	Nine months ended
Beijing Foton Cummins Engine Co., Ltd. (Light-duty)	$ 6	$ 10
Dongfeng Cummins Engine Company, Ltd.	2	6
Komatsu Cummins Chile, Ltda.	2	5
Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty)	(1)	(4)
Chongqing Cummins Engine Company, Ltd.	(2)	(5)
North American distributors	(7)	(9)
Other equity income	5	6
Cummins share of net income	5	9
Royalty and interest income	3	4
Equity, royalty and interest income from investees	$ 8	$ 13

The overall increases for the three and nine months ended September 28, 2014, were primarily due to increased earnings at Beijing Foton Cummins Engine Co., Ltd. (Light-duty), Dongfeng Cummins Engine Company, Ltd. and Komatsu Cummins Chile, Ltda., partially offset by the consolidation of the partially-owned North American distributors since June 30, 2013, and December 31, 2012, respectively.

As we execute our plan to acquire partially-owned distributors, we expect equity earnings for our North American distributors to decrease as the earnings will be included in our consolidated results. See Note 3, "ACQUISITIONS," to the *Condensed Consolidated Financial Statements* for further information.

Other Operating Income (Expense), net

Other operating income (expense) was as follows:

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Royalty income	**$ 9**	$ 5	**$ 22**	$ 15
Gain (loss) on write off of assets	**1**	(1)	**(6)**	(3)
Legal matters	**—**	(8)	**(3)**	(2)
Royalty expense	**(1)**	(2)	**(6)**	(3)
Amortization of intangible assets	**(3)**	(3)	**(10)**	(8)
Other, net	**(3)**	(2)	**(1)**	1
Total other operating income (expense), net	**$ 3**	$ (11)	**$ (4)**	$ —

Interest Income

Interest income for the nine months ended September 28, 2014, decreased versus the comparable period in 2013, primarily due to an interest income recovery of a loan previously deemed unrecoverable in the second quarter of 2013.

Interest Expense

Interest expense for the three and nine months ended September 28, 2014, increased versus the comparable periods in 2013 as a result of the $1 billion debt issuance in September 2013.

Other Income (Expense), net

Other income (expense) was as follows:

	Three months ended		Nine months ended	
In millions	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
Gain on fair value adjustment for consolidated investees[1]	**$ 18**	$ —	**$ 38**	$ 12
Gain (loss) on marketable securities, net	**1**	1	**14**	12
Dividend income	**1**	1	**2**	4
Foreign currency gains (losses), net	**1**	(6)	**(2)**	(21)
Change in cash surrender value of corporate owned life insurance	**(2)**	7	**16**	5
Bank charges	**(3)**	(3)	**(8)**	(8)
Other, net	**3**	6	**8**	21
Total other income (expense), net	**$ 19**	$ 6	**$ 68**	$ 25

[1] See Note 3, "ACQUISITIONS," to the *Condensed Consolidated Financial Statements* for further information.

Income Tax Expense

Our effective tax rate for the year is expected to approximate 29.5 percent, excluding any one-time items that may arise. The expected tax rate does not include the benefits of 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 nine month periods ended September 28, 2014, were 34.4 percent and 30.4 percent, respectively. The tax rate for the three months ended September 28, 2014, included a $19 million discrete tax expense to reflect the reduction in value of state tax credits as a result of a favorable state tax rate change that will lower future taxes. Additionally, the tax rate for the nine month period included a second quarter $2 million discrete tax benefit for the release of reserves for uncertain tax positions related to multiple state audit settlements, a first quarter $12 million discrete tax expense attributable primarily to state deferred tax adjustments, as well as a first quarter $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 nine month periods ended September 29, 2013, were 29.2 percent and 28.3 percent, respectively. These tax rates include a $7 million discrete net tax expense for the third quarter tax adjustments: $4 million expense attributable to prior year tax return true-up adjustments, $1 million benefit related to release of prior year tax reserves and a discrete tax charge for $4 million related to a third quarter enactment of U.K. tax law changes. In addition, the nine month tax rate includes a discrete tax benefit in the first quarter of 2013 of $28 million attributable to the reinstatement of the research credit back to 2012, as well as a discrete tax expense in the first quarter of 2013 of $17 million, which primarily relates to the write-off of a deferred tax asset deemed unrecoverable.

The increase in the three month effective tax rate from 2013 to 2014 is primarily due to unfavorable changes in the jurisdictional mix of pre-tax income and the 2014 unfavorable discrete tax items.

We anticipate that we may resolve tax matters related primarily to certain tax credits presently under examination in U.S. federal and state tax jurisdictions. As of September 28, 2014, we estimate that it is reasonably possible that unrecognized tax benefits may decrease in an amount ranging from $0 to $75 million in the next 12 months due to the resolution of these issues. We do not expect this resolution to have a material impact on our results of operations.

Noncontrolling Interests

Noncontrolling interests eliminate the income or loss attributable to non-Cummins ownership interests in our consolidated entities. Noncontrolling interests in income of consolidated subsidiaries decreased due to the acquisition of the remaining interest in previously consolidated North American distributors and by lower earnings at Cummins India Ltd.

Net Income Attributable to Cummins Inc. and Diluted Earnings Per Share Attributable to Cummins Inc.

Net income and diluted earnings per share attributable to Cummins for thethree months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to higher gross margin, mainly driven by improved volumes, favorable mix, lower material and commodity costs and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since June 30, 2013. These increases were partially offset by higher selling, general and administrative expenses and a higher effective tax rate for the three months ended September 28, 2014. Diluted earnings per share for the three months ended September 28, 2014, benefited $0.01 from lower shares outstanding due to 2014 purchases under the stock repurchase program.

Net income and diluted earnings per share attributable to Cummins for the nine months ended September 28, 2014, increased versus the comparable period in 2013primarily due to higher gross margin, mainly driven by improved volumes, lower material and commodity costs, favorable mix and improved Distribution segment sales related to the consolidation of partially-owned North American distributors since December 31, 2012 and higher other income. These increases were partially offset by higher selling, general and administrative expenses and unfavorable foreign currency fluctuations. Diluted earnings per share for the nine months ended September 28, 2014, benefited $0.10 from lower shares outstanding, primarily due to purchases under the stock repurchase program.

OPERATING SEGMENT RESULTS

Our reportable operating segments consist of the following: Engine, Components, Power Generation and Distribution. This reporting structure is organized according to the products and markets each segment serves. We use segment EBIT as the primary basis for the chief operating decision-maker to evaluate the performance of each operating segment.

Following is a discussion of results for each of our operating segments.

Engine Segment Results

Financial data for the Engine segment was as follows:

	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
In millions	September 28, 2014	September 29, 2013	Amount	Percent	September 28, 2014	September 29, 2013	Amount	Percent
External sales	**$ 2,181**	$ 2,045	$ 136	7 %	**$ 6,449**	$ 6,139	$ 310	5 %
Intersegment sales	**635**	447	188	42 %	**1,674**	1,312	362	28 %
Total sales	**2,816**	2,492	324	13 %	**8,123**	7,451	672	9 %
Depreciation and amortization	**50**	53	3	6 %	**153**	156	3	2 %
Research, development and engineering expenses	**114**	103	(11)	(11)%	**335**	310	(25)	(8)%
Equity, royalty and interest income from investees	**40**	31	9	29 %	**117**	106	11	10 %
Interest income	**3**	4	(1)	(25)%	**9**	13	(4)	(31)%
Segment EBIT	**330**	272	58	21 %	**910**	806	104	13 %
			Percentage Points				Percentage Points	
Segment EBIT as a percentage of total sales	**11.7%**	10.9%		0.8	**11.2%**	10.8%		0.4

Engine segment net sales by market were as follows:

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Heavy-duty truck	**$ 823**	$ 690	$ 133	19%	**$ 2,341**	$ 2,067	$ 274	13 %
Medium-duty truck and bus	**631**	570	61	11%	**1,878**	1,613	265	16 %
Light-duty automotive and RV	**354**	330	24	7%	**1,051**	935	116	12 %
Total on-highway	**1,808**	1,590	218	14%	**5,270**	4,615	655	14 %
Industrial	**788**	709	79	11%	**2,245**	2,185	60	3 %
Stationary power	**220**	193	27	14%	**608**	651	(43)	(7)%
Total sales	**$ 2,816**	$ 2,492	$ 324	13%	**$ 8,123**	$ 7,451	$ 672	9 %

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

	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Midrange	**117,700**	113,800	3,900	3%	**355,300**	330,300	25,000	8 %
Heavy-duty	**32,300**	26,500	5,800	22%	**91,400**	79,700	11,700	15 %
High-horsepower	**3,900**	3,500	400	11%	**11,200**	11,300	(100)	(1)%
Total unit shipments	**153,900**	143,800	10,100	7%	**457,900**	421,300	36,600	9 %

Sales

Engine segment sales for the three months ended September 28, 2014, increased versus the comparable period in 2013. The following were the primary drivers by market:

- Heavy-duty truck engine sales increased due to improved demand in the North American heavy-duty truck market with increased engine shipments of 36 percent.
- Industrial sales increased primarily due to higher global demand in commercial marine markets with increased engine shipments of 8 percent and improved demand in North American and European construction markets as the result of pre-buy activity ahead of new 2015 emission requirements.
- Medium-duty truck and bus sales increased due to higher demand in the North American medium-duty truck and bus markets primarily due to market share gains.

Total on-highway-related sales for the three months ended September 28, 2014, were 64 percent of total engine segment sales, compared to 64 percent for the comparable period in 2013.

Engine segment sales for the nine months ended September 28, 2014, increased versus the comparable period in 2013. The following were the primary drivers by market:

- Heavy-duty truck sales increased due to improved demand in the North American heavy-duty truck market with increased engine shipments of 27 percent.
- Medium-duty truck and bus sales increased primarily due to market share gains in the North American medium-duty truck and bus markets, partially offset by weaker international demand.
- Light-duty automotive and RV sales increased primarily due to the 10 percent increase in units shipped to Chrysler.

The increases above were partially offset by the following:

- Stationary power engine sales decreased due to lower demand in power generation markets.
- Foreign currency fluctuations unfavorably impacted sales.

Total on-highway-related sales for the nine months ended September 28, 2014, were 65 percent of total engine segment sales, compared to 62 percent for the comparable period in 2013.

Segment EBIT

Engine segment EBIT for the three months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to higher gross margin and higher equity, royalty and interest income from investees, partially offset by higher research, development and engineering expenses and higher selling, general and administrative expenses. Engine segment EBIT for the nine months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to higher gross margin and higher equity, royalty and interest income from investees, partially offset by higher selling, general and administrative expenses and higher research, development and engineering expenses. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change			Nine months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change		
In millions	**Amount**	**Percent**	**Percentage point change as a percent of total sales**	**Amount**	**Percent**	**Percentage point change as a percent of total sales**
Gross margin	$ 66	12 %	(0.2)	$ 167	11 %	0.3
Selling, general and administrative expenses	(10)	(5)%	0.6	(43)	(7)%	0.1
Research, development and engineering expenses	(11)	(11)%	0.1	(25)	(8)%	0.1
Equity, royalty and interest income from investees	9	29 %	0.2	11	10 %	—

The increase in gross margin for the three months ended September 28, 2014, versus the comparable period in 2013, was primarily due to higher volumes, favorable mix and improved pricing, partially offset by increased warranty costs. The increase in selling, general and administrative expenses was primarily due to increased headcount and higher variable compensation expenses. The increase in research, development and engineering expenses was primarily due to lower expense recovery and increased investments to support new product initiatives. The increase in equity, royalty and interest income from investees was primarily due to increased earnings at Beijing Foton Cummins Engine Co., Ltd. (Light-duty). The increase in gross margin for the nine months ended September 28, 2014, versus the comparable period in 2013, was primarily due to higher volumes, favorable mix and improved pricing, partially offset by increased warranty costs and higher managed expenses. The increase in selling, general and administrative expenses was primarily due to increased headcount and higher variable compensation expense. The increase in research, development and engineering expenses was primarily due to lower expense recovery and increased investment to support new product initiatives.

Components Segment Results

Financial data for the Components segment was as follows:

	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
In millions	**September 28, 2014**	**September 29, 2013**	**Amount**	**Percent**	**September 28, 2014**	**September 29, 2013**	**Amount**	**Percent**
External sales	**$ 946**	$ 784	$ 162	21 %	**$ 2,821**	$ 2,292	$ 529	23 %
Intersegment sales	**341**	288	53	18 %	**976**	915	61	7 %
Total sales	**1,287**	1,072	215	20 %	**3,797**	3,207	590	18 %
Depreciation and amortization	**27**	24	(3)	(13)%	**79**	71	(8)	(11)%
Research, development and engineering expenses	**64**	51	(13)	(25)%	**170**	165	(5)	(3)%
Equity, royalty and interest income from investees	**9**	5	4	80 %	**27**	21	6	29 %
Interest income	**1**	1	—	— %	**3**	2	1	50 %
Segment EBIT	**172**	132	40	30 %	**524**	387	137	35 %
			Percentage Points				**Percentage Points**	
Segment EBIT as a percentage of total sales	**13.4%**	12.3%	1.1		**13.8%**	12.1%	1.7	

Sales for our Components segment by business were as follows:

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Emission solutions	**$ 598**	$ 458	$ 140	31%	**$ 1,723**	$ 1,302	$ 421	32%
Turbo technologies	**297**	263	34	13%	**917**	823	94	11%
Filtration	**268**	248	20	8%	**808**	774	34	4%
Fuel systems	**124**	103	21	20%	**349**	308	41	13%
Total sales	**$ 1,287**	$ 1,072	$ 215	20%	**$ 3,797**	$ 3,207	$ 590	18%

Sales

Components segment sales for the three months ended September 28, 2014, increased versus the comparable period in 2013 in all lines of businesses and across most markets. The following were the primary drivers by business:

- Emission solutions business sales increased primarily due to improved demand in the North American on-highway markets and increased demand for our products in Europe and China to meet new emission requirements. The increases were partially offset by lower demand in Brazil.
- Turbo technologies business sales increased as a result of improved on-highway demand in North America.
- Fuel systems business sales increased due to improved demand in North America and China markets.

Components segment sales for the nine months ended September 28, 2014, increased versus the comparable period in 2013 in all lines of business and across most markets. The following were the primary drivers by business:

- Emission solutions business sales increased primarily due to improved demand in the North American on-highway markets and increased demand for our products in Europe and China to meet new emission requirements. The increases were partially offset by lower demand in Brazil.
- Turbo technologies business sales increased as a result of improved on-highway demand in North America and Europe.

Segment EBIT

Components segment EBIT for the three and nine months ended September 28, 2014, increased versus the comparable periods in 2013, primarily due to higher gross margin and higher equity, royalty and interest income from investees, partially offset by higher selling, general and administrative expenses and higher research, development and engineering expenses. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

In millions	Three months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change: Amount	Percent	Percentage point change as a percent of total sales	Nine months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change: Amount	Percent	Percentage point change as a percent of total sales
Gross margin	$ 57	23 %	0.6	$ 158	22 %	0.6
Selling, general and administrative expenses	(12)	(17)%	0.1	(34)	(17)%	0.1
Research, development and engineering expenses	(13)	(25)%	(0.2)	(5)	(3)%	0.6
Equity, royalty and interest income from investees	4	80 %	0.2	6	29 %	—

The increase in gross margin for the three and nine months ended September 28, 2014, versus the comparable periods in 2013, was primarily due to higher volumes, mainly in the emission solutions and turbo technologies businesses and lower material and commodity costs, partially offset by unfavorable pricing and increased product coverage costs. The increase in selling, general and administrative expenses was primarily due to increased headcount and higher consulting expenses. The increase in research, development and engineering expenses for the three months ended September 28, 2014, was primarily due to increased headcount, decreased expense recovery and increased discretionary spending. The increase in research, development and engineering expenses for the nine months ended September 28, 2014, was primarily due to increased headcount and increased discretionary spending, partially offset by increased expense recovery.

Power Generation Segment Results

Financial data for the Power Generation segment was as follows:

	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
In millions	September 28, 2014	September 29, 2013	Amount	Percent	September 28, 2014	September 29, 2013	Amount	Percent
External sales	**$ 481**	$ 499	$ (18)	(4)%	**$ 1,408**	$ 1,621	$ (213)	(13)%
Intersegment sales	**273**	213	60	28 %	**728**	651	77	12 %
Total sales	**754**	712	42	6 %	**2,136**	2,272	(136)	(6)%
Depreciation and amortization	**13**	13	—	— %	**38**	37	(1)	(3)%
Research, development and engineering expenses	**18**	18	—	— %	**55**	53	(2)	(4)%
Equity, royalty and interest income from investees	**13**	13	—	— %	**30**	30	—	— %
Interest income	**1**	1	—	— %	**3**	5	(2)	(40)%
Segment EBIT	**60**	45	15	33 %	**146**	172	(26)	(15)%
			Percentage Points				Percentage Points	
Segment EBIT as a percentage of total sales	**8.0%**	6.3%	1.7		**6.8%**	7.6%	(0.8)	

Sales for our Power Generation segment by business were as follows:

	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
In millions	September 28, 2014	September 29, 2013	Amount	Percent	September 28, 2014	September 29, 2013	Amount	Percent
Power products	**$ 439**	$ 421	$ 18	4 %	**$ 1,257**	$ 1,304	$ (47)	(4)%
Power systems	**159**	122	37	30 %	**437**	488	(51)	(10)%
Alternators	**115**	126	(11)	(9)%	**346**	377	(31)	(8)%
Power solutions	**41**	43	(2)	(5)%	**96**	103	(7)	(7)%
Total sales	**$ 754**	$ 712	$ 42	6 %	**$ 2,136**	$ 2,272	$ (136)	(6)%

Sales

Power Generation segment sales for the three months ended September 28, 2014, increased versus the comparable period in 2013. The following were the primary drivers by business:

- Power systems sales increased primarily due to increased demand in North America and Asia, partially offset by lower demand in China.
- Power products sales increased primarily due to increased demand in China, Asia and Africa, partially offset by lower demand in North America and Russia.

The increases above were partially offset by decreased alternator sales primarily due to lower demand in Western Europe, Asia and Brazil, partially offset by higher demand in China and the U.K.

Power Generation segment sales for the nine months ended September 28, 2014, decreased versus the comparable period in 2013 in all lines of businesses and across most markets primarily due to lower industrial activity. The following were the primary drivers by business:

- Power systems sales decreased primarily due to reduced demand in North America, China and Western Europe.
- Power products sales decreased primarily due to lower demand in North America driven by declining military sales and lower demand in India, Mexico and the Middle East, partially offset by increases in China, Africa and Western Europe.

The increases above were partially offset by decreased alternator sales primarily due to lower demand in Western Europe, India and Asia, partially offset by higher demand in China and the U.K.

