

Fourth Quarter 2014 Earnings Teleconference

February 5, 2015



Participants



Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Rich Freeland President and Chief Operating Officer

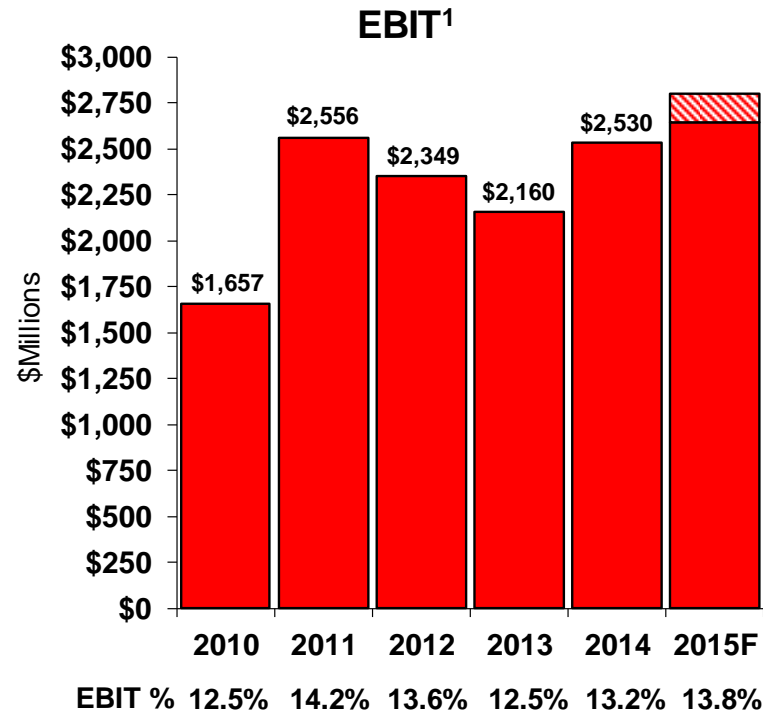
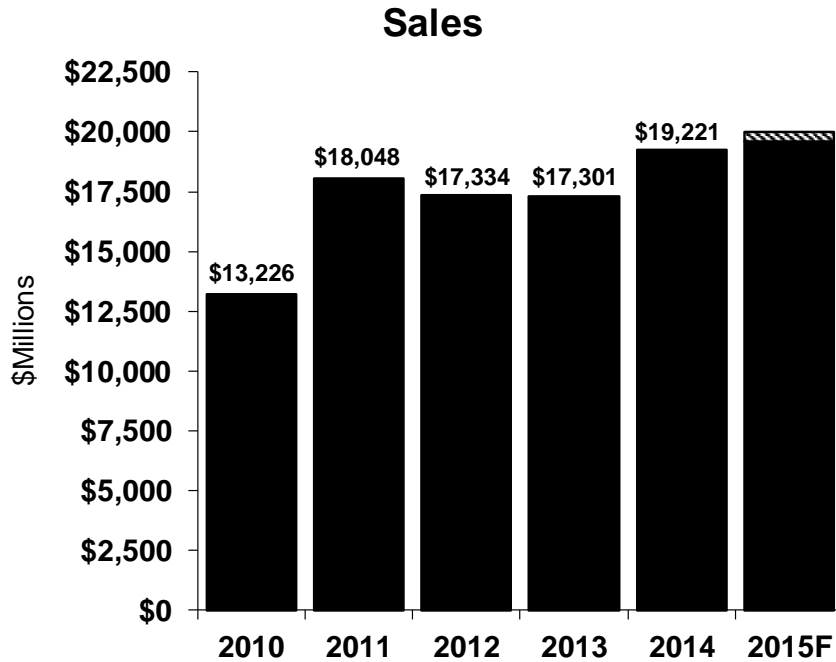
Mark Smith Vice President – Investor Relations

Disclosure Regarding Forward-Looking Statements



Information provided in this presentation that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our forecasts, expectations, hopes, beliefs and intentions on strategies regarding the future. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, particularly in the Risk Factors section of our 2013 Annual Report on Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this presentation and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

Cummins Inc.



2015 Guidance	
Sales Up 2 - 4%	EBIT 13.5 - 14.0%

¹ 2011 EBIT excludes the gains from the divestiture of two businesses and flood insurance recovery. 2012 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011 and \$52 million in restructuring charges. 2014 EBIT excludes \$32 million in one-time charges within PGBU.

Cummins Inc.

Selected Financial Data



\$M	2014	2013
Sales	19,221	17,301
EBIT Excluding Special Items ¹	2,530	2,160
% of Sales	13.2%	12.5%
Net Income Attributable to CMI ²	1,672	1,483
Diluted EPS ²	9.13	7.52
Dividends Paid	2.81	2.25
ROANA (LTM) ³	26%	24%
ROE (LTM) ³	20%	19%

¹ Q4'14 EBIT excludes \$32 million in one-time charges.

² Q4'14 Net Income attributable to CMI and Diluted EPS excludes \$21 million (after tax) in one-time charges

³ ROANA and ROE calculations exclude one-time charges.



Joint Venture Income

\$M	Q4-14	Q4-13	Q3-14
Engine	30	30	40
<i>On-highway</i>	<i>19</i>	<i>17</i>	<i>29</i>
<i>Off-highway</i>	<i>11</i>	<i>13</i>	<i>11</i>
Power Generation	9	2	13
Distribution	28	41	37
Components	9	7	9
Total JV Income	76	80	99

- Joint venture contribution decreased compared to the prior year due to the impact of acquisitions and lower earnings in China.

Engine Segment Selected Financial Data



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Sales	2,839	2,562	+11%	2,816	+1%
EBIT	315	235	+34%	330	-5%
% of Sales	11.1%	9.2%		11.7%	

- Year-over-year, strong demand in North American on-highway markets was partially offset by weakness in Brazilian truck markets.
- EBIT margins increased, compared to the prior year, as a result of higher volumes, lower material costs, and cost leverage, partially offset by higher warranty expense.

Engine Segment Sales by Market – On-highway



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Heavy-Duty Truck	798	638	+25%	823	-3%
Medium-Duty Truck & Bus	652	572	+14%	631	+3%
Light-Duty Auto & RV	385	365	+5%	354	+9%

- **Heavy Duty Truck:** Shipments up 30% Y-o-Y and down 6% sequentially.
- **Medium-Duty Truck & Bus:** Shipments up 6% Y-o-Y and down 3% sequentially.
- **Light-Duty & RV:** Shipments up 6% Y-o-Y and up 12% sequentially.

Engine Segment Sales by Market – Off-highway



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Industrial	795	811	-2%	788	+1%
Stationary Power	209	176	+19%	220	-5%

- **Industrial:** Shipments down 18% Y-o-Y and down 13% sequentially.
- **Stationary Power:** Shipments down 2% Y-o-Y and down 1% sequentially.

Guidance for 2015 Engine Markets



Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 8% and shipments up 8%. NAFTA Class 8 heavy-duty truck build expected to be 290K units.
- Medium-duty truck & bus revenue up 1%. North America truck shipments down 7%. Brazil market size down 15% and Cummins shipments down 5%.
- Light duty auto & RV revenue up 4%.
- Industrial revenue down 4%, driven by weakness in all industrial segments partially offset by increased parts sales.

Key On-Highway Engine Markets - 2015



Key Market	2014 Actual	2015 Forecast	Change Market Size
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	268K units	290K units	Up 8%
Medium Duty Truck – NAFTA <i>Class 6 – 7, and Class 8 Group 1 - Production</i>	127K units	128K units	Up 1%
Heavy & Medium Truck – China <i>Sales</i>	992K units	936K units	Down 6%
Heavy & Medium Truck – India <i>Production</i>	249K units	270K units	Up 8%
Heavy & Medium Truck – Brazil <i>Production</i>	139K units	121K units	Down 15%

Distribution Segment Selected Financial Data



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Sales	1,694	1,073	+58%	1,292	+31%
EBIT	158	107	+48%	131	+21%
% of Sales	9.3%	10.0%		10.1%	

- Year-over-year, growth was driven by acquisitions, primarily in North America, and by increased parts demand in North America.
- EBIT margins decreased as a percent of sales, compared to a year ago, due to unfavorable currency movements and the dilutive impact on EBIT percent from acquisitions of businesses formerly held as joint ventures.

Components Segment Selected Financial Data



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Sales	1,321	1,135	+16%	1,287	+3%
EBIT	160	140	+14%	172	-7%
% of Sales	12.1%	12.3%		13.4%	

- Compared to the prior year, higher revenues were primarily driven by increased demand in on-highway markets in North America, along with increased revenues in Europe and China related to new emissions standards in both regions.
- EBIT margins decreased, compared to the prior year, as a result of unfavorable currency movements partially offset by lower material costs.

Power Generation Segment Selected Financial Data



\$M	Q4-14	Q4-13	Change	Q3-14	Change
Sales	760	759	+0%	754	+1%
EBIT ¹	54	46	+17%	60	-10%
% of Sales	7.1%	6.1%		8.0%	

- Year-over-year demand was lower in India and Eastern Europe partially offset by stronger demand in Africa, Latin America, and the Middle East.
- EBIT margins increased, compared to the prior year, due to the lack of a one time expense that occurred in the fourth quarter of 2013 that impacted joint venture earnings.

¹ Q4'14 EBIT excludes \$32 million in one-time charges.

