

CUMMINS INC
Form 8-K
April 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report: April 29, 2014

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On April 29, 2014, Cummins Inc. (“Cummins,” “the Company,” “the registrant,” “we,” “our,” or “us”) issued the attached press release reporting its financial results for the first quarter of 2014, which is furnished herewith as Exhibit 99. The information furnished pursuant to this Item 2.02, including Exhibit 99, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d)The following exhibit is furnished pursuant to Item 2.02 herewith:
99-Press Release dated April 29, 2014

SIGNATURE

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

Date: April 29, 2014

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

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

| In millions, except per share amounts | Three months ended | | |
|---|--------------------|----------------------|-------------------|
| | March 30, 2014 | December 31, 2013 | March 31, 2013 |
| NET SALES | \$4,406 | \$4,588 | \$3,922 |
| Cost of sales | 3,290 | 3,424 | 2,965 |
| GROSS MARGIN | 1,116 | 1,164 | 957 |
| OPERATING EXPENSES AND INCOME | | | |
| Selling, general and administrative expenses | 502 | 500 | 444 |
| Research, development and engineering expenses | 190 | 181 | 182 |
| Equity, royalty and interest income from investees (Note 1) | 90 | 80 | 82 |
| Other operating income (expense), net | (1 |) (10 |) 1 |
| OPERATING INCOME | 513 | 553 | 414 |
| Interest income | 5 | 6 | 5 |
| Interest expense | 17 | 19 | 6 |
| Other income, net | 10 | 7 | 18 |
| INCOME BEFORE INCOME TAXES | 511 | 547 | 431 |
| Income tax expense (Note 2) | 153 | 86 | 119 |
| CONSOLIDATED NET INCOME | 358 | 461 | 312 |
| Less: Net income attributable to noncontrolling interests | 20 | 29 | 30 |
| NET INCOME ATTRIBUTABLE TO CUMMINS INC. | \$338 | \$432 | \$282 |
| EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC. | | | |
| Basic | \$1.83 | \$2.33 | \$1.50 |
| Diluted | \$1.83 | \$2.32 | \$1.49 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | 184.3 | 185.7 | 188.4 |
| Diluted | 184.7 | 186.3 | 188.8 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | \$0.625 | \$0.625 | \$0.50 |

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

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

| In millions, except par value | March 30, 2014 | December 31, 2013 |
|--|----------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$2,178 | \$2,699 |
| Marketable securities | 129 | 150 |
| Total cash, cash equivalents and marketable securities | 2,307 | 2,849 |
| Accounts and notes receivable, net | 2,949 | 2,649 |
| Inventories | 2,580 | 2,381 |
| Prepaid expenses and other current assets | 663 | 760 |
| Total current assets | 8,499 | 8,639 |
| Long-term assets | | |
| Property, plant and equipment | 6,563 | 6,410 |
| Accumulated depreciation | (3,331) | (3,254) |
| Property, plant and equipment, net | 3,232 | 3,156 |
| Investments and advances related to equity method investees | 966 | 931 |
| Goodwill | 464 | 461 |
| Other intangible assets, net | 357 | 357 |
| Other assets | 1,233 | 1,184 |
| Total assets | \$14,751 | \$14,728 |
| LIABILITIES | | |
| Current liabilities | | |
| Loans payable | \$24 | \$17 |
| Accounts payable (principally trade) | 1,887 | 1,557 |
| Current maturities of long-term debt | 37 | 51 |
| Current portion of accrued product warranty | 345 | 360 |
| Accrued compensation, benefits and retirement costs | 323 | 433 |
| Deferred revenue | 295 | 285 |
| Taxes payable (including taxes on income) | 69 | 99 |
| Other accrued expenses | 575 | 566 |
| Total current liabilities | 3,555 | 3,368 |
| Long-term liabilities | | |
| Long-term debt | 1,632 | 1,672 |
| Pensions | 232 | 232 |
| Postretirement benefits other than pensions | 347 | 356 |
| Other liabilities and deferred revenue | 1,251 | 1,230 |
| Total liabilities | 7,017 | 6,858 |
| EQUITY | | |
| Cummins Inc. shareholders' equity | | |
| Common stock, \$2.50 par value, 500 shares authorized, 222.3 and 222.3 shares issued | 2,101 | 2,099 |
| Retained earnings | 8,629 | 8,406 |
| Treasury stock, at cost, 38.4 and 35.6 shares | (2,600) | (2,195) |
| Common stock held by employee benefits trust, at cost, 1.2 and 1.3 shares | (15) | (16) |