Segment EBIT

Power Generation segment EBIT for the three months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to higher gross margin and the impact of the $8 million legal settlement in the third quarter of 2013, partially offset by higher selling, general and administrative expenses. Power Generation segment EBIT for the nine months ended September 28, 2014, decreased versus the comparable period in 2013 primarily due to lower gross margin and higher selling, general and administrative expenses, partially offset by the impact of the $8 million legal settlement in the third quarter of 2013. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

	Three months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change			Nine months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change		
In millions	**Amount**	**Percent**	**Percentage point change as a percent of total sales**	**Amount**	**Percent**	**Percentage point change as a percent of total sales**
Gross margin	$ 11	8 %	0.5	$ (14)	(3)%	0.5
Selling, general and administrative expenses	(3)	(4)%	0.2	(11)	(5)%	(1.1)
Research, development and engineering expenses	—	— %	0.1	(2)	(4)%	(0.3)

The increase in gross margin for the three months ended September 28, 2014, versus the comparable period in 2013, was primarily due to higher volumes and lower warranty expenses, partially offset by unfavorable foreign currency fluctuations. The increase in selling, general and administrative expenses was primarily due to increased compensation expenses. The decrease in gross margin for the nine months ended September 28, 2014, versus the comparable period in 2013, was primarily due to lower volumes and unfavorable foreign currency fluctuations, partially offset by favorable product mix. The increase in selling, general and administrative expenses was primarily due to higher compensation expenses.

Power Generation management is considering certain actions to reduce its future cost structure. Such actions could result in one time charges and decisions could be reached with charges being incurred as early as the fourth quarter of 2014. The total cost of actions being considered could range from $15 million to $40 million.

Distribution Segment Results

Financial data for the Distribution segment was as follows:

	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
In millions	**September 28, 2014**	**September 29, 2013**	**Amount**	**Percent**	**September 28, 2014**	**September 29, 2013**	**Amount**	**Percent**
External sales	**$ 1,282**	$ 938	$ 344	37 %	**$ 3,453**	$ 2,661	$ 792	30 %
Intersegment sales	**10**	6	4	67 %	**27**	15	12	80 %
Total sales	**1,292**	944	348	37 %	**3,480**	2,676	804	30 %
Depreciation and amortization	**22**	15	(7)	(47)%	**58**	40	(18)	(45)%
Research, development and engineering expenses	**2**	1	(1)	(100)%	**7**	4	(3)	(75)%
Equity, royalty and interest income from investees	**37**	42	(5)	(12)%	**120**	124	(4)	(3)%
Interest income	**1**	—	1	NM	**2**	1	1	100 %
Segment EBIT (1)	**131**	86	45	52 %	**333**	281	52	19 %
			Percentage Points				**Percentage Points**	
Segment EBIT as a percentage of total sales(2)	**10.1%**	9.1%	1.0		**9.6%**	10.5%	(0.9)	

(1) Segment EBIT for the three and nine months ended September 28, 2014, included an $18 million gain and gains of $38 million, respectively, and segment EBIT for the nine months ended September 29, 2013, included a $12 million gain on the fair value adjustments resulting from the acquisitions of controlling interests in North American distributors. See Note 3, "ACQUISITIONS," to the *Condensed Consolidated Financial Statements* for further information.

(2) North American distributor acquisitions will increase distribution segment EBIT, however it will be dilutive to EBIT as a percentage of sales.

Sales for our Distribution segment by region were as follows:

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
North & Central America	**$ 678**	$ 395	$ 283	72 %	**$ 1,763**	$ 1,028	$ 735	71 %
Europe and Middle East	**212**	185	27	15 %	**582**	542	40	7 %
NE/SE Asia / South Pacific	**201**	174	27	16 %	**564**	548	16	3 %
China	**78**	77	1	1 %	**213**	220	(7)	(3)%
Africa	**44**	33	11	33 %	**131**	99	32	32 %
India	**40**	40	—	— %	**114**	127	(13)	(10)%
South America	**39**	40	(1)	(3)%	**113**	112	1	1 %
Total sales	**$ 1,292**	$ 944	$ 348	37 %	**$ 3,480**	$ 2,676	$ 804	30 %

Sales for our Distribution segment by product were as follows:

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Parts and filtration	**$ 491**	$ 377	$ 114	30%	**$ 1,334**	$ 1,068	$ 266	25%
Power generation	**279**	234	45	19%	**750**	638	112	18%
Engines	**270**	170	100	59%	**693**	505	188	37%
Service	**252**	163	89	55%	**703**	465	238	51%
Total sales	**$ 1,292**	$ 944	$ 348	37%	**$ 3,480**	$ 2,676	$ 804	30%

Sales

Distribution segment sales for the three months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to $253 million of segment sales related to the consolidation of partially-owned North American distributors since June 30, 2013, $19 million of segment sales related to the acquisition of international distributors and $73 million of organic sales growth primarily in North America, Asia Pacific, Europe and Middle East.

Distribution segment sales for the nine months ended September 28, 2014, increased versus the comparable period in 2013, primarily due to $662 million of segment sales related to the consolidation of partially-owned North American distributors since December 31, 2012, $39 million of segment sales related to the acquisition of international distributors and $171 million of organic sales growth primarily in North America, Europe and Middle East and Africa. These increases were partially offset by unfavorable foreign currency fluctuations and decreased demand in India and China.

Segment EBIT

Distribution segment EBIT for the three months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to acquisitions of North American distributors. The consolidation of North American distributors increased gross margin and selling, general and administrative expenses, but contributed to a decrease in equity, royalty and interest income from investees. We expect a reduction in equity, royalty and interest income from investees to continue as a result of these acquisitions. The acquisition of Eastern Canada resulted in an $18 million gain for the three months ended September 28, 2014, related to the remeasurement of our pre-existing ownership interests in accordance with GAAP, which was partially offset by $7 million and $5 million of amortization of intangibles related to acquisitions for the three months ended September 28, 2014 and September 29, 2013, respectively. EBIT as a percentage of sales for the three months ended September 28, 2014, was 10.1 percent compared to 9.1 percent for the comparable period in 2013.

Distribution segment EBIT for the nine months ended September 28, 2014, increased versus the comparable period in 2013 primarily due to acquisitions of North American distributors, partially offset by unfavorable foreign currency fluctuations and higher selling, general and administrative expenses. The acquisitions resulted in gains of $38 million and $12 million for the nine months ended September 28, 2014 and September 29, 2013, respectively, related to the remeasurement of our pre-existing ownership interests in accordance with GAAP, which were partially offset by $19 million and $12 million of amortization of intangibles related to acquisitions for the nine months ended September 28, 2014 and September 29, 2013, respectively. Major components of EBIT and related changes to segment EBIT and EBIT as a percentage of sales were as follows:

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In millions	Three months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change Amount	Percent	Percentage point change as a percent of total sales	Nine months ended September 28, 2014 vs. September 29, 2013 Favorable/(Unfavorable) Change Amount	Percent	Percentage point change as a percent of total sales
Gross margin	$ 68	43 %	0.8	$ 129	27 %	(0.4)
Selling, general and administrative expenses	(40)	(36)%	0.1	(95)	(29)%	0.1
Equity, royalty and interest income from investees	(5)	(12)%	(1.5)	(4)	(3)%	(1.2)

Reconciliation of Segment EBIT to Income Before Income Taxes

The table below reconciles the segment information to the corresponding amounts in the*Condensed Consolidated Statements of Income:*

In millions	Three months ended September 28, 2014	Three months ended September 29, 2013	Nine months ended September 28, 2014	Nine months ended September 29, 2013
Total segment EBIT	**$ 693**	$ 535	**$ 1,913**	$ 1,646
Non-segment EBIT [1]	**(9)**	1	**(44)**	(52)
Total EBIT	**684**	536	**1,869**	1,594
Less: Interest expense	**15**	8	**47**	22
Income before income taxes	**$ 669**	$ 528	**$ 1,822**	$ 1,572

[1] Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three and nine months ended September 28, 2014 and September 29, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Management's Assessment of Liquidity

Our financial condition and liquidity remain strong. Our solid balance sheet and credit ratings enable ready access to credit and the capital markets.

We assess our liquidity in terms of our ability to generate adequate cash to fund our operating, investing and financing activities. We generate significant ongoing cash flow, which has been used, in part, to fund repurchases of common stock, capital expenditures, dividends on our common stock and acquisitions. Cash provided by operations is our principal source of liquidity. As of September 28, 2014, other sources of liquidity include:

- cash and cash equivalents of $2.3 billion, of which approximately 36 percent is located in the U.S. and 64 percent is located primarily in the U.K., China, Singapore, Belgium and India,
- revolving credit facility with $1.7 billion available, net of letters of credit,
- international and other domestic credit facilities with $271 million available and
- marketable securities of $53 million, of which 47 percent is located in India, 42 percent is located in the U.S., 6 percent is located in Argentina and 5 percent is located in Brazil and the majority of which could be liquidated into cash within a few days.

Our $1.7 billion revolving credit facility expires on November 9, 2017. We expect to successfully negotiate an extension of our revolver agreement to 2018 at substantially similar terms in the fourth quarter.

We have a current shelf registration filed with the Securities and Exchange Commission under which we may offer, from time to time, debt securities, common stock, preferred and preference stock, depositary shares, warrants, stock purchase contracts and stock purchase units.

We believe our liquidity provides us with the financial flexibility needed to fund working capital, common stock repurchases, capital expenditures, dividend payments, acquisitions of our North American distributors, projected pension obligations and debt service obligations. We continue to generate cash from operations in the U.S. and maintain access to $1.7 billion of our revolver as noted above.

A significant portion of our cash flows is generated outside the U.S. As ofSeptember 28, 2014, the total of cash, cash equivalents and marketable securities held by foreign subsidiaries was $1.5 billion, the majority of which was located in the U.K., China, Singapore, Belgium and India . The geographic location of our cash and marketable securities aligns well with our business growth strategy. We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. As a result, we do not anticipate any local liquidity restrictions to preclude us from funding our targeted expansion or operating needs with local resources.

If we distribute our foreign cash balances to the U.S. or to other foreign subsidiaries, we could be required to accrue and pay U.S. taxes. For example, we would be required to accrue and pay additional U.S. taxes if we repatriated cash from certain foreign subsidiaries whose earnings we have asserted are permanently reinvested outside of the U.S. Foreign earnings for which we assert permanent reinvestment outside the U.S. consist primarily of earnings of our China and U.K. domiciled subsidiaries. At present, we do not foresee a need to repatriate any earnings from these subsidiaries for which we have asserted permanent reinvestment. However, to help fund cash needs of the U.S. or other international subsidiaries as they arise, we repatriate available cash from certain foreign subsidiaries whose earnings are not permanently reinvested when it is cost effective to do so. Earnings generated after 2011 from our China operations are considered permanently reinvested, while earnings generated prior to 2012, for which U.S. deferred tax liabilities have been recorded, are expected to be repatriated in future years. In the first quarter of 2014, we repatriated $70 million of China earnings generated prior to 2012 through a dividend.

The maturity schedule of our existing long-term debt does not require significant cash outflows in the intermediate termRequired annual principal payments range from $12 million to $32 million over the next five years.

Working Capital Summary

We fund our working capital with cash from operations and short-term borrowings when necessary. Various assets and liabilities, including short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. As a result, working capital is a prime focus of management attention.

			Change since December 31, 2013	
In millions	**September 28, 2014**	**December 31, 2013**	**Amount**	**Percent**
Cash and cash equivalents	**$ 2,328**	$ 2,699	$ (371)	(14)%
Marketable securities	**53**	150	(97)	(65)%
Accounts and notes receivable, net	**3,059**	2,649	410	15 %
Inventories	**2,833**	2,381	452	19 %
Prepaid expenses and other current assets	**795**	760	35	5 %
Current assets	**9,068**	8,639	429	5 %
Current maturity of long-term debt, accounts and loans payable	**2,035**	1,625	410	25 %
Current portion of accrued product warranty	**351**	360	(9)	(3)%
Accrued compensation, benefits and retirement costs	**507**	433	74	17 %
Taxes payable (including taxes on income)	**134**	99	35	35 %
Other accrued expenses	**1,011**	851	160	19 %
Current liabilities	**4,038**	3,368	670	20 %
Working capital	**$ 5,030**	$ 5,271		
Current ratio	**2.25**	2.57		
Days' sales in receivables	**55**	54		
Inventory turnover	**5.2**	5.4		

Current assets increased 5 percent compared to December 31, 2013, primarily due to increases in inventories and accounts and notes receivable, partially offset by a decrease in cash and cash equivalents, in large part due to $605 million of share repurchases in the first nine months of 2014.

Current liabilities increased 20 percent compared to December 31, 2013, primarily due to increases in accounts payable trade and other accrued expenses.

Days' sales in receivables increased one day versus December 31, 2013. The increase was primarily due to a higher accounts receivable balance as the result of the acquisitions of North American distributors.

Inventory turnover decreased 0.2 turns versus December 31, 2013. The decrease was due to inventory acquired ($185 million) as part of the acquisitions in the first nine months of 2014, certain businesses restocking from lower inventory levels in December and some businesses increasing inventory for anticipated demand improvements in the remainder of 2014.

Cash Flows

Cash and cash equivalents decreased $371 million during the nine months ended September 28, 2014, compared to a $1,130 million increase in cash and cash equivalents during the comparable period in 2013. Cash and cash equivalents were impacted as follows:

Operating Activities

In millions	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Change
Consolidated net income	**$ 1,269**	$ 1,127	$ 142
Depreciation and amortization	**330**	305	25
Gain on fair value adjustment for consolidated investees	**(38)**	(12)	(26)
Deferred income taxes	**(37)**	78	(115)
Equity in income of investees, net of dividends	**(103)**	(98)	(5)
Pension contributions in excess of expense	**(154)**	(96)	(58)
Other post-retirement benefits payments in excess of expense	**(22)**	(20)	(2)
Stock-based compensation expense	**27**	29	(2)
Excess tax benefits on stock-based awards	**(5)**	(13)	8
Translation and hedging activities	**(19)**	26	(45)
Changes in current assets and liabilities, net of acquisitions			
Accounts and notes receivable	**(236)**	(216)	(20)
Inventories	**(302)**	(206)	(96)
Other current assets	**(6)**	182	(188)
Accounts payable	**316**	252	64
Accrued expenses	**162**	(146)	308
Changes in other liabilities and deferred revenue	**184**	147	37
Other, net	**22**	(6)	28
Net cash provided by operating activities	**$ 1,388**	$ 1,333	$ 55

Net cash provided by operating activities increased for the nine months ended September 28, 2014, versus the comparable period in 2013, primarily due to higher consolidated net income and favorable working capital fluctuations, partially offset by unfavorable deferred income taxes and higher pension contributions in excess of expense. During the first nine months of 2014, the lower working capital requirements resulted in a cash outflow of $66 million compared to a cash outflow of $134 million in the comparable period in 2013. This change of $68 million was primarily driven by an increase in accrued expenses, partially offset by an increase in other current assets in the nine months ended September 28, 2014, versus the comparable period in 2013. The increase in accrued expenses was primarily due to higher income taxes payable, while the change in other current assets was largely due to higher net tax payments of $313 million in 2014 as the result of the receipt of an income tax refund in 2013.

Pensions

The funded status of our pension plans is dependent upon a variety of variables and assumptions including return on invested assets, market interest rates and levels of voluntary contributions to the plans. In the first nine months of 2014, the investment return on our U.S. pension trust was 9.5 percent while our U.K. pension trust return was 7.4 percent. Approximately 78 percent of our pension plan assets are invested in highly liquid investments such as fixed income and equity securities. The remaining 22 percent of our plan assets are invested in less liquid, but market valued investments, including real estate, private equity and insurance contracts. We made $197 million of pension contributions in the nine months ended September 28, 2014. We anticipate making total contributions of approximately $205 million to our pension plans in 2014, which include voluntary contributions of approximately $111 million. Expected contributions to our defined benefit pension plans in 2014 will meet or exceed the current funding requirements. Claims and premiums for other postretirement benefits are expected to approximate $46 million in 2014. These contributions and payments include payments from our funds either to increase pension plan assets or to make direct payments to plan participants.

Investing Activities

In millions	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Change
Capital expenditures	**$ (409)**	$ (417)	$ 8
Investments in internal use software	**(40)**	(43)	3
Investments in and advances to equity investees	**(39)**	(12)	(27)
Acquisitions of businesses, net of cash acquired	**(266)**	(145)	(121)
Investments in marketable securities—acquisitions	**(213)**	(360)	147
Investments in marketable securities—liquidations	**316**	433	(117)
Cash flows from derivatives not designated as hedges	**—**	(15)	15
Other, net	**11**	14	(3)
Net cash used in investing activities	**$ (640)**	$ (545)	$ (95)

Net cash used in investing activities increased for the nine months ended September 28, 2014, versus the comparable period in 2013, primarily due to higher cash investment for the acquisitions of businesses in 2014 and higher investments in and advances to equity investees, partially offset by lower net investments in marketable securities.

In September 2013, we announced our intention to acquire the equity that we do not already own in most of our partially-owned United States and Canadian distributors over the next three to five years. During the first nine months of 2014 we spent $324 million on these acquisitions and the related debt retirements. We plan to spend an additional $150 million to $200 million during the fourth quarter of 2014.

Capital expenditures for the nine months ended September 28, 2014, were $409 million compared to $417 million in the comparable period in 2013. Despite the challenging economies around the world, we continue to invest in new product lines and targeted capacity expansions. We plan to spend between $650 million and $750 million in 2014 as we continue with product launches, facility improvements and prepare for future emission standards. Approximately 50 percent of our capital expenditures are expected to be invested outside of the U.S. in 2014. As of September 28, 2014, we have committed to invest an additional $4 million in existing joint ventures, of which $1 million is expected to be funded in 2014.

Financing Activities

In millions	Nine months ended September 28, 2014	Nine months ended September 29, 2013	Change
Proceeds from borrowings	**$ 39**	$ 987	$ (948)
Payments on borrowings and capital lease obligations	**(72)**	(62)	(10)
Net (payments) borrowings under short-term credit agreements	**(41)**	34	(75)
Distributions to noncontrolling interests	**(52)**	(53)	1
Dividend payments on common stock	**(370)**	(305)	(65)
Repurchases of common stock	**(605)**	(289)	(316)
Excess tax benefits on stock-based awards	**5**	13	(8)
Other, net	**(3)**	19	(22)
Net cash (used in) provided by financing activities	**$ (1,099)**	$ 344	$ (1,443)

Net cash used in financing activities increased for the nine months ended September 28, 2014, versus the comparable period in 2013, primarily due to lower proceeds from borrowings as a result of the 2013 issuance of $1 billion aggregate principal amount of senior notes and higher repurchases of common stock.

Our total debt was $1.7 billion as of September 28, 2014, compared with $1.7 billion as of December 31, 2013. Total debt as a percent of our total capital (total capital defined as debt plus equity) was 17.3 percent at September 28, 2014, compared with 18.1 percent at December 31, 2013.