Guidance for 2015 Consolidated Results



Item	Full Year Guidance
Consolidated Revenue	Up 2 - 4%
Earnings from JVs	Down 10%
EBIT Margin	13.5 - 14.0%
Effective Tax Rate ¹	29.5%
Capital Expenditures	\$750 - \$850M
Global Pension Funding	\$175M
Interest Expense	\$70M

¹Excluding discrete income tax items

Guidance for 2015 Segment Results



Item	Engine	Distribution	Components	Power Generation
Consolidated Revenue Growth	Flat to Up 2%	Up 23 - 27%	Up 4 - 8%	Flat - Down 4%
EBIT Margins (% of Revenue)	11.0 - 12.0%	8.0 - 9.0%	13.25 - 14.25%	8.0 - 9.0%



Cash Flow

\$M	Q4-14	Q4-13	Q3-14
Operating Cash Inflow	878	756	687
Capital Expenditures	334	259	164
Working Capital Measure	3,931	3,473	3,962
Working Capital Measure <i>(% of Annualized Net Sales)</i>	19.3%	18.9%	20.3%
Debt to Capital %	17.3%	18.1%	17.3%

- Working capital increased, compared to the prior year, primarily due to the impact of acquisitions.

Thank You for Your Interest in



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Appendix



Cummins Inc.



- Strong product portfolio and global partners
- Macro growth trends play to Cummins' strengths
- Disciplined investment for growth
- Demonstrated technology leadership

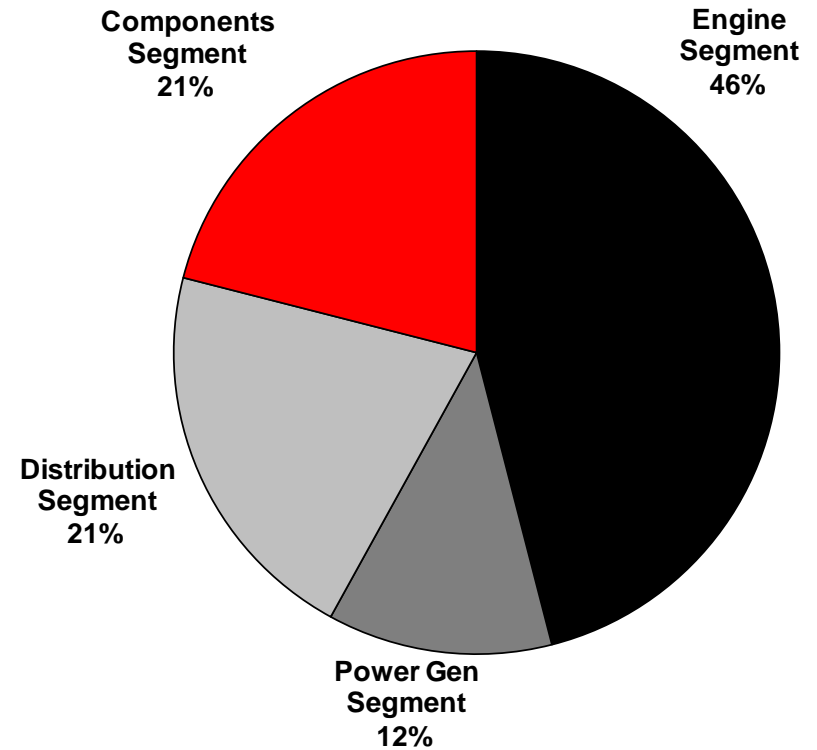
2014 Data

Sales: \$19.2 billion

EBIT¹: \$2.5 billion

EBIT%: 13.2%

2014 Revenue by Segment



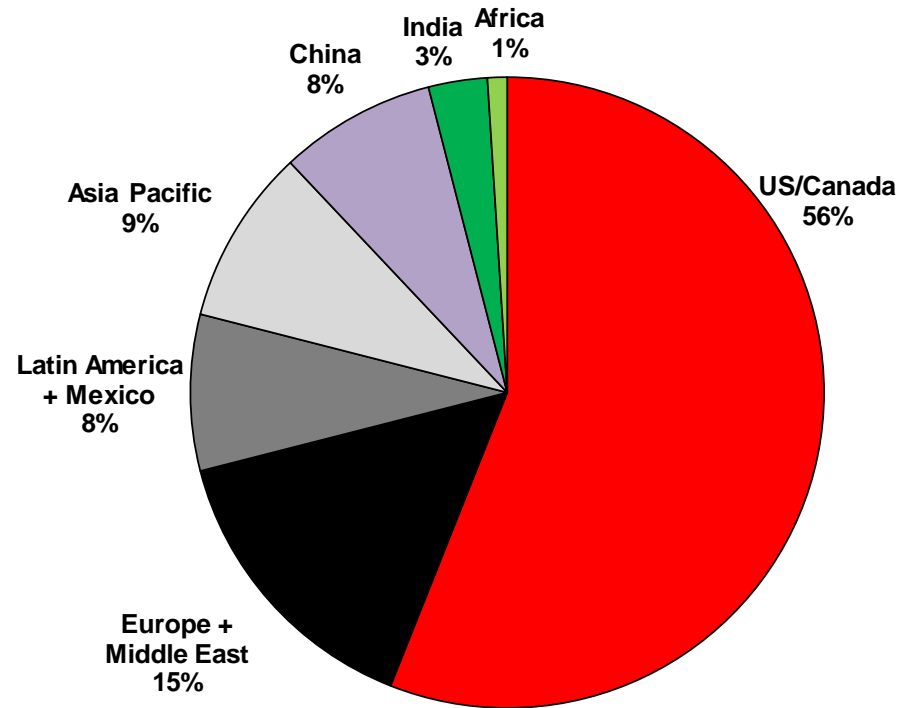
¹ EBIT excludes \$32 million in one-time charges in 2014.

Cummins Inc.



- Capitalizing on global emission regulations
- Strong geographic diversification and leadership across multiple end-markets
- Global distribution with network presence in more than 190 countries and territories.

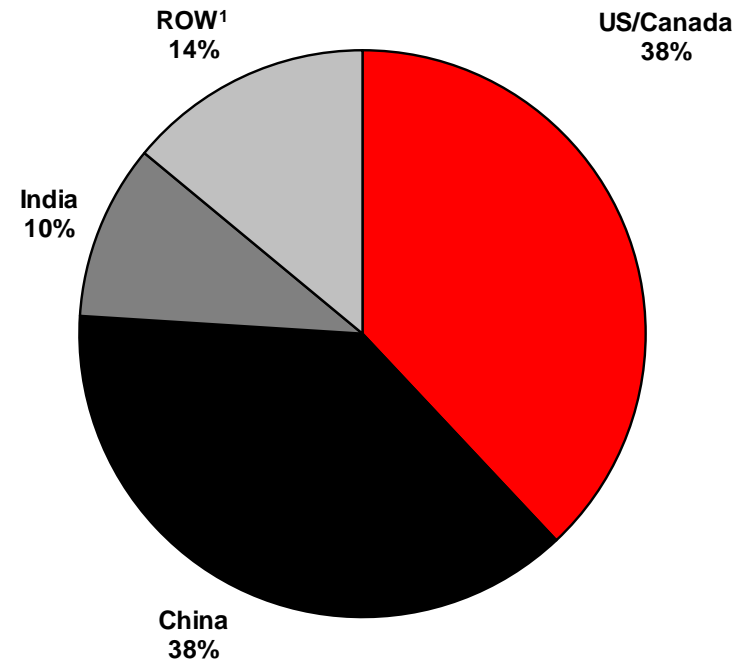
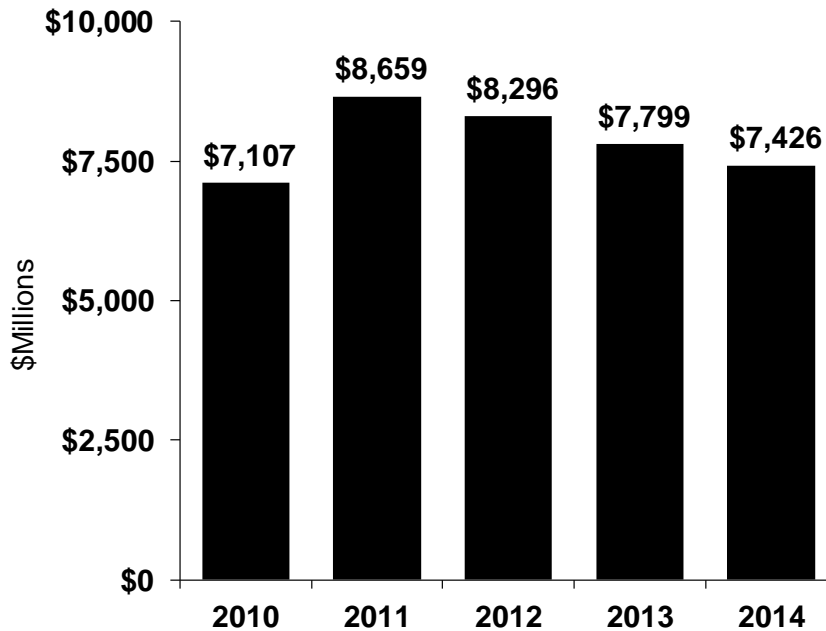
2014 Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



2014 Revenue



¹ ROW = Rest of World



Engine Segment – Overview

- Diesel and Natural gas engines from 2.8L to 95L and 49 hp to 5,100 hp
- Long-term engine supply agreements with key customers to stabilize pricing and to jointly engineer better integrated vehicles to market
- Leading market share in multiple end-markets and geographies