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| | | | |
|--|----------|----------|---|
| Accumulated other comprehensive loss | | | |
| Defined benefit postretirement plans | (607 |) (611 |) |
| Other | (148 |) (173 |) |
| Total accumulated other comprehensive loss | (755 |) (784 |) |
| Total Cummins Inc. shareholders' equity | 7,360 | 7,510 | |
| Noncontrolling interests | 374 | 360 | |
| Total equity | 7,734 | 7,870 | |
| Total liabilities and equity | \$14,751 | \$14,728 | |

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

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

| In millions | Three months ended | |
|---|--------------------|----------------|
| | March 30, 2014 | March 31, 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$358 | \$312 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities | | |
| Depreciation and amortization | 105 | 98 |
| Gain on fair value adjustment for consolidated investees | (6 |) (7 |
| Deferred income taxes | 22 | 5 |
| Equity in income of investees, net of dividends | (52 |) (36 |
| Pension contributions in excess of expense | (100 |) (54 |
| Other post-retirement benefits payments in excess of expense | (8 |) (8 |
| Stock-based compensation expense | 10 | 7 |
| Excess tax benefits on stock-based awards | (5 |) (7 |
| Translation and hedging activities | (3 |) (5 |
| Changes in current assets and liabilities, net of acquisitions | | |
| Accounts and notes receivable | (232 |) (29 |
| Inventories | (135 |) (177 |
| Other current assets | 2 | 158 |
| Accounts payable | 302 | 204 |
| Accrued expenses | (95 |) (142 |
| Changes in other liabilities and deferred revenue | 50 | 47 |
| Other, net | 50 | 62 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 263 | 428 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (107 |) (114 |
| Investments in internal use software | (14 |) (12 |
| Investments in and advances to equity investees | (6 |) (24 |
| Acquisitions of businesses, net of cash acquired | (90 |) (17 |
| Investments in marketable securities—acquisitions | (84 |) (133 |
| Investments in marketable securities—liquidations | 108 | 187 |
| Cash flows from derivatives not designated as hedges | 5 | (30 |
| Other, net | 1 | — |
| Net cash used in investing activities | (187 |) (143 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 7 | — |
| Payments on borrowings and capital lease obligations | (25 |) (27 |
| Net borrowings (payments) under short-term credit agreements | (39 |) 15 |
| Distributions to noncontrolling interests | (13 |) (19 |
| Dividend payments on common stock | (115 |) (95 |
| Repurchases of common stock | (419 |) — |
| Excess tax benefits on stock-based awards | 5 | 7 |
| Other, net | (3 |) 16 |

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| | | | |
|---|---------|---------|---|
| Net cash used in financing activities | (602 |) (103 |) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 5 | (68 |) |
| Net increase (decrease) in cash and cash equivalents | (521 |) 114 | |
| Cash and cash equivalents at beginning of year | 2,699 | 1,369 | |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$2,178 | \$1,483 | |