In July 2014, the Board of Directors authorized a dividend increase of approximately 25 percent from $0.625 per share to $0.78 per share on a quarterly basis.

We repurchased $605 million of stock under the 2012 Board of Directors authorized plan during the firstnine months of 2014. In July 2014, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon the completion of the 2012 repurchase plan. In 2014, we made the following quarterly purchases under the 2012 repurchase program as indicated:

In millions (except per share amounts) For each quarter ended	Shares Purchased	Average Cost Per Share	Total Cost of Repurchases	Remaining Authorized Capacity[1]
March 30	3.0	$ 139.70	$ 419	$ 425
June 29	0.1	148.11	11	415
September 28	1.2	139.76	175	240
Total	4.3	$ 139.86	$ 605	$ 240

[1] The remaining authorized capacity is calculated based on the cost to purchase the shares, but excludes commission expenses according to the Board authorization.

We may continue to repurchase outstanding shares from time to timeduring 2014 to offset the dilutive impact of employee stock based compensation plans and to enhance shareholder value.

Credit Ratings

A number of our contractual obligations and financing agreements, such as our revolving credit facility have restrictive covenants and/or pricing modifications that may be triggered in the event of downward revisions to our corporate credit rating. There were no downgrades of our credit ratings in thethird quarter of 2014 that have impacted these covenants or pricing modifications. In August 2014, Standard & Poor's Ratings Services raised our rating to 'A+' and confirmed our outlook as stable.In October 2014, Fitch Ratings reaffirmed our rating.

Credit ratings are not recommendations to buy, are subject to change and each rating should be evaluated independently of any other rating. In addition, we undertake no obligation to update disclosures concerning our credit ratings, whether as a result of new information, future events or otherwise. Our ratings and outlook from each of the credit rating agencies as of the date of filing are shown in the table below.

Credit Rating Agency	Senior L-T Debt Rating	Outlook
Standard & Poor’s Rating Services	A+	Stable
Fitch Ratings	A	Stable
Moody’s Investors Service, Inc.	A3	Stable

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

A summary of our significant accounting policies is included in Note 1, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," of the *Notes to the Consolidated Financial Statements* of our 2013 Form 10-K which discusses accounting policies that we have selected from acceptable alternatives.

Our *Condensed Consolidated Financial Statements* are prepared in accordance with generally accepted accounting principles that often require management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts presented and disclosed in the financial statements. Management reviews these estimates and assumptions based on historical experience, changes in business conditions and other relevant factors they believe to be reasonable under the circumstances. In any given reporting period, our actual results may differ from the estimates and assumptions used in preparing our *Condensed Consolidated Financial Statements.*

Critical accounting estimates are defined as follows: the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made; different estimates reasonably could have been used; or if changes in the estimate are reasonably likely to occur from period to period and the change would have a material impact on our financial condition or results of operations. Our senior management has discussed the development and selection of our accounting policies, related accounting estimates and the disclosures set forth below with the Audit Committee of our Board of Directors. We believe our critical accounting estimates include those addressing the estimation of liabilities for warranty programs, accounting for income taxes and pension benefits.

A discussion of our critical accounting estimates may be found in the "Management's Discussion and Analysis" section of our 2013 Form 10-K under the caption "APPLICATION OF CRITICAL ACCOUNTING ESTIMATES." Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported in the first nine months of 2014.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 15, "RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS," in the *Notes to Condensed Consolidated Financial Statements.*

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

A discussion of quantitative and qualitative disclosures about market risk may be found in Item 7A of our 2013 Form 10-K. There have been no material changes in this information since the filing of our 2013 Form 10-K. Further information regarding financial instruments and risk management is discussed in Note 12, "DERIVATIVES," in the *Notes to the Condensed Consolidated Financial Statements.*

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 28, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are subject to numerous lawsuits and claims arising out of the ordinary course of our business, including actions related to product liability; personal injury; the use and performance of our products; warranty matters; patent, trademark or other intellectual property infringement; contractual liability; the conduct of our business; tax reporting in foreign jurisdictions; distributor termination; workplace safety; and environmental matters. We also have been identified as a potentially responsible party at multiple waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. We have denied liability with respect to many of these lawsuits, claims and proceedings and are vigorously defending such lawsuits, claims and proceedings. We carry various forms of commercial, property and casualty, product liability and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us with respect to these lawsuits, claims and proceedings. We do not believe that these lawsuits are material individually or in the aggregate. While we believe we have also established adequate accruals for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

We conduct significant business operations in Brazil that are subject to the Brazilian federal, state and local labor, social security, tax and customs laws. While we believe we comply with such laws, they are complex, subject to varying interpretations and we are often engaged in litigation regarding the application of these laws to particular circumstances.

ITEM 1A. Risk Factors

Set forth below and elsewhere in this Quarterly Report on Form 10-Q are some of the principal risks and uncertainties that could cause our actual business results to differ materially from any forward-looking statements contained in this Report and could individually, or in combination, have a material adverse effect on our results of operations, financial position or cash flows. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties. Our separate section above, "CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION," should be considered in addition to the following statements.

A sustained slowdown or significant downturn in our markets could materially and adversely affect our results of operations, financial condition or cash flows.

Global economic uncertainty continued throughout 2013 as we experienced declining or relatively flat demand in many global markets. If the global economy or some of our significant markets encounter a sustained slowdown; depending upon the length, duration and severity of such a slowdown, our results of operations, financial condition and cash flow would almost certainly be materially adversely affected. Specifically, our revenues would likely decrease, we may be forced to consider further restructuring actions, we may need to increase our allowance for doubtful accounts, our days sales outstanding may increase and we could experience impairments to assets of certain of our businesses.

A slowdown in infrastructure development could adversely affect our business.

Infrastructure development has been a significant driver of our business in recent years, especially in the emerging markets of China and Brazil. General weakness in economic growth or the perception that infrastructure has been overbuilt could lead to a decline in infrastructure spending. Any sustained downturns in infrastructure development that result from these or other circumstances could adversely affect our business.

Unpredictability in the adoption, implementation and enforcement of increasingly stringent emission standards by multiple jurisdictions around the world could adversely affect our business.

Our engines are subject to extensive statutory and regulatory requirements governing emission and noise, including standards imposed by the EPA, the European Union, state regulatory agencies (such as the CARB) and other regulatory agencies around the world. We have made, and will be required to continue to make, significant capital and research expenditures to comply with these emission standards. Developing engines to meet numerous changing government regulatory requirements, with different implementation timelines and emission requirements, makes developing engines efficiently for multiple markets complicated and could result in substantial additional costs that may be difficult to recover in certain markets. In some cases, we may be required to develop new products to comply with new regulations, particularly those relating to air emission. While we have met previous deadlines, our ability to comply with other existing and future regulatory standards will be essential for us to maintain our position in the engine markets we serve. The successful development and introduction of new and enhanced products in order to comply with new regulatory requirements are subject to other risks, such as delays in product development, cost over-runs and unanticipated technical and manufacturing difficulties.

In addition to these risks, the nature and timing of government implementation and enforcement of increasingly stringent emission standards in emerging markets are unpredictable and subject to change, or delays which could result in the products we developed or modified to comply with these standards becoming unnecessary or becoming necessary later than expected and in some cases negating our competitive advantage. This in turn can delay, diminish or eliminate the expected return on capital and research expenditures that we have invested in such products and may adversely affect our perceived competitive advantage in being an early, advanced developer of compliant engines.

We derive significant income from investees that we do not directly control.

Our net income includes significant equity, royalty and interest income from investees that we do not directly control. For 2013, we recognized $361 million of equity, royalty and interest income from investees, compared to $384 million in 2012. The majority of our equity, royalty and interest income from investees was from our nine unconsolidated North American distributors and from two of our joint ventures in China, Dongfeng Cummins Engine Company, Ltd. (DCEC) and Chongqing Cummins Engine Company, Ltd. (CCEC) at December 31, 2013. Our equity ownership interests in our unconsolidated North American distributors ranged from 37 percent to 50 percent at December 31, 2013. We have 50 percent equity ownership interests in DCEC and CCEC. As a result, although a significant percentage of our net income is derived from these unconsolidated entities, we do not unilaterally control their management or their operations, which puts a substantial portion of our net income at risk from the actions or inactions of these entities. A significant reduction in the level of contribution by these entities to our net income would likely have a material adverse effect on our results of operations.

Our truck manufacturers and original equipment manufacturers (OEMs) customers may not continue to outsource their engine supply needs.

Several of our engine customers, including PACCAR, Volvo AB, Navistar, Chrysler and DCEC, are truck manufacturers or OEMs that manufacture engines for some of their own products. Despite their own engine manufacturing abilities, these customers have historically chosen to outsource certain types of engine production to us due to the quality of our engine products, our emission capabilities, our systems integration, their customers' preferences, their desire for cost reductions, their desire for eliminating production risks and their desire to maintain company focus. However, there can be no assurance that these customers will continue to outsource, or outsource as much of, their engine production in the future. Increased levels of OEM vertical integration could result from a number of factors, such as shifts in our customers' business strategies, acquisition by a customer of another engine manufacturer, the inability of third-party suppliers to meet product specifications and the emergence of low-cost production opportunities in foreign countries. Any significant reduction in the level of engine production outsourcing from our truck manufacturer or OEM customers could have a material adverse effect on our results of operations.

A downturn in the North American truck industry or other factors negatively affecting any of our truck OEM customers could materially adversely impact our results of operations.

We make significant sales of engines and components to a few large truck OEMs in North America. If the North American truck market suffers a significant downturn, or if one of our large truck OEM customers experienced financial distress or bankruptcy, such circumstance would likely lead to significant reductions in our revenues and earnings, commercial disputes, receivable collection issues and other negative consequences that could have a material adverse impact on our results of operations.

The discovery of any significant problems with our recently-introduced engine platforms in North America could materially adversely impact our results of operations, financial condition and cash flow.

The EPA and CARB have certified all of our 2012/2013 on-highway and off-highway engines, which utilize SCR technology to meet requisite emission levels. We introduced SCR technology into our engine platforms in 2010. The effective performance of SCR technology and the overall performance of these engine platforms impact a number of our operating segments and remain crucial to our success in North America. While these 2010 and 2013 engine platforms have performed well in the field, the discovery of any significant problems in these platforms could result in recall campaigns, increased warranty costs, reputational risk and brand risk and could materially adversely impact our results of operations, financial condition and cash flow.

We are vulnerable to supply shortages from single-sourced suppliers.

During 2013, we single sourced approximately 60 to 70 percent of the total types of parts in our product designs. Any delay in our suppliers' deliveries may adversely affect our operations at multiple manufacturing locations, forcing us to seek alternative supply sources to avoid serious disruptions. Delays may be caused by factors affecting our suppliers, including capacity constraints, labor disputes, economic downturns, availability of credit, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, weather emergencies, natural disasters or acts of war or terrorism. Any extended delay in receiving critical supplies could impair our ability to deliver products to our customers and our results of operations.

Our products are exposed to variability in material and commodity costs.

Our businesses establish prices with our customers in accordance with contractual time frames; however, the timing of material and commodity market price increases may prevent us from passing these additional costs on to our customers through timely pricing actions. Additionally, higher material and commodity costs around the world may offset our efforts to reduce our cost structure. While we customarily enter into financial transactions and contractual pricing adjustment provisions with our customers that attempt to address some of these risks (notably with respect to copper, platinum and palladium), there can be no assurance that commodity price fluctuations will not adversely affect our results of operations. In addition, while the use of commodity price hedging instruments may provide us with some protection from adverse fluctuations in commodity prices, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in price. As a result, higher material and commodity costs, as well as hedging these commodity costs during periods of decreasing prices, could result in declining margins.

Our products are subject to recall for performance or safety-related issues.

Our products may be subject to recall for performance or safety-related issues. Product recalls subject us to harm to our reputation, loss of current and future customers, reduced revenue and product recall costs. Product recall costs are incurred when we decide, either voluntarily or involuntarily, to recall a product through a formal campaign to solicit the return of specific products due to a known or suspected performance issue. Any significant product recalls could have a material adverse effect on our results of operations, financial condition and cash flows.

Failure to successfully integrate the planned acquisitions of the equity we do not already own of our partially-owned United States and Canadian distributors could have an adverse impact on our realization of expected benefits to our financial condition and results of operations.

The completion of our plan to acquire all of the equity we do not already own of our partially- owned United States and Canadian distributors (each, an "Acquisition," and collectively, the "Acquisitions"), is subject to various risks, including, among other things, our ability to realize the full extent of the incremental revenue, earnings, cash flow, cost savings and other benefits that we expect to realize as a result of the completion of the Acquisitions within the anticipated time frame, or at all; the costs that are expected to be incurred in connection with evaluating, negotiating, consummating and integrating the Acquisitions; the ability of management to focus adequate time and attention on evaluating, negotiating, consummating and integrating the Acquisitions; and diversion of management's attention from base strategies and objectives, both during and after the acquisition process. Further, as with all merger and acquisition activity, there can be no assurance that we will be able to negotiate, consummate and integrate the Acquisitions in accordance with our plans. Those persons holding the third-party ownership of our partially-owned United States and Canadian distributors may not agree to our acquisition proposals, including the terms and conditions thereof, and may claim that our proposals to exercise certain contractual rights that we have with respect to acquiring such distributors may violate applicable state franchise and distributor laws, which may prohibit, delay or otherwise adversely affect the consummation of such Acquisitions on terms and conditions that are less favorable to us than we currently anticipate, or not at all.

After completion of the Acquisitions, we may fail to realize the expected enhanced revenue, earnings, cash flow, cost savings and other benefits.

The financial success of the Acquisitions will depend, in substantial part, on our ability to successfully combine our business with the businesses of our partially-owned United States and Canadian distributors, transition operations and realize the expected enhanced revenue, earnings, cash flow, cost savings and other benefits from such Acquisitions. While we currently believe that these enhanced revenue, earnings, cash flow, cost savings and other benefits estimates are achievable, it is possible that we will be unable to achieve these objectives within the anticipated time frame, or at all. Our enhanced revenue, earnings, cash flow, cost savings and other benefits estimates also depend on our ability to execute and integrate the Acquisitions in a manner that permits those benefits to be realized. If these estimates turn out to be incorrect or we are not able to execute our integration strategy successfully, the anticipated enhanced revenue, earnings, cash flow, cost savings and other benefits, resulting from the Acquisitions may not be realized fully, or at all, or may take longer to realize than expected.

Specifically, issues that must be addressed in integration in order to realize the anticipated benefits and costs savings of the Acquisitions include, among other things:

- maintaining and improving management and employee engagement, morale, motivation and productivity;
- recruiting and retaining executives and key employees;
- retaining and strengthening relationships with existing customers and attracting new customers;
- conforming standards, controls, procedures and policies, business cultures and compensation structures among the companies;
- consolidating and streamlining corporate and administrative infrastructures;
- consolidating sales, customer service and marketing operations;
- identifying and eliminating redundant and underperforming operations and assets;
- integrating the distribution, sales, customer service and administrative support activities among the companies;
- integrating information technology systems, including those systems managing data security for sensitive employee, customer and vendor information, and diverse network applications across the companies;
- managing the broadened competitive landscape, including responding to the actions taken by competitors in response to the Acquisitions;
- coordinating geographically dispersed organizations;
- managing the additional business risks of businesses that we have not previously directly managed and
- managing tax costs or inefficiencies associated with integrating our operations following completion of the Acquisitions.

Delays encountered in the process of integrating the Acquisitions could negatively impact our revenues, expenses, operating results, cash flow and financial condition after completion of the Acquisitions, including through the loss of current customers or suppliers. Although significant benefits, such as enhanced revenue, earnings, cash flow and cost savings, are expected to result from the Acquisitions, there can be no assurance that we will realize any of these anticipated benefits after completion of any or all of the Acquisitions.

Additionally, significant costs are expected to be incurred in connection with the integration of the Acquisitions. We continue to assess the magnitude of these costs and additional unanticipated costs may be incurred, including costs associated with assuming our partially-owned United States and Canadian distributors' exposure to outstanding and anticipated legal claims and other liabilities. Although we believe that the elimination of duplicative costs, as well as the realization of other synergies and efficiencies related to the integration of the Acquisitions, will offset incremental integration-related costs over time, no assurances can be given that this net benefit will be achieved in the near term, or at all. In addition, the process of integrating the operations of our partially- owned United States and Canadian distributors may distract management and employees from delivering against base strategies and objectives, which could negatively impact other segments of our business following the completion of the Acquisitions.

Furthermore, the Acquisitions and the related integration efforts, could result in the departure of key managers and employees, and we may fail to identify managerial resources to fill both executive-level and lower-level managerial positions and replace key employees, including those who oversee customer relationships, any of which could have a negative impact on our business, and, prior to the completion of the Acquisitions, the businesses of our partially-owned United States and Canadian distributors.

The completion of the Acquisitions may be subject to the receipt of certain required clearances or approvals from governmental entities that could prevent or delay their completion or impose conditions that could have an adverse effect on us.

Completion of each of the Acquisitions may be conditioned upon the receipt of certain governmental clearances or approvals, including, but not limited to, the expiration or termination of any applicable waiting periods under U.S. competition and trade laws with respect to such Acquisitions as well as applicable state regulations and restrictions. There can be no assurance that these clearances and approvals will be obtained, and, additionally, government authorities from which these clearances and approvals are required may impose conditions on the completion of any, or all, of the Acquisitions or require changes to their respective terms. If, in order to obtain any clearances or approvals required to complete any of the Acquisitions, we become subject to any material conditions after completion of any of such Acquisitions, our business and results of operations after completion of any of such Acquisitions may be adversely affected.

We face significant competition in the markets we serve.

The markets in which we operate are highly competitive. We compete worldwide with a number of other manufacturers and distributors that produce and sell similar products. We primarily compete in the market with diesel engines and related diesel products; however, new technologies continue to be developed for gasoline, natural gas and other technologies and we will continue to face new competition from these expanding technologies. Our products primarily compete on the basis of price, performance, fuel economy, speed of delivery, quality and customer support. We also face competitors in some emerging markets who have established local practices and long standing relationships with participants in these markets. There can be no assurance that our products will be able to compete successfully with the products of other companies and in other markets. For a more complete discussion of the competitive environment in which each of our segments operates, see “Operating Segments” in “Item 1 Business” in our 2013 Form 10-K.

Increasing global competition among our customers may affect our existing customer relationships and restrict our ability to benefit from some of our customers' growth.

As our customers in emerging markets continue to grow in size and scope, they are increasingly seeking to export their products to other countries. This has meant greater demand for our advanced engine technologies to help these customers meet the more stringent emissions requirements of developed markets, as well as greater demand for access to our distribution systems for purposes of equipment servicing. As these emerging market customers enter into and begin to compete in more developed markets, they may increasingly begin to compete with our existing customers in these markets. Our further aid to emerging market customers could adversely affect our relationships with developed market customers and, as a result, we may be pressured to restrict sale or support of some of our products in the areas of increased competition. In addition, to the extent the competition does not correspond to overall growth in demand, we may see little or no benefit from this type of expansion by our emerging market customers.