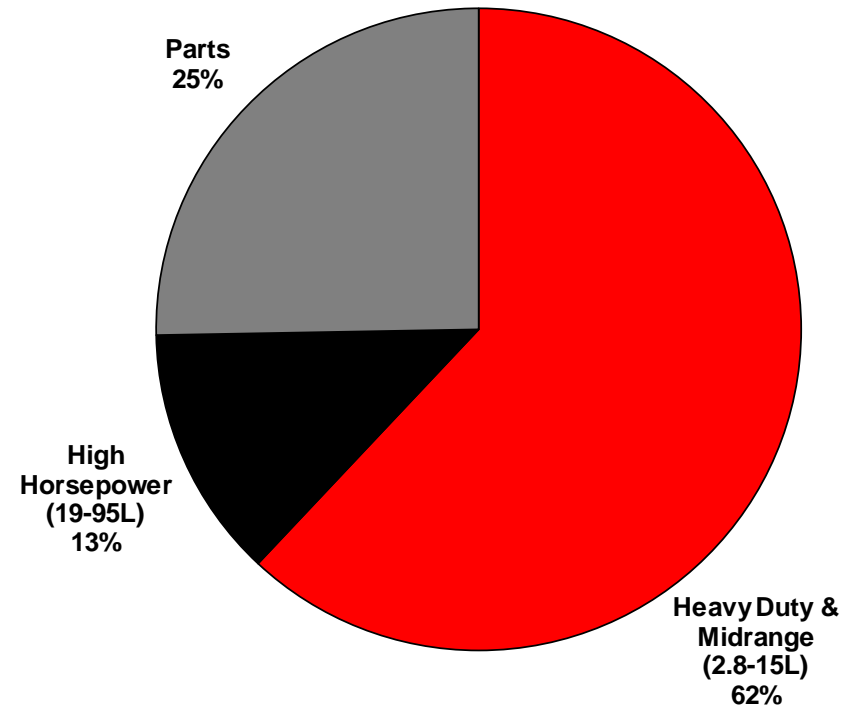
2014 Data

Sales: \$11.0 billion

EBIT: \$1.2 billion

EBIT%: 11.2%

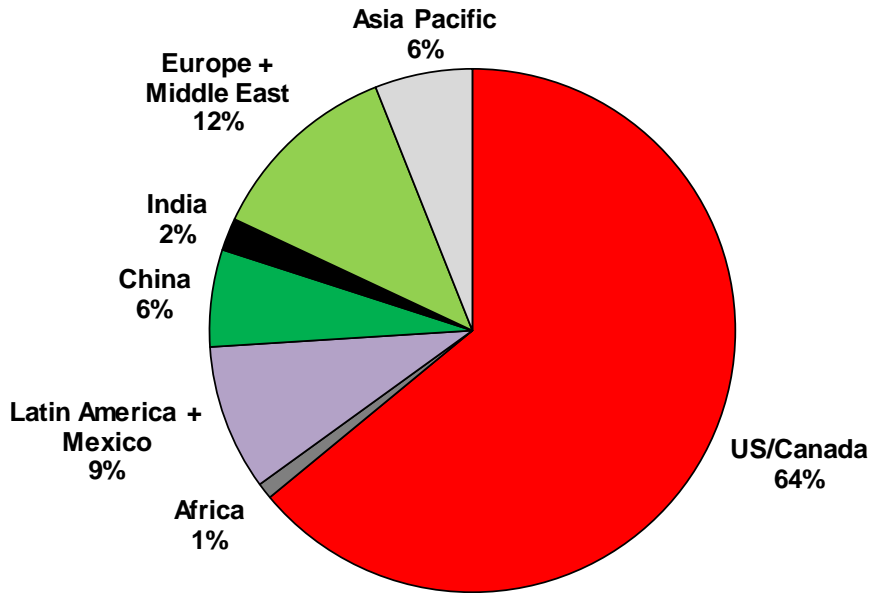
2014 Revenue by Product



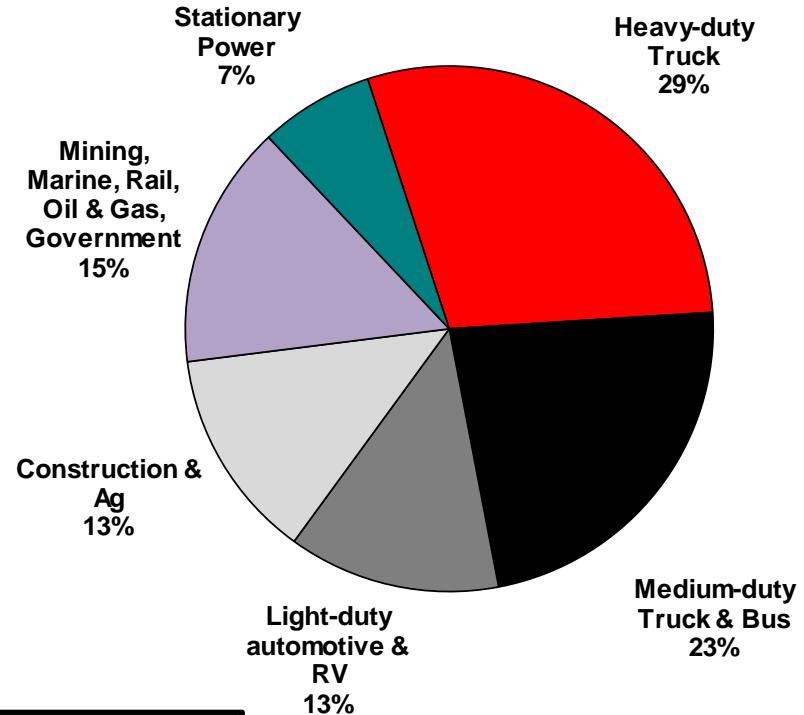
Engine Segment – Sales Mix



Geographic

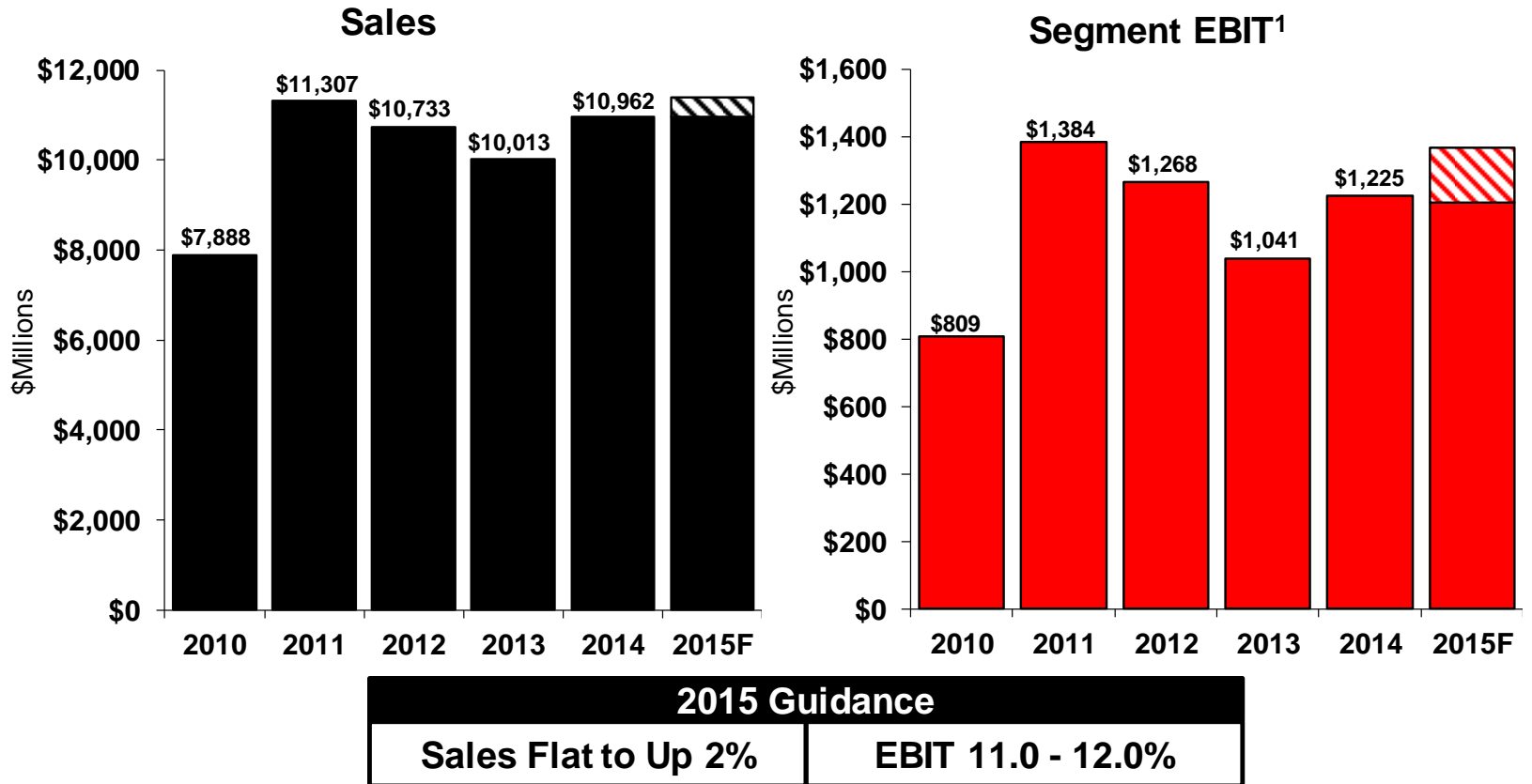


Application



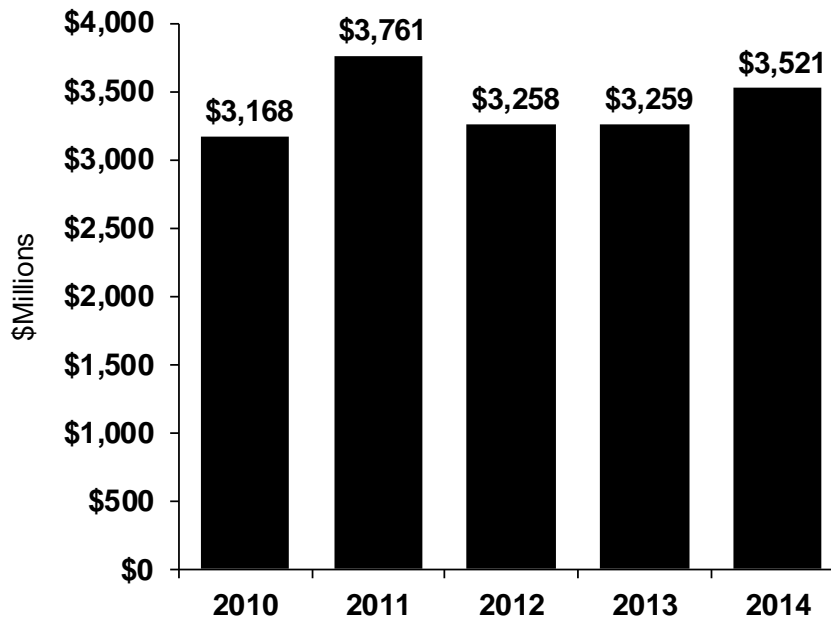
2014 Revenue: \$11.0 B