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

CUMMINS INC. AND SUBSIDIARIES
 SEGMENT INFORMATION
 (Unaudited)

| In millions | Engine | Components | Power Generation | Distribution | Non-segment Items ⁽¹⁾ | Total |
|--|---------|------------|---------------------|--------------|-------------------------------------|---------|
| Three months ended March 30, 2014 | | | | | | |
| External sales | \$2,090 | \$ 922 | \$452 | \$ 942 | \$ — | \$4,406 |
| Intersegment sales | 473 | 308 | 187 | 8 | (976) | — |
| Total sales | 2,563 | 1,230 | 639 | 950 | (976) | 4,406 |
| Depreciation and amortization ⁽²⁾ | 51 | 26 | 12 | 16 | — | 105 |
| Research, development and engineering expenses | 116 | 53 | 19 | 2 | — | 190 |
| Equity, royalty and interest income from investees | 32 | 9 | 8 | 41 | — | 90 |
| Interest income | 2 | 1 | 1 | 1 | — | 5 |
| Segment EBIT | 269 | 167 | 25 | 76 | ⁽³⁾ (9) | 528 |
| Segment EBIT as a percentage of total sales | 10.5 % | 13.6 % | 3.9 % | 8.0 % | % | 12.0 % |
| Three months ended December 31, 2013 | | | | | | |
| External sales | \$2,131 | \$ 859 | \$533 | \$ 1,065 | \$ — | \$4,588 |
| Intersegment sales | 431 | 276 | 226 | 8 | (941) | — |
| Total sales | 2,562 | 1,135 | 759 | 1,073 | (941) | 4,588 |
| Depreciation and amortization ⁽²⁾ | 49 | 25 | 13 | 14 | — | 101 |
| Research, development and engineering expenses | 106 | 53 | 20 | 2 | — | 181 |
| Equity, royalty and interest income from investees | 30 | 7 | 2 | 41 | — | 80 |
| Interest income | 3 | 1 | 1 | 1 | — | 6 |
| Segment EBIT | 235 | 140 | 46 | 107 | 38 | 566 |
| Segment EBIT as a percentage of total sales | 9.2 % | 12.3 % | 6.1 % | 10.0 % | % | 12.3 % |
| Three months ended March 31, 2013 | | | | | | |
| External sales | \$1,885 | \$ 722 | \$539 | \$ 776 | \$ — | \$3,922 |
| Intersegment sales | 418 | 296 | 207 | 2 | (923) | — |
| Total sales | 2,303 | 1,018 | 746 | 778 | (923) | 3,922 |
| Depreciation and amortization ⁽²⁾ | 52 | 24 | 12 | 10 | — | 98 |
| Research, development and engineering expenses | 105 | 57 | 18 | 2 | — | 182 |
| Equity, royalty and interest income from investees | 23 | 7 | 7 | 45 | — | 82 |
| Interest income | 2 | 1 | 2 | — | — | 5 |
| Segment EBIT | 195 | 119 | 51 | 95 | ⁽³⁾ (23) | 437 |

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| | | | | | | | | | | |
|---|-----|---|------|---|-----|---|------|---|------|---|
| Segment EBIT as a percentage of total sales | 8.5 | % | 11.7 | % | 6.8 | % | 12.2 | % | 11.1 | % |
|---|-----|---|------|---|-----|---|------|---|------|---|

Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended March 30, 2014, December 31, 2013 and March 31, 2013.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount and deferred costs included in the Condensed Consolidated Statements of Income as "Interest expense."

(3) Distribution segment EBIT for the three months ended March 30, 2014, included a \$6 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Mid-South LLC. Distribution segment EBIT for the three months ended March 31, 2013, included a \$7 million gain on the fair value adjustment resulting from the acquisition of a controlling interest in Cummins Northwest LLC.