We are exposed to, and may be adversely affected by, information technology security threats and sophisticated "cyber attacks."

We rely on our information technology systems and networks in connection with various of our business activities. Some of these networks and systems are managed by third party service providers and are not under our direct control. Our operations routinely involve receiving, storing, processing and transmitting sensitive information pertaining to our business, customers, dealers, suppliers, employees and other sensitive matters. Information technology security threats, including security breaches, computer malware and other “cyber attacks” are increasing in both frequency and sophistication. These threats could create financial liability, subject us to legal or regulatory sanctions or damage our reputation with customers, dealers, suppliers and other stakeholders. We continuously seek to maintain a robust program of information security and controls, but the impact of a material information technology event could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flow.

We are exposed to political, economic and other risks that arise from operating a multinational business.

Approximately 52 percent of our net sales for 2013 and 53 percent in 2012 were attributable to customers outside the U.S. Accordingly, our business is subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include:

- the difficulty of enforcing agreements and collecting receivables through foreign legal systems;
- trade protection measures and import or export licensing requirements;
- the imposition of taxes on foreign income and tax rates in certain foreign countries that exceed those in the U.S.;
- the imposition of tariffs, exchange controls or other restrictions;
- difficulty in staffing and managing widespread operations and the application of foreign labor regulations;
- required compliance with a variety of foreign laws and regulations and
- changes in general economic and political conditions in countries where we operate, particularly in emerging markets.

As we continue to operate our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other related risks. There can be no assurance that the consequences of these and other factors relating to our multinational operations will not have a material adverse effect upon us.

Unanticipated changes in our effective tax rate, the adoption of new tax legislation or exposure to additional income tax liabilities could adversely affect our profitability.

We are subject to income taxes in the U.S. and numerous international jurisdictions. Our income tax provision and cash tax liability in the future could be adversely affected by changes in the distribution of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes to our assertions regarding permanent re-investment of our foreign earnings, changes in tax laws and the discovery of new information in the course of our tax return preparation process. The carrying value of deferred tax assets, which are predominantly in the U.S., is dependent on our ability to generate future taxable income in the U.S. We are also subject to ongoing tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly judgmental. Tax authorities may disagree with certain tax reporting positions taken by us and, as a result, assess additional taxes against us. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. The amounts ultimately paid upon resolution of these or subsequent tax audits could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our tax provision.

Our global operations are subject to laws and regulations that impose significant compliance costs and create reputational and legal risk.

Due to the international scope of our operations, we are subject to a complex system of commercial and trade regulations around the world. Recent years have seen an increase in the development and enforcement of laws regarding trade compliance and anti-corruption such as the U.S. Foreign Corrupt Practices Act and similar laws from other countries. Our numerous foreign subsidiaries, affiliates and joint venture partners are governed by laws, rules and business practices that differ from those of the U.S. The activities of these entities may not comply with U.S. laws or business practices or our Code of Business Conduct. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business, and result in an adverse effect on our reputation, business and results of operations or financial condition. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

We face the challenge of accurately aligning our capacity with our demand.

We can experience capacity constraints and longer lead times for certain products in times of growing demand while we can also experience idle capacity as economies slow or demand for certain products decline. Accurately forecasting our expected volumes and appropriately adjusting our capacity have been, and will continue to be, important factors in determining our results of operations. We cannot guarantee that we will be able to increase manufacturing capacity to a level that meets demand for our products, which could prevent us from meeting increased customer demand and could harm our business. However, if we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and we may experience reduced margins. If we do not accurately align our manufacturing capabilities with demand it could have a material adverse effect on our results of operations.

Our business is exposed to risks of product liability claims.

We face an inherent business risk of exposure to product liability claims in the event that our products' failure to perform to specification results or is alleged to result in property damage, bodily injury and/or death. We may experience material product liability losses in the future. While we maintain insurance coverage with respect to certain product liability claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability claims. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. An unsuccessful defense of a significant product liability claim could have a material adverse effect upon us. In addition, even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

We may need to write off significant investments in our new North American light-duty diesel engine platform if customer commitments deteriorate.

We began development of a new North American light-duty diesel engine platform in July 2006 to be used in a variety of on- and off-highway applications. Since that time, and as of December 31, 2013, we have capitalized investments of approximately $242 million. Market uncertainty due to the global recession resulted in some customers delaying or cancelling their vehicle programs, while others remained active. In August 2013, we reached an agreement to supply Nissan Motor Co. Ltd. with our light-duty diesel engine beginning in 2015, however, if customer expectations or volume projections deteriorate from our current expected levels and we do not identify new customers, we may need to recognize an impairment charge and write the assets down to net realizable value.

Our operations are subject to increasingly stringent environmental laws and regulations.

Our plants and operations are subject to increasingly stringent environmental laws and regulations in all of the countries in which we operate, including laws and regulations governing air emission, discharges to water and the generation, handling, storage, transportation, treatment and disposal of waste materials. While we believe that we are in compliance in all material respects with these environmental laws and regulations, there can be no assurance that we will not be adversely impacted by costs, liabilities or claims with respect to existing or subsequently acquired operations, under either present laws and regulations or those that may be adopted or imposed in the future. We are also subject to laws requiring the cleanup of contaminated property. If a release of hazardous substances occurs at or from any of our current or former properties or at a landfill or another location where we have disposed of hazardous materials, we may be held liable for the contamination and the amount of such liability could be material.

We are subject to foreign currency exchange rate and other related risks.

We conduct operations in many areas of the world involving transactions denominated in a variety of currencies. We are subject to foreign currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, since our financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations. While we customarily enter into financial transactions that attempt to address these risks and many of our supply agreements with customers include foreign currency exchange rate adjustment provisions, there can be no assurance that foreign currency exchange rate fluctuations will not adversely affect our results of operations. In addition, while the use of currency hedging instruments may provide us with some protection from adverse fluctuations in foreign currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in foreign currency exchange rates.

We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Foreign exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation.

We are exposed to risks arising from the price and availability of energy.

The level of demand for our products and services is influenced in multiple ways by the price and availability of energy. High energy costs generally drive greater demand for better fuel economy in almost all countries in which we operate. Some of our engine products have been developed with a primary purpose of offering fuel economy improvements, and if energy costs decrease or increase less than expected, demand for these products may likewise decrease. The relative unavailability of electricity in some emerging market countries also influences demand for our electricity generating products, such as our diesel generators. If these countries add energy capacity by expanding their power grids at a rate equal to or faster than the growth in demand for energy, the demand for our generating products could also decrease or increase less than would otherwise be the case.

Significant declines in future financial and stock market conditions could diminish our pension plan asset performance and adversely impact our results of operations, financial condition and cash flow.

We sponsor both funded and unfunded domestic and foreign defined benefit pension and other retirement plans. Our pension cost and the required contributions to our pension plans are directly affected by the value of plan assets, the projected and actual rates of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value. We could experience increased pension cost due to a combination of factors, including the decreased investment performance of pension plan assets, decreases in the discount rate and changes in our assumptions relating to the expected return on plan assets.

Significant declines in future financial and stock market conditions could cause material losses in our pension plan assets, which could result in increased pension cost in future years and adversely impact our results of operations, financial condition and cash flow. Depending upon the severity of market declines and government regulatory changes, we may be legally obligated to make pension payments in the U.S. and perhaps other countries and these contributions could be material.

We may be adversely impacted by work stoppages and other labor matters.

As of December 31, 2013, we employed approximately 47,900 persons worldwide. Approximately 15,650 of our employees worldwide are represented by various unions under collective bargaining agreements that expire between 2014 and 2016. While we have no reason to believe that we will be materially impacted by work stoppages or other labor matters, there can be no assurance that future issues with our labor unions will be resolved favorably or that we will not encounter future strikes, work stoppages, or other types of conflicts with labor unions or our employees. Any of these consequences may have an adverse effect on us or may limit our flexibility in dealing with our workforce. In addition, many of our customers and suppliers have unionized work forces. Work stoppages or slow-downs experienced by our customers or suppliers could result in slow-downs or closures that would have a material adverse effect on our results of operations, financial condition and cash flow.

Our financial statements are subject to changes in accounting standards that could adversely impact our profitability or financial position.

Our financial statements are subject to the application of accounting principles generally accepted in the United States of America (GAAP), which are periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board. Recently, accounting standard setters issued new guidance which further interprets or seeks to revise accounting pronouncements related to revenue recognition and lease accounting as well as to issue new standards expanding disclosures. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in our annual and quarterly reports on Form 10-K and Form 10-Q. An assessment of proposed standards is not provided, as such proposals are subject to change through the exposure process and, therefore, their effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on the reported results of operations and financial position.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following information is provided pursuant to Item 703 of Regulation S-K:

	Issuer Purchases of Equity Securities			
Period	**(a) Total Number of Shares Purchased[1]**	**(b) Average Price Paid per Share**	**(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[2]**
June 30 - August 3, 2014	138,060	$ 144.86	138,060	62,743
August 4 - August 31, 2014	929,684	139.99	928,764	77,146
September 1 - September 28, 2014	185,830	134.99	185,230	80,636
Total	1,253,574	139.79	1,252,054	

(1) Shares purchased represent shares under our Key Employee Stock Investment Plan established in 1969 (there is no maximum repurchase limitation in this plan) and the 2012 Board of Directors authorized $1 billion share repurchase program.

(2) These values reflect the sum of shares held in loan status under our Key Employee Stock Investment Plan. The repurchase program authorized by the Board of Directors does not limit the number of shares that may be purchased and was excluded from this column.

We repurchased $605 million of stock under the 2012 Board of Directors authorized plan during the first nine months of2014. In July 2014, our Board of Directors authorized the acquisition of up to $1 billion of additional common stock upon the completion of the 2012 repurchase plan.

During the three months ended September 28, 2014, we repurchased 1,520 shares from employees in connection with the Key Employee Stock Investment Plan which allows certain employees, other than officers, to purchase shares of common stock on an installment basis up to an established credit limit. Loans are issued for five-year terms at a fixed interest rate established at the date of purchase and may be refinanced after its initial five-year period for an additional five-year period. Participants must hold shares for a minimum of six months from date of purchase and after shares are sold must wait six months before another share purchase may be made. We hold participants' shares as security for the loans and would, in effect repurchase shares if the participant defaulted in repayment of the loan. There is no maximum amount of shares that we may purchase under this plan.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

See Exhibit Index at the end of this Quarterly Report on Form 10-Q.

SIGNATURES

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 thereunto duly authorized.

Cummins Inc.

Date: October 29, 2014

By:	/s/ PATRICK J. WARD	By:	/s/ MARSHA L. HUNT
	Patrick J. Ward		Marsha L. Hunt
	Vice President and Chief Financial Officer		*Vice President-Corporate Controller*
	(Principal Financial Officer)		*(Principal Accounting Officer)*

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CUMMINS INC.
EXHIBIT INDEX

Exhibit No.	Description of Exhibit
10(c)	Deferred Compensation Plan, as amended (filed herewith).
10(g)	Excess Benefit Retirement Plan, as amended (filed herewith).
10(q)	Key Employee Stock Investment Plan, as amended (filed herewith).
12	Calculation of Ratio of Earnings to Fixed Charges.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

CUMMINS INC. DEFERRED COMPENSATION PLAN

Amended and Restated as of January 1, 2014
with amendments through July 2014

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ARTICLE I
RESTATEMENT AND PURPOSE

Section 1.01 History and Restatement. Cummins Inc. established the Cummins Engine Company, Inc. 1994 Deferred Compensation Plan ("Plan"), effective February 1, 1994, and it has amended and/or restated the Plan on several occasions since that time. The Company restated the Plan effective January 1, 2008 to comply with the requirements of the final regulations under Code Section 409A and to change the name of the Plan to the Cummins Inc. Deferred Compensation Plan (the "2008 Restatement"), and restated the Plan again effective as of October 15, 2012. By this restatement, which is generally effective as of January 1, 2014, the Company amends the Plan to incorporate certain changes to the terms of the Plan.

Section 1.02 Application of Restatement. The 2008 Restatement applied, effective January 1, 2008, to all amounts deferred or vested under the Plan after 2004 and any earnings credited with respect to such amounts. Neither the 2008 Restatement nor this restatement apply to any amount deferred and vested as of December 31, 2004, or any earnings credited under the Plan with respect to such amounts (together, "Grandfathered Amounts"), and Grandfathered Amounts shall continue to be governed by the terms and conditions of the Plan without regard to the 2008 Restatement or this restatement; provided, however, the person or persons entitled to receive any remaining portion of a Participant's Accounts after his death shall be determined pursuant to this restatement, provided that the Participant's death occurs after 2004.

Section 1.03 Purpose. The Plan is intended to constitute an unfunded plan maintained by the Employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201, 301, and 401 of ERISA.

Section 1.04 Grantor Trust. The Company has established a grantor trust to hold assets for the provision of certain benefits under the Plan as well as other employee benefits. Assets of the Trust are subject to the claims of the Employer's general creditors, and no Participant shall have any interest in any assets of the Trust or an Employer other than as a general creditor of the Employer.

ARTICLE II
DEFINITIONS AND INTERPRETATION

Section 2.01 Definitions. When the first letter of a word or the words in a phrase are capitalized herein, the word or phrase shall have the meaning specified below:

(a) "Account" means the bookkeeping account established to reflect a Participant's interest under the Plan attributable to amounts deferred pursuant a specific deferral election and related RSP true up matching credits under Section 5.03. The Administrator shall maintain a separate Account with respect to amounts deferred pursuant to all deferral elections made with respect to a single year and any related RSP True Up Matching Credits. Where the context so permits, the term "Account" means the amount credited to such bookkeeping account.

(b) "Administrator" means the Company's Benefits Policy Committee or such other person that the Board designates as Administrator. To the extent that the Administrator delegates a duty or responsibility to an agent, the term "Administrator" shall include such agent.

(c) "Affiliated Employer" means (i) a member of a controlled group of corporations (as defined in Code Section 414(b)) of which the Company is a member or (ii) an unincorporated trade or business under common control (as defined in Code Section 414(c)) with the Company.

(d) "Affirmation of Domestic Partnership" means an Applicable Form for affirming the relationship between a Participant and his Domestic Partner.

(e) "Alternate Payee" has the meaning set out in ERISA Section 206(d)(3)(K).

(f) "Applicable Form" means a form provided by the Administrator for making an election or designation under the Plan. To the extent permitted by the Administrator, an Applicable Form may be provided and/or an election or designation made electronically.

(g) "Beneficiary" means the person or persons entitled to receive a Participant's remaining Accounts, if any, after his death. A Participant's Beneficiary shall be determined as provided in Section 6.07.

(h) "Benefit Claim" means a request or claim for a benefit under the Plan, including a claim for greater benefits than have been paid.

(i) "Benefit Commencement Date" means the date as of which distribution of an Account begins or is paid, if payable as a lump sum, as determined under Section 6.01.

(j) "Board" or "Board of Directors" means the Company's Board of Directors or, where the context so permits, its designee.

(k) "Change of Control" means the occurrence of any of the following:

(1) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash or other securities or property, other than a merger of the Company in which the holders of the Company's common stock immediately before the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange, or transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or

(2) the liquidation or dissolution of the Company, or

(3) any 'person' (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the shareholders of the

Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise, or

(4) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or

(5) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

Notwithstanding the preceding provisions, an event or series of events shall not constitute a Change of Control with respect to a Participant unless the event or series of events qualifies as a change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation within the meaning of Code Section 409A(a)(2)(A)(v).

(l) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(m) "Company" means Cummins Inc.

(n) "Denial" or "Denied" means a denial, reduction, termination, or failure to provide or make payment (in whole or in part) of a Plan benefit.

(o) "Designated Benefit Commencement Date" means, with respect to an Account, the date elected by an Eligible Employee for distribution (or commencing distribution, if payable in installments) of the Account. Except as otherwise provided in Section 4.06, a Participant's Designated Benefit Commencement Date must be either (i) a specified Quarterly Distribution Date occurring at least two years after the end of the calendar year for which the deferral is made or (ii) a specified Quarterly Distribution Date occurring in the calendar quarter after the Participant's Retirement or one of the next following three calendar quarters.

(p) "Designated Form" means, with respect to an Account, the form in which an Eligible Employee has elected for the Account to be distributed. The "Designated Form" must be either (i) a single lump sum payment or (ii) annual installments beginning on the Designated Benefit Commencement Date and continuing over the next following anniversaries of such date for a designated number of years, not to exceed a total of 15 annual installments. Each installment shall consist of a portion of the remaining Account, which shall be equal to (i) one divided by (ii) one plus the number of installments remaining after the installment for which the calculation is being made. If an Eligible Employee fails to elect the Designated Form for an Account, the Designated Form for such Account shall be a single lump sum payment.

(q) "Domestic Partner" means a person of the same or opposite sex (i) with whom the Participant has a single, dedicated relationship and has shared the same permanent residence for at least six months, (ii) who is not married to another person or part of another domestic partner relationship and is at least age 18, (iii) who, with the Participant, is mutually responsible for the other's welfare, (iv) who, with the Participant, intends for their relationship to be permanent, (v) who is not so closely related to the Participant as to preclude marriage under state law, and (vi) for whom there is an Affirmation of Domestic Partnership on file with the Administrator. In determining whether the requirements of clauses (i) through (v) of the preceding sentence have been satisfied, the Administrator may rely on the Affirmation of Domestic Partner filed with the Administrator.

(r) "Domestic Relations Order" has the meaning specified in Code Section 414(p)(1)(B).

(s) "Earnings Credit" means, with respect to an Account, the amount credited to the Account pursuant to Section 5.05.

(t) "Eligible Employee" means a common-law employee of the Employer who (i) is paid on the Employer's United States payroll, (ii) has an annual base salary payable by the Employer of at least $100,000 or such greater amount specified by the Administrator before the calendar year in which such greater amount first applies, (iii) is either (A) a citizen or legal permanent resident of the United States or (B) holds one of the following types of United States' visas: F-1, F-2, H-1B, H-2B, H-3, H-4, L-1, O-1, O-3, or TN, and (iv) has received written notice from the Administrator that he is eligible to participate in the Plan; provided that no employee of any North American distributorship acquired by the Company in 2013 or subsequent years shall be an Eligible Employee until such time as the distributorship has been integrated, as determined by the Company in its sole discretion, into Cummins Inc.

(u) "Employer" means the Company and all of its Affiliated Employers.

(v) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

(w) "Fund" means an Investment Fund.

(x) "Grandfathered Amount" has the meaning specified in Section 1.02.

(y) "Investment Fund" means one or more funds selected by the Administrator pursuant to Section 5.04 to determine Earnings Credits.

(z) "Longer-Term Performance Plan" means the Cummins Inc. Longer-Term Performance Plan, the Cummins Inc. Senior Executive Longer-Term Performance Plan, or the successor of either.