Engine Segment – Historical Performance

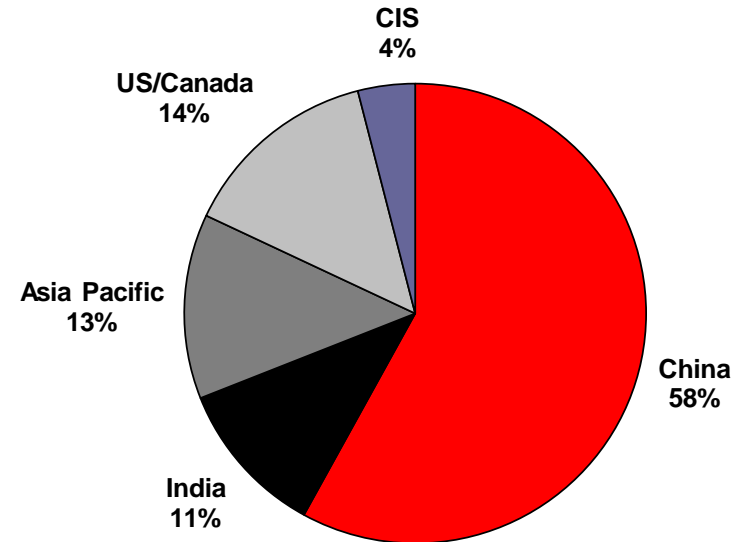


¹ 2012 EBIT excludes \$20 million in restructuring charges.

Engine Segment – Joint Venture Sales Unconsolidated



2014 Revenue





Distribution Segment – Overview

- Provide legendary aftermarket support and increase solution-based revenue
- Move towards a market-based model that drives customer focus
- Increase emerging market growth