CUMMINS INC. AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)

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

| In millions | Three months ended | | |
|----------------------------|--------------------|----------------------|----------------|
| | March 30, 2014 | December 31, 2013 | March 31, 2013 |
| Total EBIT | \$528 | \$566 | \$437 |
| Less: Interest expense | 17 | 19 | 6 |
| Income before income taxes | \$511 | \$547 | \$431 |

CUMMINS INC. AND SUBSIDIARIES
 SELECTED FOOTNOTE DATA
 (Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

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

| In millions | Three months ended | | |
|--|--------------------|-------------------|----------------|
| | March 30, 2014 | December 31, 2013 | March 31, 2013 |
| Distribution Entities | | | |
| North American distributors | \$32 | \$31 | \$35 |
| Komatsu Cummins Chile, Ltda. | 6 | 8 | 5 |
| All other distributors | 1 | — | — |
| Manufacturing Entities | | | |
| Dongfeng Cummins Engine Company, Ltd. | 14 | 18 | 12 |
| Chongqing Cummins Engine Company, Ltd. | 11 | 14 | 12 |
| Beijing Foton Cummins Engine Co., Ltd. (Light-duty) | 6 | 3 | 1 |
| Shanghai Fleetguard Filter Co., Ltd. | 3 | 2 | 3 |
| Tata Cummins, Ltd. | 2 | 1 | 1 |
| Cummins Westport, Inc. | 1 | (1 |) — |
| Beijing Foton Cummins Engine Co., Ltd. (Heavy-duty) | (6 |) (7 |) (3 |
| All other manufacturers | 9 | 2 | 7 |
| Cummins share of net income | 79 | 71 | 73 |
| Royalty and interest income | 11 | 9 | 9 |
| Equity, royalty and interest income from investees | \$90 | \$80 | \$82 |

NOTE 2. INCOME TAXES

Our effective tax rate for the year is expected to approximate 28.5 percent, excluding any one-time items that may arise. The research tax credit 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 rate for the three months ended March 30, 2014, was 29.9 percent. This tax rate includes a \$12 million discrete tax expense primarily attributable to state deferred tax adjustments, as well as a \$5 million discrete net tax benefit resulting from a \$70 million dividend paid from China earnings generated prior to 2012.

Our tax rate for the three month period ended December 31, 2013 was 15.7 percent. We recorded \$70 million or \$0.38 per share of tax benefits in the fourth quarter of 2013. The income tax provision for the fourth quarter of 2013 was net of the following items:

| | |
|---|------|
| One-time impacts of foreign legal entity restructuring actions | \$16 |
| One-time impacts of reconciliation of state income tax provision to tax return | 17 |
| Lower operating rate primarily resulting from recognition of state and federal research and development credits and the recurring impacts of foreign legal entity restructuring actions | 37 |
| Total | \$70 |

Our effective tax rate for the three months ended March 31, 2013, was 27.6 percent. This tax rate included a discrete tax benefit of \$28 million attributable to the 2012 research credit reinstated in January 2013 as well as a discrete tax expense of \$17 million, which primarily related to the write-off of a deferred tax asset deemed unrecoverable. The increase in the three month effective tax rate from 2013 to 2014 is attributable primarily to one-time discrete tax benefits in 2013 that did not repeat in 2014 and changes in U.S. state tax legislation that unfavorably impacted our 2014 effective tax rate.

NOTE 3. ACQUISITION

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 preliminary purchase consideration was \$116 million, which included \$32 million in cash and an additional \$61 million paid to eliminate outstanding debt. The remaining \$23 million will be paid in future periods, 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, 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. The transaction generated \$3 million of goodwill based on the preliminary purchase price allocation. 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.

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

Earnings before interest, taxes and noncontrolling interests

We define EBIT as earnings before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (EBIT). We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. Below is a reconciliation of EBIT to "Net income attributable to Cummins Inc.," for each of the applicable periods:

| In millions | Three months ended | | | |
|--|--------------------|----------------------|-------------------|---|
| | March 30, 2014 | December 31, 2013 | March 31, 2013 | |
| Earnings before interest expense and income taxes | \$528 | \$566 | \$437 | |
| EBIT as a percentage of net sales | 12.0 | % 12.3 | % 11.1 | % |
| Less | | | | |
| Interest expense | 17 | 19 | 6 | |
| Income tax expense | 153 | 86 | 119 | |
| Consolidated net income | 358 | 461 | 312 | |
| Less | | | | |
| Net income attributable to noncontrolling interests | 20 | 29 | 30 | |
| Net income attributable to Cummins Inc. | \$338 | \$432 | \$282 | |
| Net income attributable to Cummins Inc. as a percentage of net sales | 7.7 | % 9.4 | % 7.2 | % |