(aa) "Non-Grandfathered Amount" means an amount deferred under the Plan that is not a Grandfathered Amount.

(bb) "Participant" means an Eligible Employee who has elected to make deferrals under the Plan on an Applicable Form and whose Accounts have not been fully distributed.

(cc) "Plan" means the "Cummins Inc. Deferred Compensation Plan" as set out in this document, as amended from time to time.

(dd) "Quarterly Distribution Date" means March 15, June 15, September 15, or December 15.

(ee) "Retire" or "Retirement" refers to Termination of Employment after (i) reaching age 55 and completing at least five years of employment with the Affiliated Employers or (ii) completing 30 years of employment with the Affiliated Employers.

(ff) "RSP True Up Matching Credit" means an amount credited to a Participant's Account pursuant to Section 5.03.

(gg) "Specified Employee" means, with respect to the 12-month period beginning on the Specified Employee Effective Date, an individual who, (i) during any part of the 12-month period ending on the Specified Employee Identification Date, is in salary grade 99 or compensation class 6, or (ii) is a specified employee within the meaning of Code Section 409A(a)(2)(B)(i) and the guidance thereunder.

(hh) "Specified Employee Effective Date" means, in the case of an Employee who Terminates Employment before December 31, 2009, the April 1 next following the Specified Employee Identification Date, and, in the case of an Employee who Terminates Employment after December 31, 2009, the January 1 next following the Specified Employee Identification Date.

(ii) "Specified Employee Identification Date" means December 31.

(jj) "Spouse" means, as of a Participant's Benefit Commencement Date, (i) the person to whom the Participant is married in accordance with applicable law of the jurisdiction in which the Participant resides, or (ii) in the case of an Participant not described in clause (i), the Participant's Domestic Partner.

(kk) "Terminates Employment," "Termination of Employment," or any variation thereof means a separation from service within the meaning of Code Section 409A(a)(2)(A)(i).

(ll) "Trust" means the grantor trust established by the Company to hold assets for the provision of certain benefits under the Plan as well as other Employer benefits.

(mm) "Unforeseeable Emergency" has the meaning given to such term by Code Section 409A and the guidance thereunder. In general, the term means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant’s beneficiary or a dependent (as defined in Code Section 152(a)) of the Participant; loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising from events beyond the control of the Participant.

Section 2.02 Rules of Interpretation.

(a) The Plan is intended to comply with (i) Code Section 409A and (ii) the applicable provisions of ERISA, and it shall be interpreted and administered in accordance with such intent. Except as provided in the preceding sentence or as otherwise expressly provided herein, the Plan shall be construed, enforced, and administered, and the validity thereof determined, in accordance with the internal laws of the State of Indiana without regard to conflict of law principles and the following provisions of this Section.

(b) Words used herein in the masculine shall be construed to include the feminine, where appropriate, and *vice versa,* and words used herein in the singular or plural shall be construed to include the plural or singular, where appropriate.

(c) Headings and subheadings are used for convenience of reference only and shall not affect the interpretation of any provision hereof.

(d) If any provision of the Plan shall be held to violate the Code or ERISA or be illegal or invalid for any other reason, that provision shall be deemed null and void, but the invalidation of that provision shall not otherwise affect the Plan.

(e) Reference to any provision of the Code, ERISA, or other law shall be deemed to include a reference to the successor of such provision.

ARTICLE III
PARTICIPATION

The Administrator shall notify an individual of his eligibility to participate in the Plan as soon as administratively feasible after it determines that the individual has satisfied the requirements (other than notification) for eligibility to participate. An individual shall become an Eligible Employee upon receipt of the Administrator's notice. An Eligible Employee shall become a Participant only after completing such forms and making such elections as the Administrator may prescribe.

ARTICLE IV
DEFERRAL AND DISTRIBUTION ELECTIONS

Section 4.01 Deferral of Compensation. An Eligible Employee may elect pursuant to this Article IV to defer receipt of all or a portion, as specified in the election, of his base salary, annual bonus, and/or Longer-Term Performance Plan payments that would otherwise be paid to him in cash. All elections pursuant to this Article IV shall be made by filing an Applicable Form with the Administrator. Subject to the provisions of Section 4.06 and 4.07, elections under this Article IV shall become irrevocable (i) in the case of initial deferral elections pursuant to Section 4.03, when it is filed, or (ii) in the case of deferral elections other than initial deferral elections, as of the last day of the applicable election period; provided, however, if the Administrator grants a Participant's request for a distribution on account of an Unforeseeable Emergency, it shall cancel the Participant's existing deferral elections. Amounts deferred pursuant to a Participant's election shall be withheld from his cash compensation and credited to his Account as provided in Section 5.02. The Participant's Employer shall withhold employment and other taxes with respect to the deferred amounts from the Participant's other compensation, as required by law. If the Participant's other compensation is insufficient for that purpose, the required amounts shall be withheld by the Participant's Employer from the amounts subject to the Participant's deferral election or the Participant shall reimburse the Employer for the required withholding not withheld from the Participant's other compensation.

Section 4.02 Initial Deferral Election. An individual may make a deferral election pursuant to this Section only within the enrollment period specified by the Administrator, which shall end not later than 30 days after the individual becomes an Eligible Employee (or, if earlier, within 30 days after the date on which he becomes eligible to participate in any other plan of an Affiliated Employer that is required to be aggregated with this Plan for purposes of Code Section 409A). Pursuant to such election, an Eligible Employee may elect to defer (i) part or all of his base salary for services performed after the date on which his election is filed with the Administrator and/or (ii) part or all of his annual bonus for services performed in months after the date on which his election is filed with the Administrator. For purposes of clause (ii) of the preceding sentence, the portion of an Eligible Employee's annual bonus for services performed in months after the date on which his election is filed with the Administrator shall be equal to the amount of his annual bonus multiplied by a fraction, the numerator of which is the number of full months in the calendar year occurring after the filing of the Eligible Employee's election and the denominator of which is 12.

Section 4.03 Annual Deferral Elections. An Eligible Employee may elect to defer part or all of his base salary and/or annual bonus for services performed during a calendar year by filing an election during the enrollment period established by the Administrator, which period shall end not later than December 31 of the preceding year.

Section 4.04 Elections to Defer Longer-Term Performance Plan Payouts. An Eligible Employee may elect to defer part or all of his cash payouts under the Longer-Term Performance Plan, provided that such election is made during the enrollment period established by the Administrator, which period shall end not later than 12 months before the end of the performance period, and such election is otherwise permitted by Code Section 409A. Except as permitted by the preceding provisions of this Section, an Eligible Employee's election to defer part or all of his cash payouts under the Longer-Term Performance Plan must be made before the beginning of the applicable performance period.

Section 4.05 Election of Form and Timing of Payment. At the time a Participant makes a deferral election pursuant to Section 4.02, 4.03 or 4.04, he shall also elect a Designated Benefit Commencement Date and Designated Form for the Account to which amounts subject to the deferral are credited.

Section 4.06 Election Changes. A Participant may, pursuant to this Section, elect to change the Designated Distribution Date and/or Designated Form for an Account, provided, however, that a Participant may make only one election pursuant to this Section with respect to an Account. A Participant's election change pursuant to this Section shall be not be valid until 12 months after it is filed with the Administrator, and it shall be valid only if (i) it defers the original Designated Distribution Date for at least five years, and (ii) if it changes an election for payment at a specified time or pursuant to a specified schedule, it is made at least 12 months before the prior Designated Distribution Date. In addition, if the prior Designated Distribution Date is based on the Participant's Retirement date, the Participant's new Designated Distribution Date must be precisely five years after the prior Designated Distribution Date.

Section 4.07 Special Transition Period Elections.

(a) A Participant was permitted to elect during the election period established by the Administrator (which shall begin no earlier than September 1, 2007, and end no later than December 31, 2007) to change his Designated Benefit Commencement Date and/or Designated Form with respect to an Account, provided that such election does not cause any amounts otherwise payable in another year to be payable in 2007 or cause any amounts otherwise payable in 2007 to be paid in a later year.

(b) A Participant was permitted to elect during the election period established by the Administrator (which shall begin and end in 2008) to change his Designated Benefit Commencement Date and/or Designated Form with respect to an Account, provided that such election does not cause any amounts otherwise payable in another year to be payable in 2008 or cause any amounts otherwise payable in 2008 to be paid in a later year.

ARTICLE V
PARTICIPANT ACCOUNTS

Section 5.01 Establishment of Accounts. The Administrator shall establish a separate Account to reflect each Participant's interest under the Plan with respect to amounts deferred pursuant to all of the Participant's deferral elections made with respect to a single year. The Administrator also shall separately account for Grandfathered Amounts and Non-Grandfathered Amounts.

Section 5.02 Crediting of Deferrals. A Participant's deferrals shall be credited to his appropriate Account as of the payroll date on which they are withheld from his pay.

Section 5.03 Crediting of RSP True Up Matching Credits. As a result of a Participant's deferrals under the Plan, he may not receive matching contributions that he would have received under the Cummins Inc. and Affiliates Retirement and Savings Plans ("RSP") in the absence of such election. In such a case, to the extent determined by the Company, in its discretion, the Participant's Account with respect to such deferrals may be credited with the amount of such lost matching contributions and any earnings thereon deemed appropriate by the Company. Such credited amounts shall be subject to the same deferral elections otherwise in effect with respect to such Account.

Section 5.04 Investment Options. The Administrator shall, from time to time, specify the available Investment Funds, which the Administrator may prospectively change or close to new investments in its discretion. Each Participant shall elect one or more Investment Funds to which his existing Accounts shall be allocated, in increments of 1%. Before 2008, a Participant may change his investment election once each calendar year. After 2007, a Participant may change his investment elections one time per month, and he may make separate investment elections with respect to his existing Accounts and future deferrals. The sole purpose of the Investment Funds is to measure Earnings Credits to the Participant's Accounts, and there is no requirement that amounts be invested in the Investment Funds.

Section 5.05 Crediting of Earnings. As of the end of each business day, the Administrator shall credit each Participant's Accounts with an Earnings Credit (which may be positive or negative) as provided in this Section. Except as the Administrator otherwise determines, the Earnings Credit rate for that portion of a Participant's Accounts allocated to a fixed income Investment Fund for any day in a calendar quarter shall be based on the rate under such fixed income investment on the last day of the preceding calendar quarter. The Earnings Credit rate for that portion of a Participant's Accounts allocated to any Investment Fund other than a fixed income Investment Fund shall be the rate of investment earnings under such Investment Fund. Notwithstanding the preceding provisions, no Earnings Credits shall be allocated with respect to a Payment after the last business day immediately preceding that Payment (or such earlier date preceding a Payment as reasonably designated by the Administrator). In determining the Earnings Credits, the Administrator may adopt such procedures as it deems appropriate, in its sole discretion.

Section 5.06 Charge for Distributions. Upon a distribution with respect to a Participant, the Participant's appropriate Accounts shall be reduced by the amount of the distribution.

ARTICLE VI
DISTRIBUTION OF ACCOUNTS

Section 6.01 Distribution on Designated Benefit Commencement Date. Except as expressly provided in the following provisions of this Article, a Participant's Accounts subject to a deferral election shall be distributed in their respective Designated Forms, beginning as of their respective Designated Benefit Commencement Dates. Amounts payable as of a date shall be paid on such date or as soon as administratively feasible (and under no circumstances more than 30 days) thereafter. Notwithstanding the preceding provisions of this Section, if a Participant's Account on his separation from service is less than $10,000, the Designated Form for such Account shall be deemed to be a lump sum.

Section 6.02 Distribution Upon Termination of Employment for Reasons other than Retirement. Notwithstanding Section 6.01, and subject to Section 6.06, if a Participant Terminates Employment for a reason other than Retirement, his remaining Account balances shall be paid to him (or his Beneficiary, if he is deceased) in a single lump sum payment as of the Quarterly Distribution Date occurring in the first calendar quarter beginning after his Termination of Employment; provided, however this sentence shall not result in the deferral of any amount otherwise payable under the Plan.

Section 6.03 Distribution Upon Death. Notwithstanding Section 6.01, if a Participant dies before the distribution of his entire Account balance, his remaining Account balance shall be distributed to his Beneficiary in a single lump sum payment as of the Quarterly Distribution Date occurring in the first calendar quarter beginning after his death; provided, however, this sentence shall not result in the deferral of any amount otherwise payable under the Plan; and provided further that, if the Administrator does not receive notice of the Participant's death and distribution under this Section 6.01 therefore does not occur at the time specified herein, no breach of the Plan shall be deemed to have occurred.

Section 6.04 Distribution on Account of Unforeseeable Emergency. Notwithstanding Section 6.01, if a Participant demonstrates to the satisfaction of the Administrator that he has incurred an Unforeseeable Emergency, the amount reasonably necessary to satisfy the emergency need (including any amounts necessary to pay any income taxes or penalties reasonably anticipated to result from the distribution), as determined by the Administrator, shall be distributed to him as soon as administratively feasible after the Administrator's decision; provided that, in determining whether an Unforseeable Emergency has been incurred and the amount reasonably necessary to satisfy the emergency need, the Administrator shall take into consideration, among other things, all amounts available to the Participant under the RSP (including by obtaining a loan under the RSP). If the Administrator grants a request for withdrawal pursuant to this Section, it shall prospectively cancel the Participant's existing deferral elections, and it shall take into account the additional compensation that is available as a result of the cancellation of those elections in determining the amount reasonably necessary to satisfy the Participant's emergency need.

Section 6.05 Distribution on Account of Change of Control. Notwithstanding Section 6.01, if a Change of Control occurs with respect to a Participant, the Participant's remaining Accounts shall be distributed to him in a single lump sum payment on the date of such Change of Control or as soon as administratively feasible (and not more than 30 days) thereafter; provided, however, this sentence shall not result in the deferral of any amount otherwise payable under the Plan.

Section 6.06 Delay in Payment for Specified Employees. Notwithstanding any provision of this Plan to the contrary, to the extent required by Code Section 409A(a)(2)(B)(i), distributions to a Participant who is a Specified Employee on account of his Termination of Employment for any reason other than death shall be delayed until the earliest date permitted by such section. Payments delayed pursuant to the preceding sentence shall be increased by deemed earnings, as determined pursuant to Section 5.05, to the date on which such payments are made.

Section 6.07 Designating a Beneficiary.

(a) The Participant may designate a Beneficiary only by filing a completed Applicable Form with the Administrator during his life. The Participant's proper filing of a Beneficiary designation shall cancel all prior Beneficiary designations. If the Participant does not designate a Beneficiary, or if all properly designated Beneficiaries die before the Participant, then the Participant's Beneficiary shall be his Spouse, if living at the time of the Participant's death, or if his Spouse is not then living, the individual(s), if any, named as the Participant's beneficiary under his Employer-provided group life insurance program, who are living at the time of the Participant's death or, if no such beneficiaries are then living, the Participant's estate.

(b) Except to the extent the Participant's Beneficiary is the individual named as the Participant's beneficiary under his Employer-provided group life insurance program pursuant to the preceding paragraph and such program otherwise provides, the following rules shall determine the apportionment of payments due under the Plan among Beneficiaries in the event of the Participant's death:

(1) If any Beneficiary designated by the Participant as a "Direct Beneficiary" dies before the Participant, his interest and the interest of his heirs in any payments under the Plan shall terminate and the percentage share of the remaining Beneficiaries designated as Direct Beneficiaries shall be increased on a pro rata basis. If no such Beneficiary survives the Participant, then the Participant's entire interest in the Plan shall pass to any Beneficiary designated as a "Contingent Beneficiary."

(2) If any Beneficiary designated by the Participant as a "Contingent Beneficiary" dies before the Participant, his interest and the interest of his heirs in any payments under the Plan shall terminate and the percentage share of the remaining Beneficiaries designated as Contingent Beneficiaries shall be increased on a pro rata basis.

(3) If any Beneficiary dies after the Participant, but before payment is made to such Beneficiary, then the payment shall be made to the Beneficiary's estate.

ARTICLE VII
ADMINISTRATION OF PLAN

Section 7.01 Powers and Responsibilities of the Administrator.

(a) The Administrator shall have full responsibility and discretionary authority to control and manage the operation and administration of the Plan. The Administrator is authorized to accept service of legal process on behalf of the Plan. To the fullest extent permitted by applicable law, any action taken by the Administrator pursuant to a reasonable interpretation of the Plan shall be binding and conclusive on all persons claiming benefits under the Plan, except to the extent that a court of competent jurisdiction determines that such action was arbitrary or capricious.

(b) The Administrator's discretionary powers include, but are not limited to, the following:

(1) to interpret Plan documents, decide all questions of eligibility, determine whether a Participant has Terminated Employment, determine the amount, manner, and timing of distributions under the Plan, and resolve any claims for benefits;

(2) to prescribe procedures to be followed by a Participant, Beneficiary, or other person applying for benefits;

(3) to appoint or employ persons to assist in the administration of the Plan and any other agents as it deems advisable;

(4) to adopt such rules as it deems necessary or appropriate; and

(5) to maintain and keep adequate records concerning the Plan, including sufficient records to determine each Participant's eligibility to participate and his interest in the Plan, and its proceedings and acts in such form and detail as it may decide.

Section 7.02 Indemnification. The Company shall indemnify and hold harmless the Administrator, any person serving on a committee that serves as Administrator, and any officer, employee, or director of an Employer to whom any duty or power relating to the administration of the Plan has been properly delegated from and against any cost, expense, or liability arising out of any act or omission in connection with the Plan, unless arising out of such person's own fraud or bad faith.

Section 7.03 Claims and Claims Review Procedure.

(a) In general, distributions under the Plan will be made automatically as provided in Article VI and no Benefit Claim will be necessary for a Participant to receive distributions under the Plan. If a Participant or his designated Beneficiary believes he is entitled to a benefit under the Plan that is not provided, however, he may file a written Benefit Claim for payments under the Plan with the Administrator provided such claim is filed within 90 days of the date payments under the Plan are made or begin to be made, or the date the Participant or his designated Beneficiary believes payments should have been made, as applicable. All Benefit Claims must be made in accordance with procedures established by the Administrator from time to time. A Benefit Claim and any appeal thereof may be filed by the claimant or his authorized representative.

(b) The Administrator shall provide the claimant with written or electronic notice of its approval or Denial of a properly filed Benefit Claim within 90 days after receiving the claim, unless special circumstances require an extension of the decision period. If special circumstances require an extension of the time for processing the claim, the initial 90-day period may be extended for up to an additional 90 days. If an extension is required, the Administrator shall provide written notice of the required extension before the end of the initial 90-day period, which notice shall (i) specify the circumstances requiring an extension and (ii) the date by which the Administrator expects to make a decision.

(c) If a Benefit Claim is Denied, the Administrator shall provide the claimant with written or electronic notice containing (i) the specific reasons for the Denial, (ii) references to the applicable Plan provisions on which the Denial is based, (iii) a description of any additional material or information needed and why such material or information is necessary, and (iv) a description of the applicable review process and time limits.