2014 Data

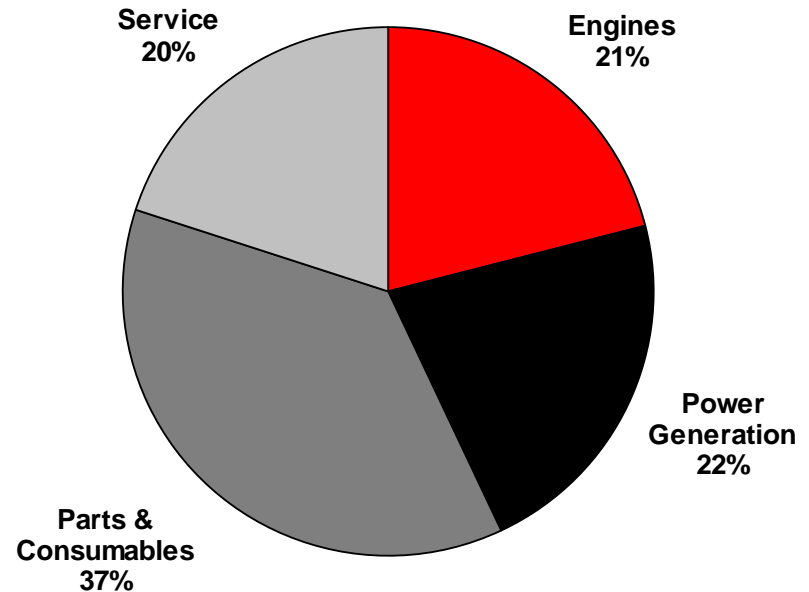
Sales: \$5.2 billion

EBIT: \$491 million

EBIT%: 9.5%

2014 Revenue

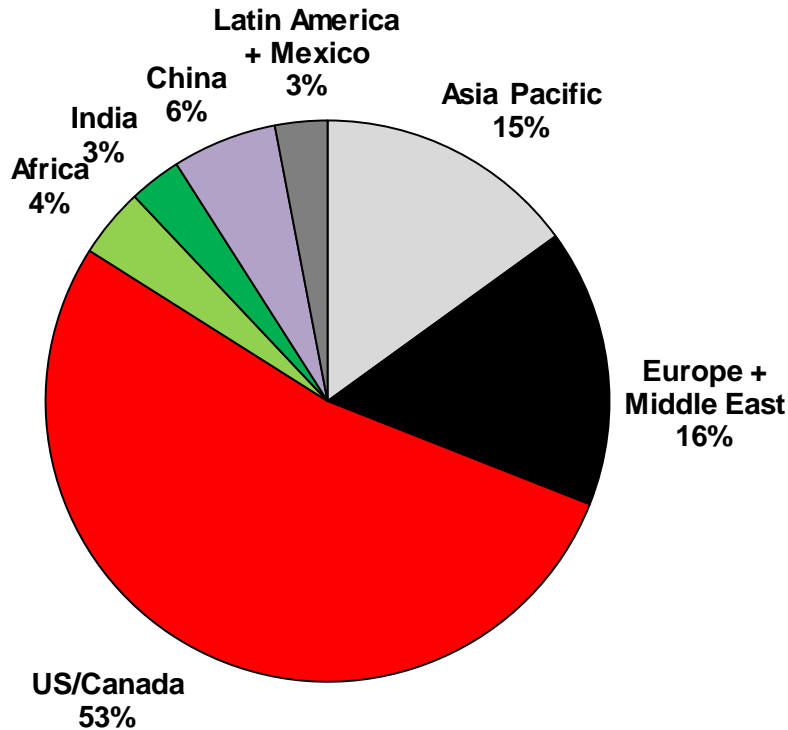
Application





Distribution Segment – Sales Mix

Geographic

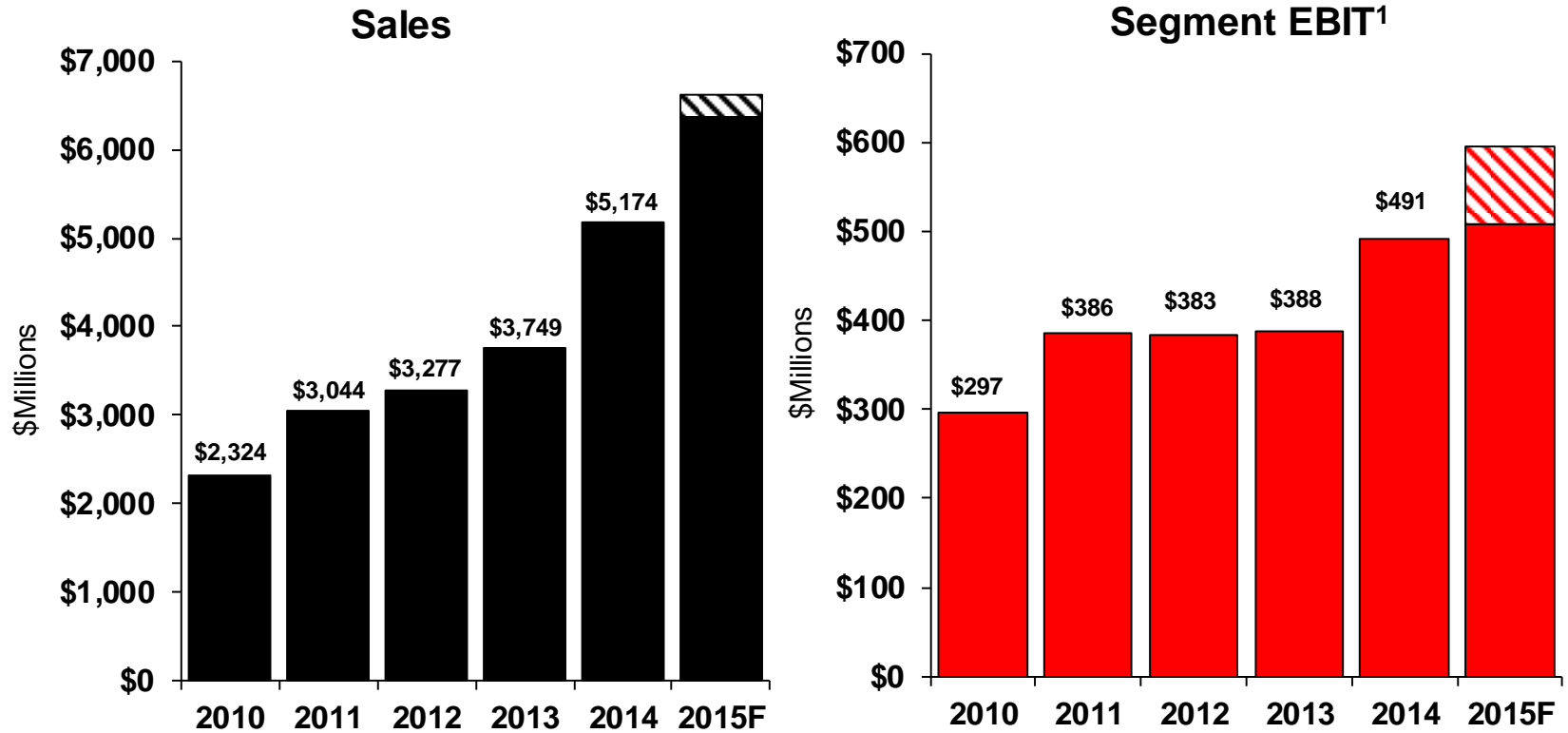


- Key enabler for Cummins growth
- Benefitting from increased population of product in the field
- International sales growth

2014 Revenue: \$5.2 B



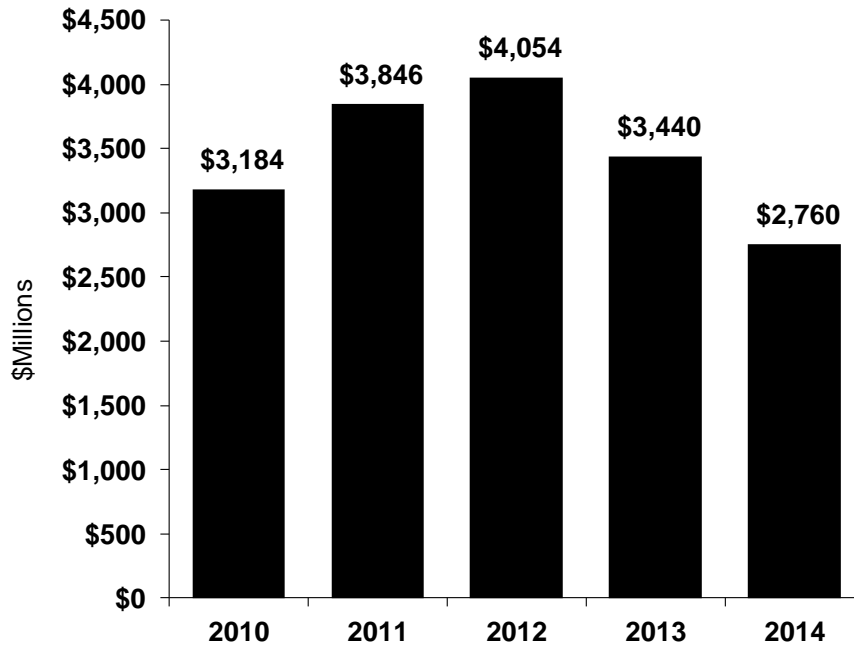
Distribution – Historical Performance



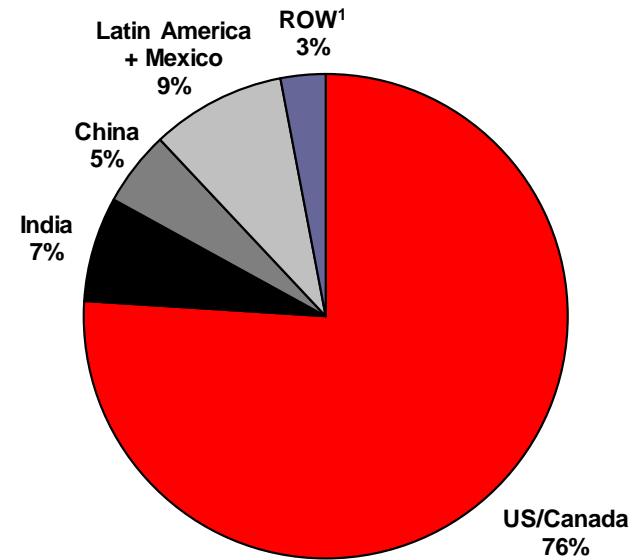
2015 Guidance	
Sales Up 23 - 27%	EBIT 8.0 - 9.0%

¹ 2012 EBIT excludes \$14 million in restructuring charges.

Distribution Segment – Joint Venture Sales Unconsolidated



2014 Revenue



¹ ROW = Rest of World



Components Segment – Overview

- Leading supplier of aftertreatment products for commercial vehicle applications
- Largest worldwide supplier of turbochargers from 3.8L to 25L for commercial applications
- World's leading supplier of filtration, coolant and chemical products