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

Engine segment net sales by market

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|------------------------------|---------|-----|-----|-----|---------|
| Heavy-duty truck | \$722 | \$— | \$— | \$— | \$722 |
| Medium-duty truck and bus | 601 | — | — | — | 601 |
| Light-duty automotive and RV | 361 | — | — | — | 361 |
| Industrial | 700 | — | — | — | 700 |
| Stationary power | 179 | — | — | — | 179 |
| Total sales | \$2,563 | \$— | \$— | \$— | \$2,563 |

2013

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|------------------------------|---------|---------|---------|---------|----------|
| Heavy-duty truck | \$654 | \$723 | \$690 | \$638 | \$2,705 |
| Medium-duty truck and bus | 448 | 595 | 570 | 572 | 2,185 |
| Light-duty automotive and RV | 260 | 345 | 330 | 365 | 1,300 |
| Industrial | 714 | 762 | 709 | 811 | 2,996 |
| Stationary power | 227 | 231 | 193 | 176 | 827 |
| Total sales | \$2,303 | \$2,656 | \$2,492 | \$2,562 | \$10,013 |

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

2014

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|---------|----|----|----|---------|
| Midrange | 118,900 | — | — | — | 118,900 |
| Heavy-duty | 28,800 | — | — | — | 28,800 |
| High-horsepower | 3,400 | — | — | — | 3,400 |
| Total units | 151,100 | — | — | — | 151,100 |

2013

| Units | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|---------|---------|---------|---------|---------|
| Midrange | 94,600 | 121,900 | 113,800 | 115,700 | 446,000 |
| Heavy-duty | 24,900 | 28,300 | 26,500 | 25,700 | 105,400 |
| High-horsepower | 4,200 | 3,600 | 3,500 | 3,500 | 14,800 |
| Total units | 123,700 | 153,800 | 143,800 | 144,900 | 566,200 |

Component segment sales by business

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|--------------------|---------|-----|-----|-----|---------|
| Emission Solutions | \$543 | \$— | \$— | \$— | \$543 |
| Turbo Technologies | 313 | — | — | — | 313 |
| Filtration | 265 | — | — | — | 265 |
| Fuel systems | 109 | — | — | — | 109 |
| Total sales | \$1,230 | \$— | \$— | \$— | \$1,230 |

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2013

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

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

Power Generation segment sales by business

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|-----------------|-------|-----|-----|-----|-------|
| Power products | \$373 | \$— | \$— | \$— | \$373 |
| Power systems | 137 | — | — | — | 137 |
| Alternators | 105 | — | — | — | 105 |
| Power solutions | 24 | — | — | — | 24 |
| Total sales | \$639 | \$— | \$— | \$— | \$639 |

2013

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

Distribution segment sales by business

2014

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|----------------------|-------|-----|-----|-----|-------|
| Parts and filtration | \$382 | \$— | \$— | \$— | \$382 |
| Power generation | 193 | — | — | — | 193 |
| Engines | 174 | — | — | — | 174 |
| Service | 201 | — | — | — | 201 |
| Total sales | \$950 | \$— | \$— | \$— | \$950 |

2013

| In millions | Q1 | Q2 | Q3 | Q4 | YTD |
|----------------------|-------|-------|-------|---------|---------|
| Parts and filtration | \$322 | \$369 | \$377 | \$397 | \$1,465 |
| Power generation | 163 | 241 | 234 | 293 | 931 |
| Engines | 152 | 183 | 170 | 208 | 713 |
| Service | 141 | 161 | 163 | 175 | 640 |
| Total sales | \$778 | \$954 | \$944 | \$1,073 | \$3,749 |