(d) A claimant may appeal the Denial of a Benefit Claim by filing a written appeal with the Administrator within 60 days after receiving notice of the Denial. The claimant's appeal shall be deemed filed on receipt by the Administrator. If a claimant does not file a timely appeal, the Administrator's decision shall be deemed final, conclusive, and binding on all persons.

(e) The Administrator shall provide the claimant with written or electronic notice of its decision on appeal within 60 days after receipt of the claimant's appeal request, unless special circumstances require an extension of this time period. If special circumstances require an extension of the time to process the appeal, the processing period may be extended for up to an additional 60 days. If an extension is required, the Administrator shall provide written notice of the required extension to the claimant before the end of the original 60-day period, which shall specify the circumstances requiring an extension and the date by which the Administrator expects to make a decision. If the Benefit Claim is Denied on appeal, the Administrator shall provide the claimant with written or electronic notice containing a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Benefit Claim, as well as the specific reasons for the Denial on appeal and references to the applicable Plan provisions on which the Denial is based. The Administrator's decision on appeal shall be final, conclusive, and binding on all persons, subject to the claimant's right to file a civil action pursuant to ERISA Section 502(a).

(f) Notwithstanding the foregoing claims and appeals procedures, to avoid an additional tax on payments that may be payable under the Plan, a claimant must make a reasonable, good faith effort to collect any payment or benefit to which the claimant believes he is entitled hereunder no later than 90 days after the latest date upon which the payment could have been timely made pursuant to Code Section 409A, and if not paid or provided, must take further enforcement measures within 180 days after such latest date.

ARTICLE VIII
AMENDMENT AND TERMINATION

The Plan shall continue in force with respect to any Participant until the completion of any payments due hereunder. The Company may, however, at any time, amend the Plan to provide that no additional benefits shall accrue with respect to any Participant under the Plan following expiration of the Participant’s irrevocable election; provided, however, that no such amendment shall (i) deprive any Participant or Beneficiary of any benefit that accrued under the Plan before the adoption of such amendment; (ii) result in an acceleration of benefit payments in violation of Code Section 409A and the guidance thereunder, or (iii) result in any other violation of Code Section 409A or the guidance thereunder. The Company may also, at any time, amend the Plan retroactively or otherwise, if and to the extent that it deems such action appropriate in light of government regulations or other legal requirements.

ARTICLE IX
MISCELLANEOUS

Section 9.01 Obligations of Employer. The Employer's only obligation hereunder shall be a contractual obligation to make payments to Participants or Beneficiaries entitled to benefits provided for herein when due, and only to the extent that such payments are not made from the

Trust. Nothing herein shall give a Participant, Beneficiary, or other person any right to a specific asset of an Employer or the Trust, other than as a general creditor of the Employer.

Section 9.02 Employment Rights. Nothing contained herein shall confer any right on an Participant to be continued in the employ of any Employer or affect the Participant's right to participate in and receive benefits under and in accordance with any pension, profit-sharing, incentive compensation, or other benefit plan or program of an Employer.

Section 9.03 Non-Alienation. Except as otherwise required by a Domestic Relations Order, no right or interest of an Participant, Spouse, or other Beneficiary under this Plan shall be subject to voluntary or involuntary alienation, assignment, or transfer of any kind. Payments shall be made to an Alternate Payee to the extent provided in a Domestic Relations Order. To the extent permitted by Code Section 409A, payments pursuant to a Domestic Relations Order may be made in a lump sum and before the Participant's earliest retirement age (as defined by ERISA Section 206(d)(3)(E)(ii)).

Section 9.04 Tax Withholding. The Employer or Trustee may withhold from any distribution hereunder amounts that the Employer or Trustee deems necessary to satisfy federal, state, or local tax withholding requirements (or make other arrangements satisfactory to the Employer or Trustee with regard to such taxes).

Section 9.05 Other Plans. Amounts and benefits paid under the Plan shall not be considered compensation to the Participant for purposes of computing any benefits to which he may be entitled under any other pension or retirement plan maintained by an Employer.

Section 9.06 Liability of Affiliated Employers. If any payment to be made under the Plan is to be made on account of an Participant who is or was employed by an Affiliated Employer, the cost of such payment shall be borne in such proportion as the Company and the Affiliated Employer agree.

This Restatement of Cummins Inc. Deferred Compensation Plan has been signed by the Company's duly authorized officer, acting on behalf of the Company, on this 1st day of July, 2014.

CUMMINS INC.

By: /s/ Jill E. Cook
Name: Jill E. Cook
Title: Vice President — Human Resources

CUMMINS INC. EXCESS BENEFIT RETIREMENT PLAN

Amended and Restated as of January 1, 2014
with amendments through July 2014

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Article I
GENERAL PROVISIONS

Section 1.01. History and Restatement. Cummins Inc. ("Company") established the Excess Benefit Retirement Plan of Cummins Engine Company, Inc. ("Plan"), effective March 1, 1984, and it has amended the Plan on several occasions since that time. The Company restated the Plan effective January 1, 2008 to comply with the requirements of the final regulations under Code Section 409A, and restated the Plan again effective as of January 1, 2009. The Plan is again amended and restated effective as of January 1, 2014, to incorporate certain changes to the terms of the Plan.

Section 1.02. Application of Restatement. Neither the 2009 restatement nor the current restatement shall apply to any benefits under the Plan accrued and vested on or before December 31, 2004 ("Grandfathered Benefit"), and Grandfathered Benefits shall continue to be governed by the terms and conditions of the Plan as in effect on December 31, 2007; provided, however, the individual entitled to receive benefits following a Participant's death shall be determined pursuant to this restatement.

Section 1.03. Purpose. Code Section 415 imposes limits on the maximum benefit that can be paid to a participant under a qualified retirement plan, and Code Section 401(a)(17) limits the amount of annual compensation that can be taken into account in calculating a participant's benefit under a qualified retirement plan. The purpose of the Plan is to provide additional retirement benefits for a select group of management or highly compensated employees to compensate them for the reduction in the benefits that would otherwise have been payable to them under the Pension Plan were it not for the limitations imposed by Code Sections 415 and 401(a)(17). The Company intends for the Plan to qualify as an unfunded arrangement maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of ERISA Sections 201, 301 and 401. The Company also intends for the Plan to satisfy the applicable requirements of Code Section 409A.

Section 1.04. Grantor Trust. The Company has established a grantor trust to hold assets for the provision of certain benefits under the Plan as well as other Employer benefits. Assets of the Trust are subject to the claims of the Employer's general creditors.

ARTICLE II
DEFINITIONS AND INTERPRETATION

Section 2.01. Definitions. When the first letter of a word or phrase is capitalized herein, the word or phrase shall have the meaning specified below:

(a) "Administrator" means the Company's Benefits Policy Committee or such other person that the Board designates as Administrator. To the extent that the Administrator delegates a duty or responsibility to an agent, the term "Administrator" shall include such agent.

(b) "Affiliated Employer" means (i) a member of a controlled group of corporations (as defined in Code Section 414(b)) of which the Company is a member or (ii) an unincorporated trade or business under common control (as defined in Code Section 414(c)) with the Company.

(c) "Affirmation of Domestic Partnership" means an Applicable Form for affirming the relationship between a Participant and his Domestic Partner.

(d) "Alternate Payee" has the meaning set out in ERISA Section 206(d)(3)(K).

(e) "Annuity Starting Date" means the first day of the month following the earlier of (i) the later of the Participant's (A) Termination of Employment or (B) 55^{th} birthday or (ii) the Participant's death; provided, however, the "Annuity Starting Date" with respect to a Participant who Terminated Employment with a Vested Excess Benefit on or before December 31, 2004, and whose entire benefit under the Plan was accrued and vested as of his Termination of Employment, shall continue to be the same as the annuity starting date with respect to the Participant under the Pension Plan.

(f) "Applicable Form" means a form provided by the Administrator for making an election or designation under the Plan. To the extent permitted by the Administrator, an Applicable Form may be provided and/or an election or designation made electronically.

(g) "Beneficiary" means the person or entity entitled to receive a benefit with respect to a Participant (i) following his death before his Annuity Starting Date or (ii) following his death after his Annuity Starting Date, if any benefits are payable under the form of distribution in effect at the time of the Participant's death following the death of the Participant and his Joint Annuitant, if any. A Participant's Beneficiary shall be determined as provided in Section 4.06.

(h) "Benefit Claim" means a request or claim for a benefit under the Plan, including a claim for greater benefits than have been paid.

(i) "Board" or "Board of Directors" means the Company's board of directors or, where the context so permits, its designee.

(j) "Change of Control" means the occurrence of any of the following:

(1) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash or other securities or property, other than a merger of the Company in which the holders of the Company's common stock immediately before the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (B) any sale, lease, exchange, or transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or

(2) the liquidation or dissolution of the Company, or

(3) any ‘person’ (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the ‘Exchange Act’)), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise, or

(4) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company’s shareholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or

(5) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

Notwithstanding the preceding provisions, an event or series of events shall not constitute a Change of Control unless the event or series of events qualifies as a change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation within the meaning of Code Section 409A(a)(2)(A)(v).

(k) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(l) “Company” means Cummins Inc.

(m) “Denial” or “Denied” means a denial, reduction, termination, or failure to provide or make payment (in whole or in part) of a Plan benefit.

(n) “Domestic Partner” means a person of the same or opposite sex (i) with whom the Participant has a single, dedicated relationship and has shared the same permanent residence for at least six months, (ii) who is not married to another person or part of another domestic partner relationship and is at least age 18, (iii) who, with the Participant, is mutually responsible for the other’s welfare, (iv) who, with the Participant, intends for their relationship to be permanent, (v) who is not so closely related to the Participant as to preclude marriage under state law, and (vi) for whom there is an Affirmation of Domestic Partnership on file with the Administrator. In determining whether the requirements of clauses (i) through (v) of the preceding sentence have been satisfied, the Administrator may rely on the Affirmation of Domestic Partnership filed with the Administrator.

(o) "Domestic Relations Order" has the meaning specified in Code Section 414(p)(1)(B).

(p) "Employee" means a common law employee of an Employer, excluding, however, any person paid through the payroll of an unrelated third party, even if such person is determined to be a common law employee of an Employer; and provided that no employee of any North American distributorship acquired by the Company in 2013 or subsequent years shall be considered an Employee for purposes of the Plan until such time as the distributorship has been integrated, as determined by the Company in its sole discretion, into Cummins Inc.

(q) "Employer" means the Company and all of its Affiliated Employers.

(r) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

(s) "Excess Benefit" means, with respect to a Participant as of any date, a benefit equal to the excess, if any, of (i) the benefit that would have been payable to, or with respect to, the Participant under the Pension Plan as of such date in the same form and with the same Annuity Starting Date, if the amount of such benefit were calculated without giving effect to the Qualified Plan Limits, over (ii) the benefit that would be payable to, or with respect to, the Participant under the Pension Plan as of such date in the same form and with the same Annuity Starting Date, after giving effect to the Qualified Plan Limits.

(t) "Grandfathered Benefit" has the meaning specified in Section 1.01.

(u) "Joint Annuitant" means the survivor annuitant under an annuity benefit payable to the Participant pursuant to the Plan.

(v) "Married" means, with respect to a Participant, that the Participant has a Spouse.

(w) "Non-Grandfathered Benefit" means a benefit under the Plan that is not a Grandfathered Benefit.

(x) "Participant" means an Employee (or former Employee) who is (or was) a participant in the Pension Plan and who has an Excess Benefit. An individual shall cease to be a Participant at such time as he no longer has an Excess Benefit.

(y) "Pension Plan" means the Cummins Inc. and Affiliates Pension Plan, as amended from time to time.

(z) "Plan" means the Cummins Inc. Excess Benefit Retirement Plan, as set out herein and as amended from time to time hereafter.

(aa) "Present Actuarial Value" means the present value of a future stream of payments, as determined by the Administrator using:

(1) the mortality table based on the commissioner's standard table (described in Code Section 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date as of which present value is determined (without regard to any other subparagraph of Code Section 807(d)(5)), that is prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin; and

(2) the annual interest rate on 30-year U.S. Treasury Bonds as specified by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin for the fourth month preceding the first day of the calendar quarter in which the Participant's Annuity Starting Date falls.

(bb) "Qualified Joint and Survivor Annuity" means an immediate level monthly annuity for the life of a Participant with a survivor annuity for the life of the Participant's surviving Spouse in a monthly amount equal to 50% of the amount payable during the joint lives of the Participant and his Spouse.

(cc) "Qualified Plan Limits" means the limitation on compensation that may be taken into account under a qualified retirement plan, as provided in Code Section 401(a)(17), and the dollar limitation on annual benefits under a qualified retirement plan, as provided in Code Section 415.

(dd) "Service" means the Participant's service for vesting purposes credited under the Pension Plan.

(ee) "Single Life Annuity" means a level monthly annuity payable to the Participant for his life, or, where the context permits, a level monthly annuity payable to the Joint Annuitant for his life.

(ff) "Specified Employee" means, with respect to the 12-month period beginning on the Specified Employee Effective Date, an individual who, (i) during any part of the 12-month period ending on the Specified Employee Identification Date, is in salary grade 99 or compensation class 6, or (ii) is a specified employee within the meaning of Code Section 409A(a)(2)(B)(i) and the guidance thereunder.

(gg) "Specified Employee Effective Date" means, in the case of an Employee who Terminates Employment before December 31, 2009, the April 1 next following the Specified Employee Identification Date, and, in the case of an Employee who Terminates Employment after December 31, 2009, the January 1 next following the Specified Employee Identification Date.

(hh) "Specified Employee Identification Date" means December 31.

(ii) "Spouse" means (i) the person to whom the Participant is married in accordance with applicable law of the jurisdiction in which the Participant resides, or (ii) in the case of a Participant not described in clause (i), the Participant's Domestic Partner.

(jj) "Terminates Employment", "Termination of Employment" or any variation thereof refers to a separation from service within the meaning of Code Section 409A(a)(2)(A)(i) for a reason other than Participant's death.

(kk) "Trust" means the grantor trust established by the Company to provide a source for the payment of retirement benefits under the Plan and benefits under certain other Employer programs.

(ll) "Trustee" means the Trustee of the Trust.

(mm) "Vested" means, with respect to a Participant, the portion of the Participant's Excess Benefit in which the Participant has a non-forfeitable interest, to the extent provided herein.

Section 2.02. Rules of Interpretation.

(a) The Plan is intended to comply with (i) Code Section 409A and (ii) the applicable provisions of ERISA, and it shall be interpreted and administered in accordance with such intent. Except as provided in the preceding sentence or as otherwise expressly provided herein, the Plan shall be construed, enforced, and administered, and the validity thereof determined, in accordance with the internal laws of the State of Indiana, without regard to conflict of law principles, and the following provisions of this Section.

(b) Words used herein in the masculine shall be construed to include the feminine, where appropriate, and *vice versa*, and words used herein in the singular shall be construed to include the plural, and *vice versa*, where appropriate.

(c) Headings and subheadings are inserted for convenience of reference only and shall not affect the interpretation of any provision hereof.

(d) If any provision of the Plan shall be held to violate the Code or ERISA or be illegal or invalid for any other reason, that provision shall be deemed null and void, but the invalidation of that provision shall not otherwise affect the Plan.

(e) Reference to any provision of the Code, ERISA, or other law shall be deemed to include a reference to the successor of such provision.

ARTICLE III
VESTING OF EXCESS BENEFIT AND FORFEITURES

Section 3.01. Vesting. A Participant's interest in his Excess Benefit shall become 100% Vested upon the earliest to occur of (i) the Participant's completion of three years of Service or, (ii) while the Participant is an Employee, his (A) death or (B) disability within the meaning of the Pension Plan.

Section 3.02. Forfeitures. A Participant shall forfeit his rights to any non-Vested Excess Benefit under the Plan upon his Termination of Employment.

ARTICLE IV
DISTRIBUTIONS

Section 4.01. Timing of Distributions. A Participant's Vested Excess Benefit shall be paid, or commence to be paid, on the Participant's Annuity Starting Date in the form determined pursuant to this Article.

Section 4.02. Distributions Upon Termination.

(a) If a Participant Terminates Employment, his Vested Excess Benefit shall be distributed pursuant to this Section; provided, however, if the Participant dies before his Annuity Starting Date, no benefits shall be paid pursuant to this Section, and the only benefits with respect to the Participant shall be paid pursuant to Section 4.03.

(b) Notwithstanding the following provisions of this Section, if the Present Actuarial Value of the benefits payable to a Participant (and his Joint Annuitant, if applicable) pursuant to this Section, when added to the Present Actuarial Value of the benefits payable pursuant to the Company's Supplemental Life Insurance and Deferred Income Plan is less than $25,000 (as determined on the date of the Participant's Termination of Employment), then such Present Actuarial Value shall be paid to the Participant in a lump sum payment within 60 days following the Participant's Termination of Employment.

(c) Subject to Subsection (b), unless a Participant elects an optional form of distribution pursuant to Subsection (d), his Vested Excess Benefit shall be distributed (i) to him as a Single Life Annuity, if he is not Married on his Annuity Starting Date, and (ii) to him and his Spouse as a Qualified Joint and Survivor Annuity, if he is Married on his Annuity Starting Date.

(d) A Participant may elect not to receive his Vested Excess Benefit in the normal form described in Subsection (c) and elect, instead, to receive his Vested Excess Benefit in one of the optional annuity forms of benefit then available under the Pension Plan. If the Participant elects an optional annuity form, the annuity amount shall be the actuarial equivalent of the normal form of benefit (as determined by the Administrator, using the applicable actuarial factors specified in the Pension Plan). A Participant's election of an optional annuity form must be submitted to the Administrator in writing at least 30 days before his Annuity Starting Date (or such shorter period of time required by the Administrator), and the Participant may revoke his election at any time before his Annuity Starting Date by providing written notice to the Administrator. If the Participant elects an optional form of annuity with a survivor annuity, the survivor annuitant dies before the Participant's Annuity Starting Date, and the Participant has not made a later election, the Participant's Vested Excess Benefit shall be distributed in the normal form described in Subsection (c).

(e) Notwithstanding the preceding provisions, if the Participant's Vested Excess Benefit is paid as a life annuity to the Participant with a survivor annuity for his Spouse, and the Participant's Spouse dies after the Participant's Annuity Starting Date (but before the Participant dies), the Participant's monthly benefit shall be increased to the monthly benefit that would have been payable if the Participant's Vested Excess Benefit had been paid as a Single Life Annuity, beginning as of the first day of the month next following his Spouse's death.

Section 4.03. Survivor Benefits.

(a) Except as provided in Section 4.02 with respect to a Participant who dies after his Annuity Starting Date or the following provisions of this Section, no benefits shall be payable pursuant to the Plan following a Participant's death.