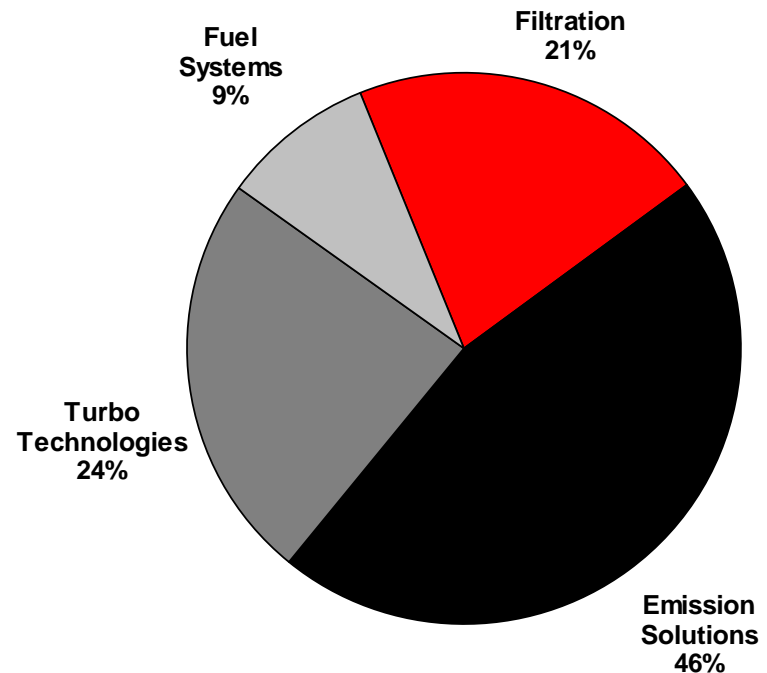
2014 Data

Sales: \$5.1 billion

EBIT: \$684 million

EBIT%: 13.4%

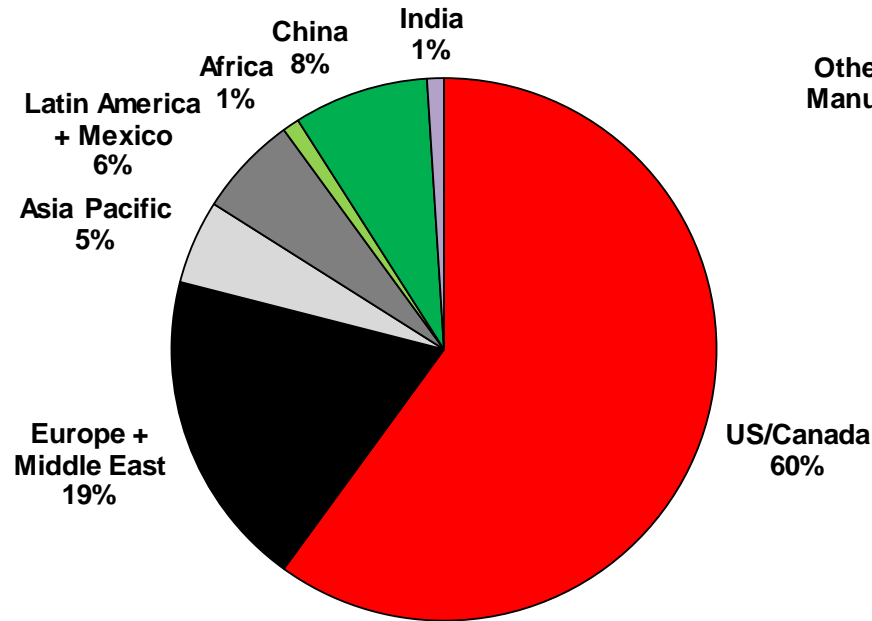
2014 Revenue by Business



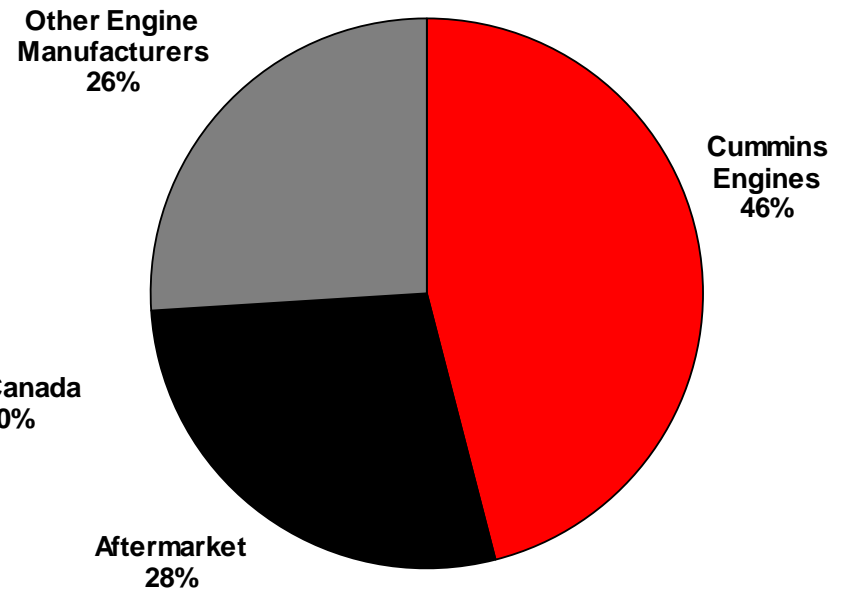


Components Segment – Sales Mix

Geographic



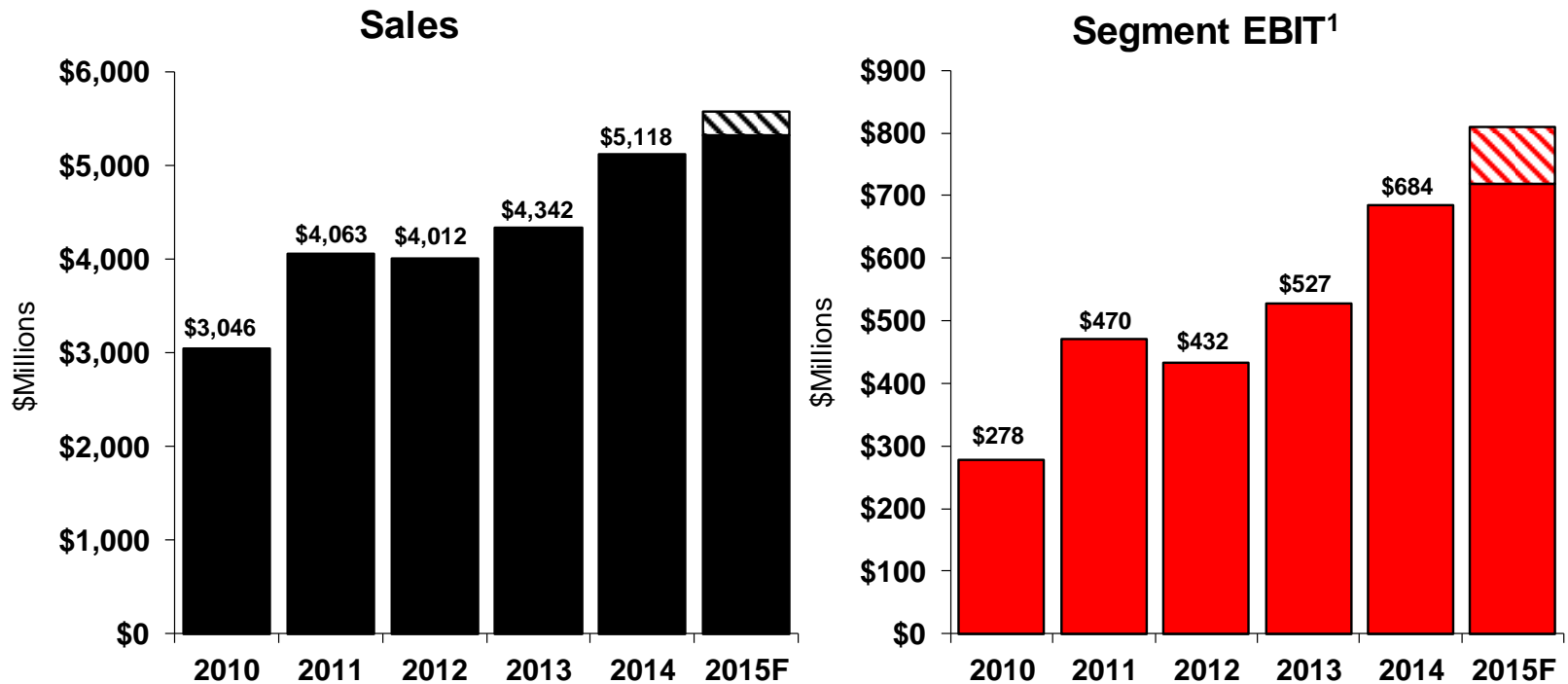
Application



2014 Revenue: \$5.1 B



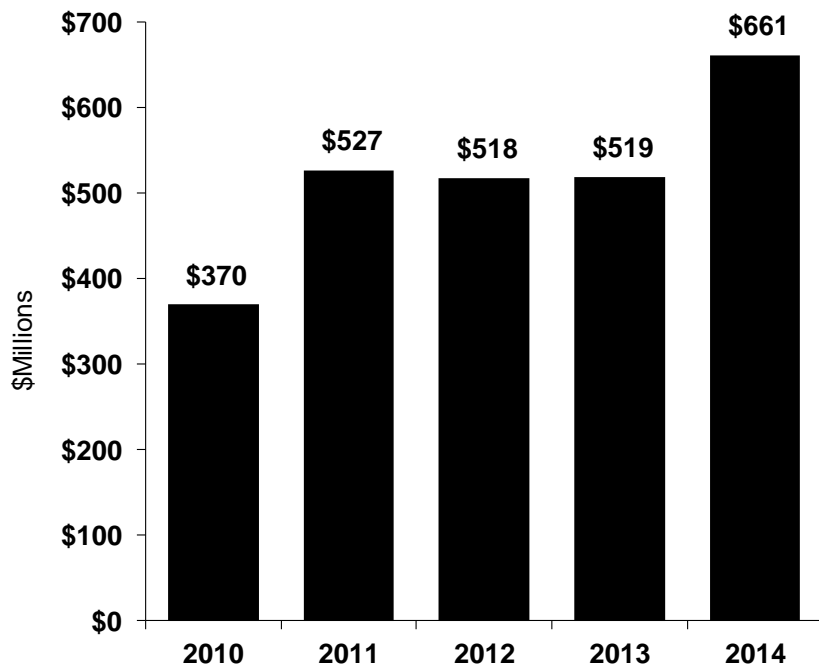
Components – Historical Performance



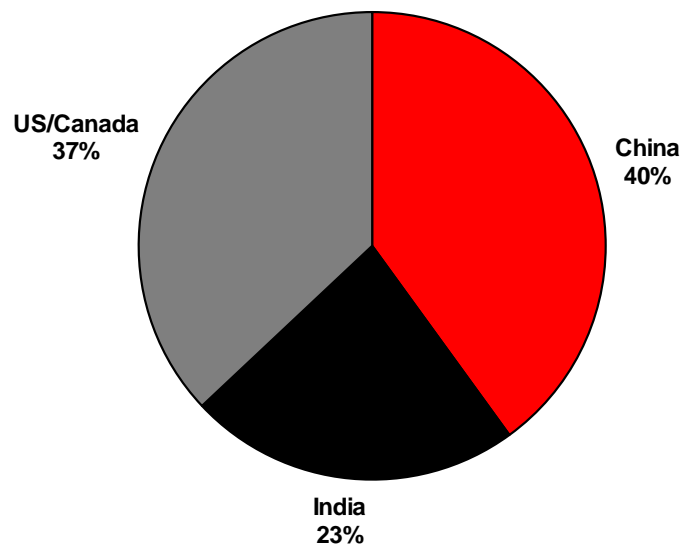
2015 Guidance	
Sales Up 4 - 8%	EBIT 13.25 -14.25%

¹ 2012 EBIT excludes \$6 million in restructuring charges.

Components Segment – Joint Venture Sales Unconsolidated



2014 Revenue





Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 2kW to 2.75 Megawatts (MW)
- Leading supplier of alternators from 0.6kVA to 30,000kVA
- Leading market share in multiple geographies