(b) If a Participant dies before his Annuity Starting Date, and the survivor benefit payable to the Beneficiary of the Participant under the Pension Plan is less than the survivor benefit that would have been payable if such benefit were calculated without giving effect to the Qualified Plan Limits, the Company shall pay to the Participant's Beneficiary a survivor benefit equal to the excess of (i) the survivor benefit that would have been payable to the Beneficiary, if paid under the Pension Plan as a Single Life Annuity beginning as of the Participant's Annuity Starting Date, if such benefit were calculated without giving effect to the Qualified Plan Limits, over (ii) the survivor benefit that would be payable to the Beneficiary under the Pension Plan, if paid as a Single Life Annuity beginning as of the Participant's Annuity Starting Date, after giving effect to the Qualified Plan Limits. Subject to the following sentence, the survivor benefit payable under this Subsection shall be a Single Life Annuity commencing as of the Participant's Annuity Starting Date. If the Present Actuarial Value of the amounts payable pursuant to this Section when added to the Present Actuarial Value of the death benefits payable pursuant to the Supplemental Life Insurance and Deferred Income Plan is less than $25,000, then such Present Actuarial Value shall be paid to the Participant's Beneficiary or Beneficiaries in a lump sum payment within 60 days following the Participant's death.

(c) If a Participant dies after his Annuity Starting Date, survivor benefits (if any) shall be paid to the Joint Annuitant pursuant to the form of payment in effect at the time of death.

Section 4.04. Distributions Upon a Change of Control. Upon a Change of Control, notwithstanding any provision of the Plan to the contrary, each Participant and each Beneficiary or Joint Annuitant of a deceased Participant (if applicable), shall receive, in place of future payments under the Plan, a lump sum payment equal to the Present Actuarial Value of the Participant's Vested Excess Benefit accrued to the date of the Change of Control and remaining to be paid under the Plan. In the case of a Participant who has not Terminated Employment, the lump sum Present Actuarial Value of the Vested Excess Benefit payable shall be calculated assuming that, solely for the purpose of reducing the benefit for early commencement, the Participant has already met the conditions for unreduced benefits under the Pension Plan at the earliest possible time, taking into consideration the Participant's age and Service.

Section 4.05. Delay in Payment for Specified Employees. Notwithstanding any provisions in the Plan to the contrary, if a Participant who is a Specified Employee Terminates Employment, the Participant's Vested Excess Benefit shall not commence earlier than six months after the date of the Participant's Termination of Employment. If the Excess Benefit is payable in the form of a monthly annuity, the sum of the monthly payments that are required to be delayed in accordance with this Section shall be paid with the first permitted monthly payment. Any delayed payments shall be increased by interest from the Participant's Annuity Starting Date to the date on which his benefit payments begin at the applicable interest rate for retroactive annuity starting dates under the Pension Plan.

Section 4.06. Designating a Beneficiary.

(a) A Participant may designate a Beneficiary only by filing a completed Applicable Form with the Administrator during his lifetime. The Participant's proper filing of a Beneficiary designation shall cancel the Participant's prior Beneficiary designations under the Plan, if any. If the Participant does not designate a Beneficiary, or if all properly designated Beneficiaries die, the Participant's Beneficiary shall be his Spouse, if living at the time of the Participant's death, or if his Spouse is not then living, the individual(s), if any, named as the Participant's beneficiary under his Employer-provided group life insurance program, who are living at the time of the Participant's death or, if no such beneficiaries are then living, the Participant's estate.

(b) Except to the extent the Participant's Beneficiary is the individual named as the Participant's beneficiary under his Employer-provided group life insurance program pursuant to the preceding paragraph and such program otherwise provides, the following rules shall determine the apportionment of payments due under the Plan among Beneficiaries in the event of the death of the Participant:

(1) If any Beneficiary designated by the Participant as a "Direct Beneficiary" dies before the Participant, his interest and the interest of his heirs in any payments under the Plan shall terminate and the percentage share of the remaining Beneficiaries designated as Direct Beneficiaries shall be increased on a pro rata basis. If no such Beneficiary survives the Participant, the Participant's entire interest in the Plan shall pass to any Beneficiary designated as a "Contingent Beneficiary."

(2) If any Beneficiary designated by the Participant as a "Contingent Beneficiary" dies before the Participant, his interest and the interest of his heirs in any payments under the Plan shall terminate and the percentage share of the remaining Beneficiaries designated as Contingent Beneficiaries shall be increased on a pro rata basis.

(3) If any Beneficiary dies after the Participant, but before payment is made to such Beneficiary, then the payment shall be made to the Beneficiary's estate.

ARTICLE V
ADMINISTRATION OF PLAN

Section 5.01. Powers and Responsibilities of the Administrator.

(a) The Administrator shall have full responsibility and discretionary authority to control and manage the operation and administration of the Plan. The Administrator is authorized to accept service of legal process on behalf of the Plan. To the fullest extent permitted by applicable law, any action taken by the Administrator pursuant to a reasonable interpretation of the Plan shall be binding and conclusive on all persons claiming benefits under the Plan, except to the extent that a court of competent jurisdiction determines that such action was arbitrary or capricious.

(b) The Administrator's discretionary powers include, but are not limited to, the following:

(1) to interpret Plan documents, decide all questions of eligibility, determine whether a Participant has Terminated Employment, determine the amount, manner, and timing of distributions under the Plan, and resolve any claims for benefits;

(2) to prescribe procedures to be followed by a Participant, Beneficiary, or other person applying for benefits;

(3) to appoint or employ persons to assist in the administration of the Plan and any other agents as it deems advisable;

(4) to adopt such rules as it deems necessary or appropriate; and

(5) to maintain and keep adequate records concerning the Plan, including sufficient records to determine each Participant's eligibility to participate and his interest in the Plan, and its proceedings and acts in such form and detail as it may decide.

Section 5.02. Indemnification. The Company shall indemnify and hold harmless the Administrator, any person serving on a committee that serves as Administrator, and any officer, employee, or director of an Employer to whom any duty or power relating to the administration of the Plan has been properly delegated from and against any cost, expense, or liability arising out of any act or omission in connection with the Plan, unless arising out of such person's own fraud or bad faith.

Section 5.03. Claims and Claims Review Procedure.

(a) All Benefit Claims must be made in accordance with procedures established by the Administrator from time to time. If a Participant or his designated Beneficiary believes he is entitled to a benefit under the Plan that is not provided, he may file a written claim for payments under the Plan with the Administrator provided such claim is filed within 90 days of the date payments under the Plan are made or begin to be made, or the date the Participant or his designated Beneficiary believes payments should have been made, as applicable. A Benefit Claim and any appeal thereof may be filed by the claimant or his authorized representative.

(b) The Administrator shall provide the claimant with written or electronic notice of its approval or Denial of a properly filed Benefit Claim within 90 days after receiving the claim, unless special circumstances require an extension of the decision period. If special circumstances require an extension of the time for processing the claim, the initial 90-day period may be extended for up to an additional 90 days. If an extension is required, the Administrator shall provide written notice of the required extension before the end of the initial 90-day period, which notice shall (i) specify the circumstances requiring an extension and (ii) the date by which the Administrator expects to make a decision.

(c) If a Benefit Claim is Denied, the Administrator shall provide the claimant with written or electronic notice containing (i) the specific reasons for the Denial, (ii) references to the applicable Plan provisions on which the Denial is based, (iii) a description of any additional material or information needed and why such material or information is necessary, and (iv) a description of the applicable review process and time limits.

(d) A claimant may appeal the Denial of a Benefit Claim by filing a written appeal with the Administrator within 60 days after receiving notice of the Denial. The claimant's appeal shall be deemed filed on receipt by the Administrator. If a claimant does not file a timely appeal, the Administrator's decision shall be deemed final, conclusive, and binding on all persons.

(e) The Administrator shall provide the claimant with written or electronic notice of its decision on appeal within 60 days after receipt of the claimant's appeal request, unless special circumstances require an extension of this time period. If special circumstances require an extension of the time to process the appeal, the processing period may be extended for up to an additional 60 days. If an extension is required, the Administrator shall provide written notice of the required extension to the claimant before the end of the original 60-day period, which shall specify the circumstances requiring an extension and the date by which the Administrator expects to make a decision. If the Benefit Claim is Denied on appeal, the Administrator shall provide the claimant with written or electronic notice containing a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Benefit Claim, as well as the specific reasons for the Denial on appeal and references to the applicable Plan provisions on which the Denial is based. The Administrator's decision on appeal shall be final, conclusive, and binding on all persons, subject to the claimant's right to file a civil action pursuant to ERISA Section 502(a).

(f) Notwithstanding the foregoing claims and appeals procedures, to avoid an additional tax on payments that may be payable under the Plan, a claimant must make a reasonable, good faith effort to collect any payment or benefit to which the claimant believes he is entitled to hereunder no later than 90 days after the latest date upon which the payment could have been timely made pursuant to Code Section 409A, and if not paid or provided, must take further enforcement measures within 180 days after such latest date.

ARTICLE VI
APPLICATION OF LIMITS ON PAYMENTS

Section 6.01. Determination of Cap or Payment. Effective December 12, 2011, notwithstanding any other provision of the Plan to the contrary, if payment of the lump sum Present Actuarial Value of the Participant's Vested Excess Benefit pursuant to Section 4.04 ("Accelerated Payment") would cause some or all of the Accelerated Payment or any other payments made to or benefits received by the Participant in connection with a Change of Control (such payments or benefits, together with the Accelerated Payment, the "Total Payments") to be subject to the tax ("Excise Tax") imposed by Code Section 4999 but for this Article VI, then the Total Payments shall be delivered either (a) in full or (b) in an amount such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be One Dollar ($1.00) less than the maximum amount that the Participant may receive without being subject to the Excise Tax, whichever of (a) or (b) results in the receipt by the Participant of the greatest benefit on an after-tax basis (taking into account applicable federal, state and local income taxes and the Excise Tax).

Section 6.02. Procedures.

(a) If the Participant or the Company believes that a payment or benefit due the Participant will result in some or all of the Total Payments being subject to the Excise Tax, then the Company, at its expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel ("National Tax Counsel") selected by the Company (which may be regular outside counsel to the Company), which opinion sets forth (i) the amount of the Base Period Income (as defined below), (ii) the amount and present value of the Total Payments, (iii) the amount and present value of any excess parachute payments determined without regard to any reduction of Total Payments pursuant to Section 6.01(b), and (iv) the net after-tax proceeds to the Participant, taking into account applicable federal, state and local income taxes and the Excise Tax if (x) the Total Payments were delivered in accordance with Section 6.01(a) or (y) the Total Payments were delivered in accordance with Section 6.01(b). The opinion of National Tax Counsel shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such National Tax Counsel opinion determines that Section 6.01(b) applies, then the Accelerated Payment or any other payment or benefit determined by such counsel to be includable in the Total Payments shall be reduced or eliminated so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. In such event, payments or benefits included in the Total Payments shall be reduced or eliminated by applying the following principles, in order: (A) the payment or benefit with the higher ratio of the parachute payment value to present economic value (determined using reasonable actuarial assumptions) shall be reduced or eliminated before a payment or benefit with a lower ratio; (B) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (C) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made pro rata among the payments or benefits included in the Total Payments (on the basis of the relative present value of the parachute payments).

(b) For purposes of this Article VI: (i) the terms "excess parachute payment" and "parachute payments" shall have the meanings given in Code Section 280G and such "parachute payments" shall be valued as provided therein; (ii) present value shall be calculated in accordance with Code Section 280G(d)(4); (iii) the term "Base Period Income" means an amount equal to the Participant's "annualized includible compensation for the base period" as defined in Code Section 280G(d)(1); (iv) for purposes of the opinion of National Tax Counsel, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4); and (v) the Participant shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation, and state and local income taxes at the highest marginal rate of taxation in the state or locality of the Participant's domicile, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes.

(c) If National Tax Counsel so requests in connection with the opinion required by this Section 6.02, the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant solely with respect to its status under Code Section 280G.

(d) The Company agrees to bear all costs associated with, and to indemnify and hold harmless the National Tax Counsel from, any and all claims, damages and expenses resulting from or relating to its determinations pursuant to this Article VI, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(e) This Article VI shall be amended to comply with any amendment or successor provision to Code Section 280G or Code Section 4999. If such provisions are repealed without successor, then this Article VI shall be cancelled without further effect.

ARTICLE VII
AMENDMENT AND TERMINATION

The Plan shall continue in force with respect to any Participant until the completion of any payments due hereunder. The Company may, however, at any time, amend the Plan to provide that no additional benefits shall accrue with respect to any Participant under the Plan; provided, however, that no such amendment shall (i) deprive any Participant, Joint Annuitant, or Beneficiary of any benefit that accrued under the Plan before the adoption of such amendment; (ii) result in an acceleration of benefit payments in violation of Code Section 409A and the guidance thereunder, or (iii) result in any other violation of Section 409A or the guidance thereunder. The Company may also, at any time, amend the Plan retroactively or otherwise, if and to the extent that it deems such action appropriate in light of government regulations or other legal requirements.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. Obligations of Employer. The Employer's only obligation hereunder shall be a contractual obligation to make payments to Participants, Joint Annuitants, and Beneficiaries entitled to benefits provided for herein when due, and only to the extent such payments are not made from the Trust. Nothing herein shall give a Participant, Joint Annuitant, Beneficiary, or other person any right to a specific asset of an Employer or the Trust, other than as a general creditor of the Employer.

Section 8.02. Employment Rights. Nothing contained herein shall confer any right on a Participant to be continued in the employ of any Employer or affect the Participant's right to participate in and receive benefits under and in accordance with any pension, profit-sharing, incentive compensation, or other benefit plan or program of an Employer.

Section 8.03. Non-Alienation. Except as otherwise required by a Domestic Relations Order, no right or interest of a Participant, Joint Annuitant, Beneficiary, or other person under the

Plan shall be subject to voluntary or involuntary alienation, assignment, or transfer of any kind. Payment shall be made to Alternate Payees as provided in a Domestic Relations Order.

Section 8.04. Tax Withholding. The Employer or Trustee may withhold from any distribution hereunder amounts that the Employer or Trustee deems necessary to satisfy federal, state, or local tax withholding requirements (or make other arrangements satisfactory to the Employer or Trustee with regard to such taxes).

Section 8.05. Other Plans. Amounts and benefits paid under the Plan shall not be considered compensation to the Participant for purposes of computing any benefits to which he may be entitled under any other pension or retirement plan maintained by an Employer.

Section 8.06. Pension Plan Termination. If the Pension Plan is terminated in accordance with its terms, the obligation to provide any Excess Benefit accrued up to the termination date shall continue, but no benefits shall accrue hereunder after the effective date of the Pension Plan's termination.

Section 8.07. Liability of Affiliated Employers. If any payment to be made under the Plan is to be made on account of an Employee who is or was employed by an Employer other than the Company, the cost of such payment shall be borne in such proportions as the Company and the other Employer agree.

This Restatement of the Cummins Inc. Excess Benefit Retirement Plan has been signed by the Company's duly authorized officer, acting of behalf of the Company, on this 1st day of July, 2014.

CUMMINS INC.

By: /s/ Jill E. Cook
Name: Jill E. Cook
Title: Vice President — Human Resources

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Key Employee Stock Investment Plan ("KESIP") And Handbook

The date of this document is June 17, 2014.

Contents	**Page**

TITLE AND PURPOSE OF THE PLAN

This Cummins Inc. Key Employee Stock Investment Plan (the "Plan" or "KESIP") is intended to encourage key employees of Cummins Inc. and its subsidiaries (collectively, the "Company") to own shares of Cummins Inc. common stock, par value $2.50 per share ("Stock" or "Shares"). Through such ownership, the Plan is expected to benefit the Company by attracting and retaining the best available talent and more closely aligning the interests of its key employees with those of its shareholders.

ELIGIBILITY

Eligible employees of the Company are those who are:

- On the U.S. payroll, either in or outside the U.S.;
- In Compensation Class 4 or 5 or its equivalent; and
- Not officers of the Company.

In addition, employees of North American distributorships acquired by the Company in 2013 or subsequent years are not eligible to participate in the Plan until such time as the distributorship has been integrated, as determined by the Company in its sole discretion, into Cummins Inc. Employees who meet the specified requirements are eligible to participate to the extent permitted by applicable law (such employees who participate, "Participants"). The KESIP Plan Administrator will notify employees who become eligible to participate of their eligibility.

A Participant will cease to be eligible to purchase Shares under the Plan if at any time he or she no longer meets all of the requirements described above. As described in the section titled "LOANS – Loan Repayment" below, employees who become officers of the Company are no longer eligible to participate.

PLAN OVERVIEW

- Participants may obtain funds (up to the established loan limit) to purchase Stock through a loan from the Company. Loan proceeds are to be used solely and immediately for the purchase of Stock.
- Participants will receive a non-qualified stock option exercisable for 50 Shares for every even block of 100 KESIP Shares purchased.
- Participants receive dividends on purchased Shares during the term of the loan and are entitled to vote the Shares.
- Subject to Plan limitations, the Participant may sell Shares to the Company, in which case he or she will receive the sale proceeds, reduced by the outstanding loan balance, including accrued interest. The Company handles the transaction with no brokerage fees charged to the Participant.
- The Plan is administered by the KESIP Plan Administrator. Participants may use the addresses and telephone numbers indicated in the Appendix titled "Contact List" to obtain additional information about the Plan and its administrator.

PURCHASES AND SALES

Limits on Purchases and Sales

- A Participant may purchase Shares immediately upon becoming informed of eligibility.
- A Participant will remain eligible to purchase Shares, subject to the conditions and limitations in the Plan, until he or she no longer meets all of the requirements for participation in the Plan.
- A Participant may not sell Shares purchased under the Plan within six months of the purchase.
- A Participant may not purchase Shares under the Plan within six months after selling Shares acquired under the Plan.
- A Participant may not purchase or sell Shares under the Plan during a "blackout period."

  "Blackout periods" are based on the Company's Accounting Calendar and its earnings release date(s).

  The dates for the blackout periods are posted on MyCummins (http://mycummins.cummins.com/wps/portal/EmployeePortal/OurCompany/CorporateFunctions/LegalSelfService/InsiderTrading).

  Posted dates are subject to change without advance notice.

  Blackout periods may also occur at the discretion of the Company's Vice President - General Counsel. Participants will be notified if this is the case when they request a purchase or sale.

Share Pricing

- Purchases:
  - Purchases are made at the closing price on the New York Stock Exchange on the last trading day preceding the day on which the Participant's request to purchase is treated as received. The purchase may be rescinded in the Committee's discretion, however, if all required paperwork is not subsequently signed and returned as directed.
  - If the request to purchase is made on a day on which the New York Stock Exchange is closed, the purchase price will be determined as though the request had been made on the prior trading day. For example, if the request was received on a Saturday, the price will be set as though the request was received on the prior Friday -- at Thursday's closing price.

- Requests to purchase are treated as received on a trading day if they are received before midnight, Columbus, Indiana time on such day. Requests received at or after midnight on a trading day are treated as received on the following trading day.