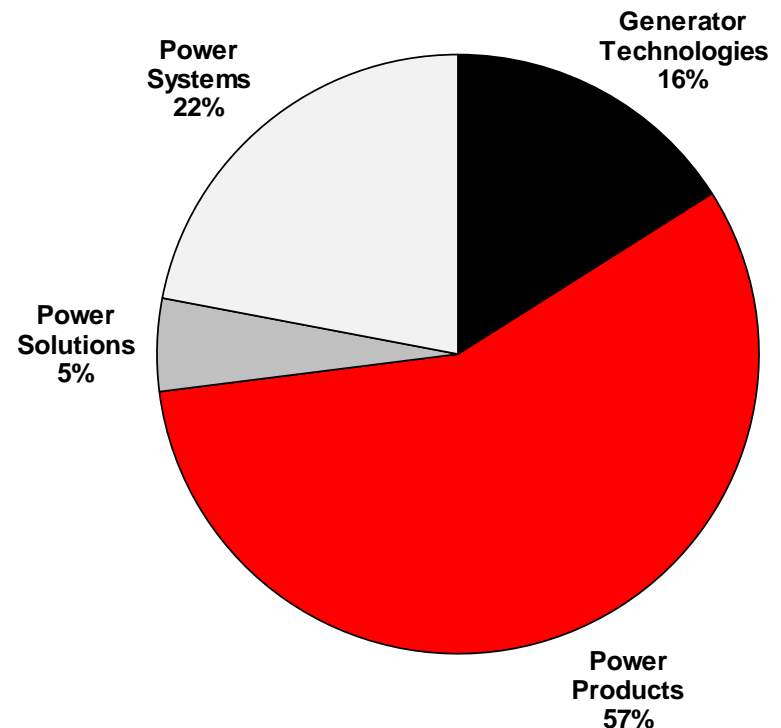
2014 Data

Sales: \$2.9 billion

EBIT¹: \$200 million

EBIT%: 6.9%

2014 Revenue by Product

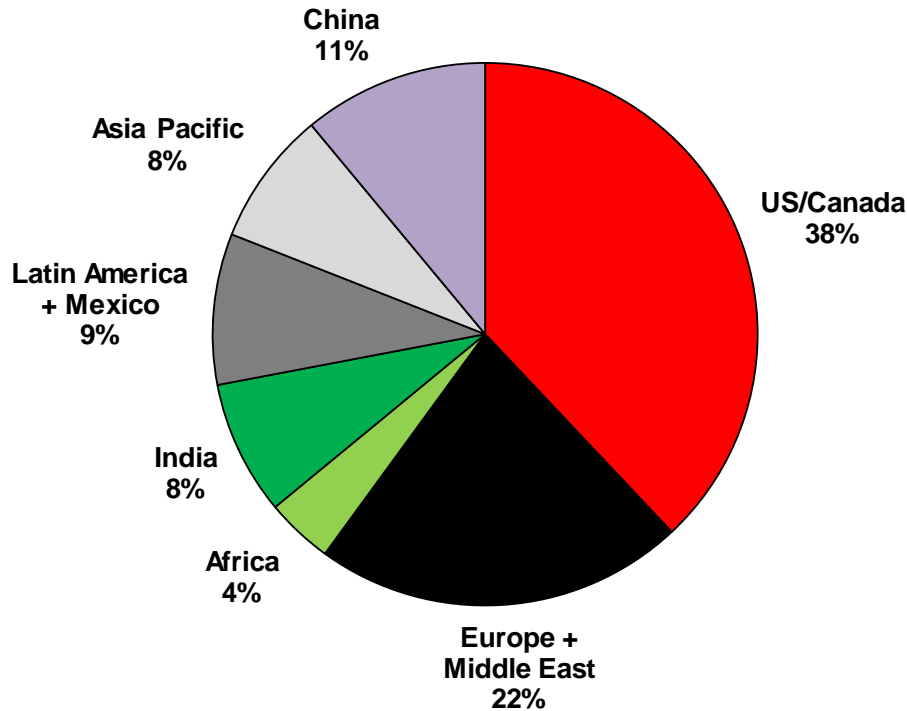


¹ EBIT excludes \$32 million in one-time charges in 2014.

Power Generation Segment – Sales Mix



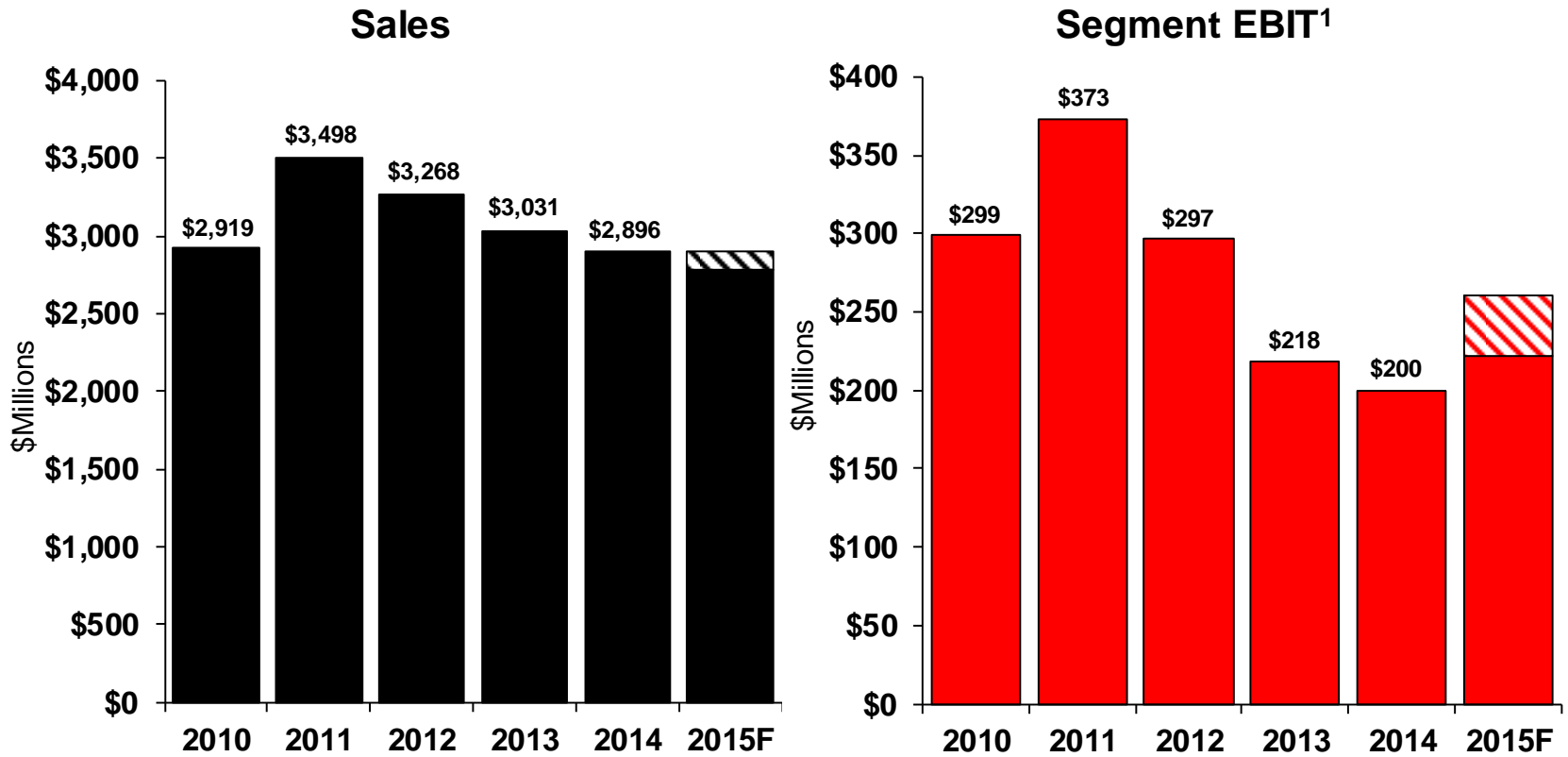
Geographic



- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

2014 Revenue: \$2.9B

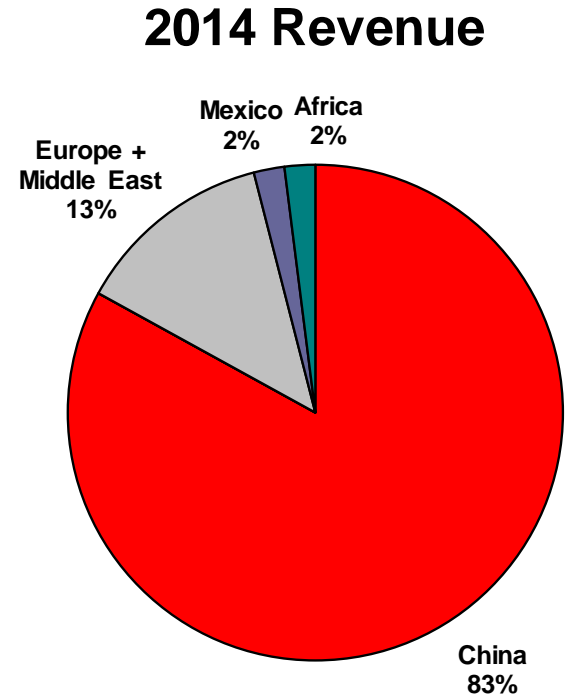
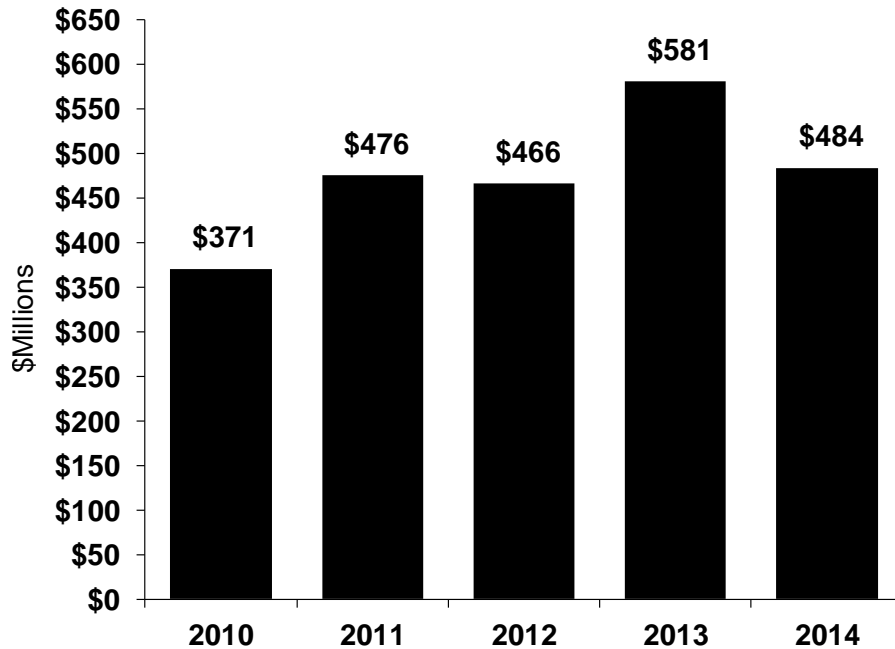
Power Generation – Historical Performance