- Sales:

    - Shares are sold at the closing price on the New York Stock Exchange on the day on which the request to sell is treated as received.

    - If the request to sell is made on a day on which the New York Stock Exchange is closed, the selling price will be determined as though the request had been made on the prior trading day. For example, if the request was received on a Saturday, the price will be set as though the request was received on the prior Friday -- at Friday's closing price.

    - Requests to sell are treated as received on a trading day if they are received before midnight, Columbus, Indiana time on such day. Requests received at or after midnight on a trading day are treated as received on the following trading day.

Options Granted On Purchase of Shares

- Participants will receive a non-qualified stock option exercisable for 50 Shares for every even block of 100 KESIP Shares purchased (without proration or aggregation for purchases of less than even 100 share increments).

- The options will be issued pursuant to the Company's shareholder approved stock option plan, will be evidenced by the Company's form option award agreement and subject to the terms and conditions (other than vesting) set forth in the option award agreement, will have an exercise price equal to the fair market value (closing sale price on date of KESIP purchase) of the underlying Shares, as determined pursuant to that plan, and will vest immediately.

- Any excess of the fair market value of the Shares underlying these options over the exercise price per Share at the time of exercise will generally be ordinary income for Federal income tax purposes, and any gain or loss on the subsequent sale of the Shares acquired on exercise will generally be treated as capital gain or loss, as applicable. Participants should refer to the prospectus for the Company's registered stock option plan for additional description of the tax treatment of the stock options.

LOANS

Loan Limits

- Each Participant has a maximum loan limit:
  - Participants in Compensation Class 4 (salary grades 10, 11, and 27) or its equivalent may borrow up to 25% of their annual base salary (determined as of the time the loan is made).
  - Participants in Compensation Class 5 (salary grades 12 and 13) or its equivalent may borrow up to 50% of their annual base salary (determined as of the time the loan is made).
- A Participant may have more than one loan at a time, but the Participant's total outstanding loans may not exceed his or her maximum loan limit.
- If the maximum loan limit is exceeded because of a reduction in annual base salary, the Participant's loans outstanding at the time will not be affected but the Participant will not be eligible for additional loans above his or her new maximum loan limit.
- Excluding the one-time extension described below, loans may not be "refinanced" to take advantage of lower interest rates.

Loan Terms

- Loans bear interest at a rate based on IRS guidelines for employee loans, or such other rates as may be selected by the Board of Directors of Cummins Inc. (the "Board of Directors) or its Compensation Committee (the "Committee") from time to time. Current interest rates for KESIP purchases can be obtained by contacting the KESIP Plan Administrator on Lotus Notes.
- Loans have a five-year term. Subject to certain restrictions, a Participant may extend a loan at the end of the original term for an additional five years, if he or she has not sold the Shares purchased with the loan proceeds. The interest rate during the second five-year term will be fixed at the beginning of that term. The maximum total loan period for any purchase is ten years.
- Loans are secured by the Shares purchased with the loan proceeds and are fully recourse against Participants. The secured Shares will be held as collateral in the custody of the Company or a third party administrator designated by the Company, and may not be assigned, sold, transferred, hypothecated or otherwise disposed of other than by a sale permitted by the Plan, until the loan is repaid. If the value of the Shares purchased with the loan proceeds is less than the outstanding loan balance when Shares are sold, the shortfall is the personal responsibility of the Participant at the time the loan is due.

- If the Company pays a stock dividend on, or effects a stock split with respect to, any of its Shares pledged as security pursuant to a loan, the pledge related to the loan will extend to the Shares issued in payment of such stock dividend or to effect such stock split.
- If the Shares held as collateral security pursuant to a loan are changed or reclassified as a result of any charter amendment, recapitalization, reorganization, merger, consolidation, sale of assets or similar transaction, the changed or reclassified Shares or other assets or both received as a result of such transaction will be substituted for the Shares so pledged, and the Participant will deliver promptly to the Company certificates (if any) issued to represent the Shares so changed or reclassified and any such other assets, together with a properly executed stock power. If rights to subscribe for or purchase stock or other securities are issued with respect to Shares held as collateral security pursuant to a loan, such rights will belong to the Participant free from pledge.
- Notwithstanding anything to the contrary in this Plan, the terms of all loans shall comply with (or, if necessary, be amended to comply with) applicable credit and other regulations, if any, then in effect and issued or enacted by governmental authority having jurisdiction, including Regulation G of the Board of Governors of the Federal Reserve System if such Regulation is then in effect.

Loan Repayment

- Payments are made via payroll deduction. During any period in which a U.S. payroll Participant is on unpaid leave, he or she will make loan payments on a quarterly basis.
- Participants may choose when a loan is incurred whether they will pay both principal and interest during the term of the loan or interest only until the loan becomes due and payable in full.
- Any loan is due and payable in full, with any and all interest to the date of repayment, upon the earliest of (i) the sale of the Shares that were purchased with the loan proceeds (ii) the expiration of the term of the loan, (iii) the date the Participant's employment ceases and (iv) the date the Participant is removed from a United States payroll. The timing of the repayment is determined as follows:
    - Payment is due and payable either:
        - Immediately upon the sale of the Shares that were purchased with the loan proceeds or upon the expiration of the term of a loan, or
        - If the Participant has been removed from a United States payroll, by the end of a 30-day grace period following the date or removal, or
        - If the Participant's employment has terminated, by (1) the end of a 30-day grace period following the termination date, if the Participant is not receiving severance in the form of salary continuation, or (2) the next-to-the-last month

of the severance period, in the case of a Participant who receives severance in the form of salary continuation.

- If the Participant's employment ceases due to the Participant's death, the Committee in its discretion may permit the Participant's estate or personal representative to continue repayment of the loan in installments.

- If a loan has not been repaid before it becomes due and payable in full, the Shares purchased with the loan proceeds will be sold, the proceeds of the sale will be applied to repayment of the loan and any shortfall of proceeds to loan balance, including any accrued interest, will be due and payable immediately by the Participant. If a Participant is receiving severance on a salary continuance basis, and the loan has not been retired by the next to last month of the severance, the Shares will be sold at that time and any shortfall of proceeds to loan balance will be deducted from the last month of severance payment. (Interest will continue to accrue and be payable on the same basis as when the Participant was active (for example, semimonthly or quarterly).) If the last month of severance payment is not sufficient to cover the shortfall, the remaining shortfall will be due and payable immediately by the Participant.

- Because this Plan is not available to Company officers, if a Participant becomes an executive (Section 16) officer at the time he or she has a loan outstanding under this Plan, the Participant must repay the loan immediately. If a Participant becomes an non-executive officer (not a Section 16 officer) at the time he or she has a loan outstanding, the Participant will have six months to repay the loan. The Company has the authority to take any actions it deems appropriate under this section to ensure that the loans are repaid without a negative financial impact on the Participant.

- The Company's Vice President – Human Resources, or another employee designated by the Vice President – Human Resources, will have the authority to modify the preceding loan repayment provisions in individual circumstances as he or she deems appropriate.

PROCEDURES FOR TRANSACTIONS

Purchasing Shares

- The Participant completes the "KESIP SHARE PURCHASE" form and sends it via his or her Cummins Lotus Notes e-mail account to the KESIP Plan Administrator. If a Participant wants to find out his remaining available loan amount, he should contact the KESIP Plan Administrator via his or her Cummins Lotus Notes e-mail account.

- A Plan representative will acknowledge the request via Lotus Notes by the end of the following business day (or, if the request is received on a holiday or other nonwork day, by the end of the second following business day).

- The Company will set up payroll deductions to start the next available payroll period. A Plan representative will send loan paperwork to the Participant for signature. The papers must be signed and returned as indicated, and may include any pledge arrangements that the Company determines are appropriate to provide for security.

- A Plan representative will request that the Company's transfer agent make an appropriate book-entry registration evidencing the purchased Shares, subject to such stop-transfer orders and other restrictions deemed appropriate by the Plan Administrator to reflect the terms of the Plan and the Shares. The Shares will be held as collateral for the loan until the loan is paid in full or until the Shares are sold, and the Participant will complete any authorizations that the Company determines are appropriate to provide for the collateralization**.**

Paying Off the Loan Balance

- The balance of any outstanding loan must be paid in full, with interest to the date of repayment, when the loan becomes due and payable upon the earliest of the events described above (including upon the sale of the Shares that were purchased with the loan proceeds, in which case the sale proceeds will be applied automatically to repayment of the loan).

- The Participant may voluntarily repay the balance on any or all of his or her outstanding loans at any time (without prepayment charge or penalty, other than accrued interest due). Each loan must be paid in full.

- To pay off a loan balance, the Participant completes the "KESIP LOAN PAYOFF" form and sends it by e-mail to the KESIP Plan Administrator.

- A Plan representative will acknowledge the request via Lotus Notes by the end of the following business day (or, if the request is received on a holiday or other nonwork day, by the end of the second following business day).

- A Plan representative calculates the loan payoff amount and notifies the Participant of the amount and when the Participant's check must be received to avoid further interest from accruing.

- The Participant will make check payable to "Cummins Business Services" and send it to Sr. Compensation Analyst, 2931 Elm Hill Pike, Nashville, Tennessee 37214. The Participant's check must be received by the date indicated, or additional interest payments will be due.

- Upon receipt of payment in full for the entire outstanding loan balance, including all interest accrued to the date of repayment, a Plan representative will release the Shares from collateral and instruct the transfer agent to remove the applicable stop-transfer orders and other restrictions from the book-entry evidencing the Shares (provided that the Shares will not be released sooner than six months after purchase unless the Participant's eligibility has ended).

- Loans are otherwise fully recourse against the Participant, which means that, if the value of the Shares purchased with the loan proceeds is less than the outstanding loan balance when

Shares are sold, the shortfall is the personal responsibility of the Participant at the time the loan is due.

Selling Shares

- The Participant completes the "KESIP SHARE SALE" form and sends it by e-mail to the KESIP Plan Administrator.
- A Plan representative will:
  - Acknowledge the request;
  - Apply the proceeds of the sale of the Shares to any outstanding balance, including all interest accrued to the date of repayment, on the loan used to purchase the Shares; and
  - Send the Participant a check (or make direct deposit, if applicable), if the Participant is owed money from the transaction, or notify the Participant if he or she owes the Company as a result of the transaction.

RESPONSIBILITIES OF PARTICIPANTS AND THE PLAN

Participants must:

- Submit transaction requests by Lotus Notes to the KESIP Plan Administrator.
- Sign and return paperwork as directed within ten (10) business days of receiving it.
- Track and report gains or losses for tax purposes.
- Make loan payments or repayments on time and as required by the Plan.
- Pay loan balances when he or she ceases to be eligible (terminates, retires or moves off of an eligible payroll) or sells Shares.

A Plan Representative will:

- Acknowledge the receipt of transaction requests by the end of the following business day (or, if the request is received on a holiday or other non-work day, by the end of the second following business day).
- Reflect the date of the transaction request in the purchase price of Shares.
- Send completed paperwork to the Participant for signature.

Send year-end statements of interest paid and other required information for tax records by January 31 of the following year.

OTHER PROVISIONS

- This document serves as the Plan and prospectus. It amends and restates all prior plan documents and all handbooks relating to the Plan in their entirety and governs all outstanding KESIP loans and all future KESIP transactions.
- Shares to be offered to Participants may consist, in whole or in part, of authorized but unissued Shares or Shares held in treasury. An aggregate of 540,000 Shares are reserved for issuance under the Plan (excluding options, which will be issued pursuant to Cummins Inc.'s shareholder approved stock option plan), subject to proportionate adjustment in the event of any change in the Shares by reason of a stock split, stock dividend, combination or reclassification of Shares, recapitalization, split-up, spin-off, dividend other than a regular quarterly cash dividend, separation, reorganization, liquidation, merger, consolidation or similar event, that results in an adjustment in the number of Shares reserved under the Company's equity incentive or similar plan in place at the time of such change pursuant to the terms of such plan; and provided that Shares that are repurchased by the Company shall again be available for issuance hereunder.
- The Board of Directors or the Committee at any time may make any changes in the Plan, and in any agreements subsequently entered into hereunder, as they may deem necessary or advisable. No such amendment may, however (1) reduce the price at which Shares are to be sold to employees under the Plan, or (2) extend the period for the completion of payment for Shares purchased by employees or of loans under the Plan, without shareholder consent. Amendments to option award agreements entered into with respect to options granted in conjunction with the purchase of Shares hereunder will be governed by the terms of Cummins Inc.'s shareholder approved stock option plan pursuant to which such options are granted. The Vice President – Human Resources of the Company or any other appropriate officer is authorized to make appropriate amendments to the Plan except to the extent that applicable law, regulation or listing standards require that any such amendment be made only by the Board of Directors or the Committee. Additionally, and subject to the limits described in the preceding sentences, the Board of Directors, the Committee, the Vice President – Human Resources of the Company or any other authorized officer of the Company may from time to time adopt rules, procedures and guidelines for the interpretation, implementation and operation of the Plan. Neither the termination of the Plan nor any amendment thereof will materially adversely affect any then existing written arrangement entered into under the Plan without the consent of the Participant.
- The Plan became effective on October 15, 2012, the date when it was approved by the Committee. No employee or other person shall have any rights in or under the Plan except as expressly granted in an agreement entered into pursuant to the terms thereof.
- The Plan will expire when all Shares reserved for issuance hereunder have been issued or earlier at the option of the Board of Directors or the Committee. Upon expiration of the Plan, no further Shares may be sold to Participants, but the Plan will continue in effect for the purpose of collecting installments remaining due on Shares previously purchased and allowing Participants to sell Shares previously acquired.

- The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Anyone may read and copy any reports, statements or other information on file at the SEC's public reference room in Washington D.C., and may call the SEC at 1 800 SEC 0330 for further information on the public reference room. The Company's SEC filings are also available to the public on the SEC's web site located at http://www.sec.gov.

- The Company has filed a Registration Statement on Form S-8 under the Securities Act of 1933 with the SEC covering the Shares issuable under the Plan. This document contains some information concerning the Company, the Shares and the Plan, but does not contain all of the information set forth in the Registration Statement and its exhibits. The Company will provide without charge, upon written or oral request, copies of the documents incorporated by reference in Item 3 of Part II of the Registration Statement, which include the Company's periodic filings made with the SEC. The Company incorporates these periodic filings by reference into this document. The Company will also provide without charge, upon written or oral request, copies of all other documents it is required to deliver under Rule 428(b) under the Securities Act of 1933. These requests and other requests for additional information regarding the Plan and the Committee should be directed to the KESIP Plan Administrator listed in the Appendix under the heading "Contact List."

- The following is a general discussion of the current U.S. federal income tax consequences of purchasing or selling Shares under the Plan, is not intended to be complete and is subject to change. State and local tax treatment (including tax treatment in countries outside the U.S.) may vary from the U.S. federal income tax treatment discussed below and is not discussed in this summary. The summary also does not describe the tax consequences associated with the stock options discussed below under the heading "PURCHASES AND SALES – Share Pricing – Purchases," which are addressed in the prospectus for the Company's registered stock option plan. Participants should consult their tax advisors about their particular transactions in connection with the Plan.

    - There will be no tax recognized by the Participant when the Participant obtains the loan and purchases the Shares.

    - In general, Participants will have a taxable gain or loss in the year in which they dispose of any of the Shares acquired under the Plan. A "disposition" generally includes any transfer of legal title, including a transfer by sale, exchange or gift, but may not include a transfer to a Participant's spouse, a transfer into community property with a Participant's spouse or a transfer into joint ownership with right of survivorship if the Participant remains one of the joint owners. Gains or losses resulting from dispositions of Shares acquired under the Plan will generally be treated as capital gains and losses (short- or long-term, depending on the length of time the Participant has held the Shares) to Participants for personal income tax purposes.

    - The Company does not intend to withhold any amounts for taxes in connection with purchases or sales of Shares under the Plan. Participant compensation that is applied to purchase Shares or pay interest via payroll deduction is subject to all taxes normally applicable to Participant compensation, including federal, state and local income taxes and Social Security taxes, and the amounts applied to the loan principal or interest will be after-tax dollars. The purchase and sale of Shares under the Plan generally has no tax consequences for the Company.

  - Participants will receive details necessary for completing their Schedule D tax form. The details will be included with their annual "KESIP Activity" report.

- The Plan is not required to be qualified under Section 401(a) of the Internal Revenue Code of 1986 and is not subject to the provisions of the Employee Retirement Income Security Act of 1974, commonly known as ERISA.

- The Company may, as a condition of accepting any purchase of Shares, require the purchasing Participant to represent to the Company that he or she is purchasing the Shares for investment and not with a view to resale or distribution.

* * *

This Restatement of the Cummins Inc. Key Employee Stock Investment Plan has been signed by the Company's duly authorized officer, acting on behalf of the Company, on this 17th day of June, 2014.

CUMMINS INC.

By: /s/ Jill E. Cook
Name: Jill E. Cook
Title: Vice President — Human Resources

EXHIBIT 12

CUMMINS INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

In millions	Nine months ended September 28, 2014	Nine months ended September 29, 2013
Earnings		
Income before income taxes	**$ 1,822**	$ 1,572
Add		
Fixed charges	**102**	79
Amortization of capitalized interest	**1**	1
Distributed income of equity investees	**195**	162
Less		
Equity in earnings of investees	**263**	254
Capitalized interest	**5**	5
Earnings before fixed charges	**$ 1,852**	$ 1,555
Fixed charges		
Interest expense[1]	**$ 47**	$ 22
Capitalized interest	**5**	5
Amortization of debt discount and deferred costs	**2**	8
Interest portion of rental expense[2]	**48**	44
Total fixed charges	**$ 102**	$ 79
Ratio of earnings to fixed charges[3]	**18.2**	19.7

(1) The interest amount in the table above does not include interest expense associated with uncertain tax positions.

(2) Amounts represent those portions of rent expense that are reasonable approximations of interest costs.

(3) We have not issued preferred stock. Therefore, the ratio of earnings to combined fixed charges and preferred stock dividends are the same as the ratios presented above.

EXHIBIT 31(a)

Certification

I, N. Thomas Linebarger, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which the report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: October 29, 2014

/s/ N. THOMAS LINEBARGER

N. Thomas Linebarger

Chairman and Chief Executive Officer

EXHIBIT 31(b)

Certification

I, Patrick J. Ward, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the periods in which the report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: October 29, 2014

/s/ PATRICK J. WARD

Patrick J. Ward

Vice President and Chief Financial Officer

EXHIBIT 32

Cummins Inc.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cummins Inc. (the “Company”) on Form10-Q for the period ended September 28, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, N. Thomas Linebarger, Chairman and Chief Executive Officer of the Company, and Patrick J. Ward, Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

October 29, 2014	/s/ N. THOMAS LINEBARGER
	N. Thomas Linebarger
	Chairman and Chief Executive Officer
October 29, 2014	/s/ PATRICK J. WARD
	Patrick J. Ward
	Vice President and Chief Financial Officer