2015 Guidance	
Sales Flat - Down 4%	EBIT 8.0 - 9.0%

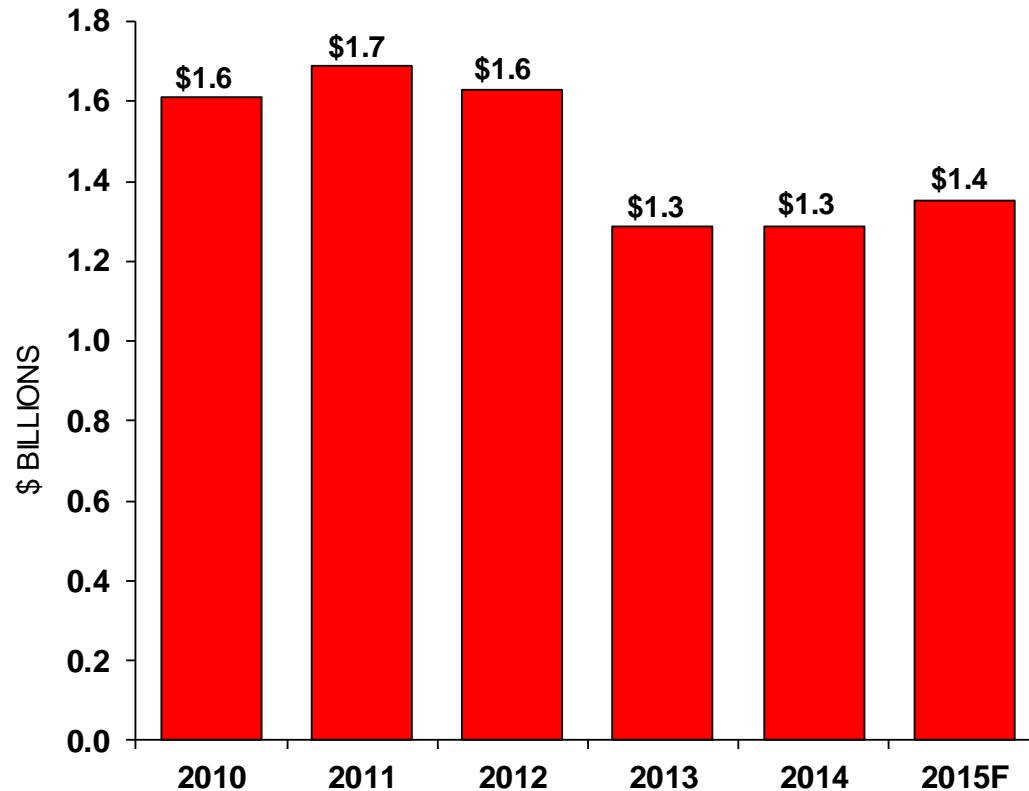
¹ EBIT excludes \$12 million in restructuring charges in 2012 and one-time charges of \$32 million in 2014.

Power Generation Segment – Joint Venture Sales Unconsolidated





Emerging Market Sales – India¹



- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets

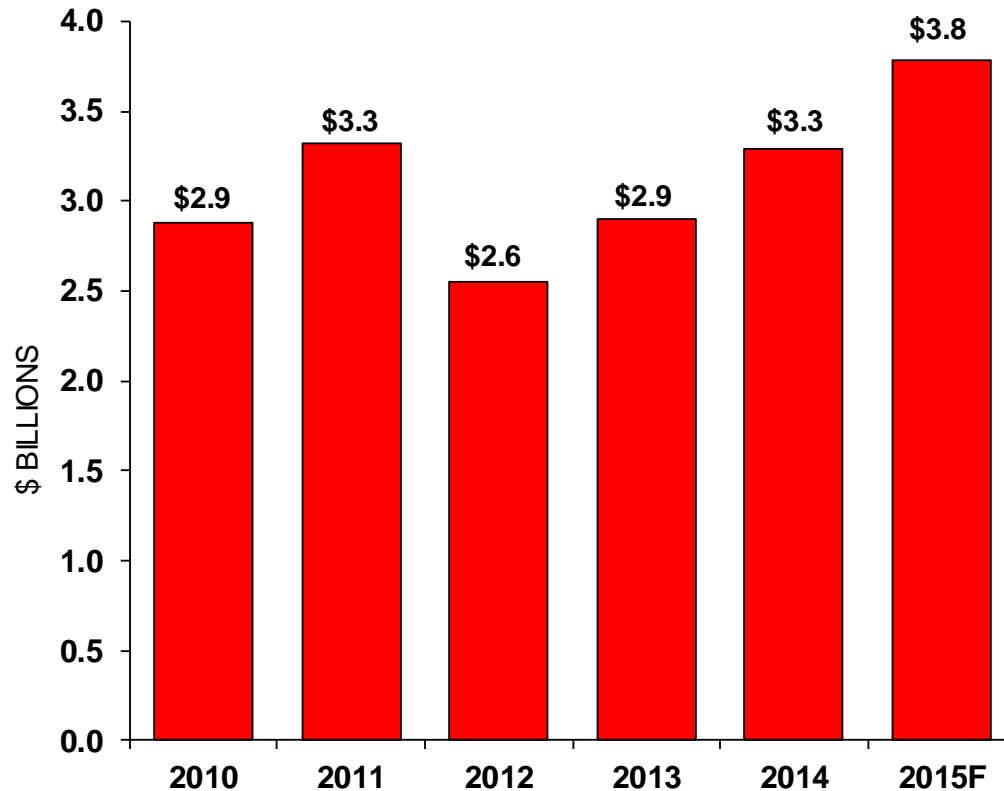
Domestic consolidated + unconsolidated revenue.

KPIT Cummins excluded from Joint Venture Sales Unconsolidated beginning 2013 due to reduction in ownership interest.

¹ Before intercompany eliminations.



Emerging Market Sales – China¹



- Present in China for over 30 years
- Broad product portfolio - On and Off-Highway
- Strong OEM partners
- Growth from new products and tightening emissions

Domestic consolidated + unconsolidated revenue.

¹ Before intercompany eliminations.

Non-GAAP Reconciliation – EBIT



Millions	Three Months Ended		
	December 31 2014	September 28 2014	December 31 2013
EBIT excluding one-time charges	\$ 661	\$ 684	\$ 566
Add: Special Items	0	0	0
Less: One-time charges	32	0	0
Total EBIT	<u>629</u>	<u>684</u>	<u>566</u>
Less: Interest Expense	17	15	19
Income before taxes	<u>612</u>	<u>669</u>	<u>547</u>
Less: Income tax expense	145	230	86
Consolidated net income	<u>467</u>	<u>439</u>	<u>461</u>
Less: Net income attributable to noncontrolling interests	23	16	29
Net income attributable to Cummins Inc.	<u>444</u>	<u>423</u>	<u>432</u>

We define EBIT as earnings before interest expense, provision for income taxes, and non-controlling interests in earnings of consolidated subsidiaries. We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation program. The table above reconciles EBIT, a non-GAAP financial measure, to our consolidated earnings before income taxes and non-controlling interests, for each of the applicable periods. We believe EBIT is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard for financing methods, capital structure, or income taxes. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America (GAAP) and may not be consistent with measures used by other companies. It should be considered supplemental data.

Non-GAAP Reconciliation – Working Capital



Millions	December 31 2014	September 28 2014	December 31 2013
Accounts and notes receivable, net	\$ 2,946	\$ 3,059	\$ 2,649
Inventories	2,866	2,833	2,381
Less: Accounts Payable - trade	(1,881)	(1,930)	(1,557)
Working capital measure	\$ 3,931	\$ 3,962	\$ 3,473
Working capital measure (% of Annualized Net Sales)	19.3%	20.3%	18.9%

A reconciliation of the calculation of working capital measure as a % of annualized net sales to our Condensed Consolidated Financial Statements is shown in the table above.

Non-GAAP Reconciliation – Net Assets



Millions	December 31 2014	December 31 2013
Net assets for operating segments	\$ 9,737	\$ 9,646
Liabilities deducted in computing net assets	6,009	5,103
Pension and other postretirement liabilities	(319)	(346)
Deferred tax assets not allocated to segments	314	292
Debt-related costs not allocated to segments	35	33
Total Assets	\$ 15,776	\$ 14,728

A reconciliation of net assets for operating segments to total assets in our Condensed Consolidated Financial Statements is shown in the table above.

Non-GAAP Reconciliation – Equity Used for Return on Equity Calculation



Millions	December 31 2014	December 31 2013
Equity used for return on equity calculation	\$ 8,418	\$ 8,121
Defined benefit postretirement plans	(669)	(611)
Total shareholders equity	7,749	7,510
Noncontrolling Interest	344	360
Total Equity	\$ 8,093	\$ 7,870

A reconciliation of equity used for return on equity calculation to total shareholder's equity in our Consolidated Financial Statements is shown in the table above.