



Second Quarter 2012 Earnings Teleconference

July 31, 2012



Participants

Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Rich Freeland President – Engine Business

Mark Smith Executive Director – Investor Relations



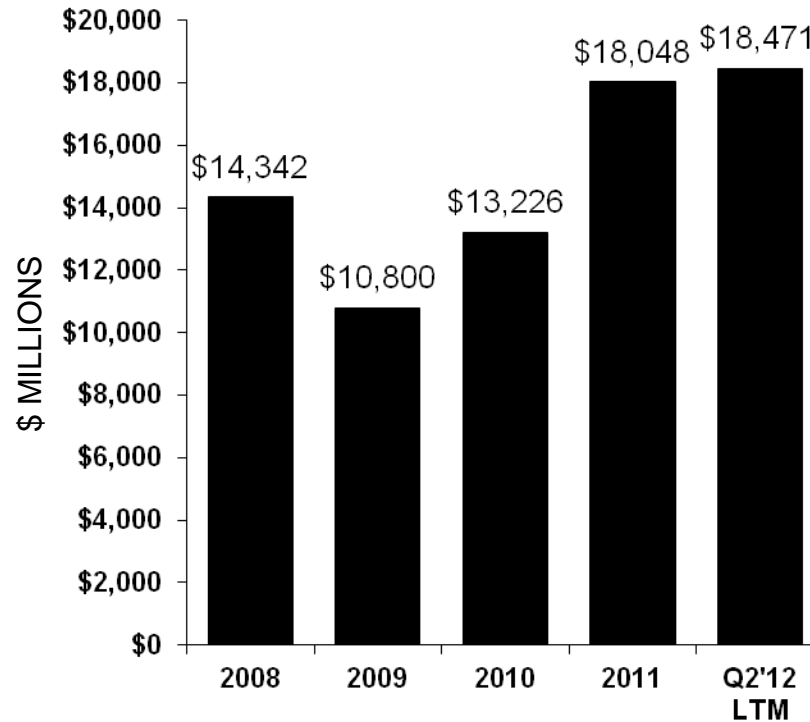
Disclosure Regarding Forward-Looking Statements

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, including particularly in the Risk Factors section of our 2011 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.

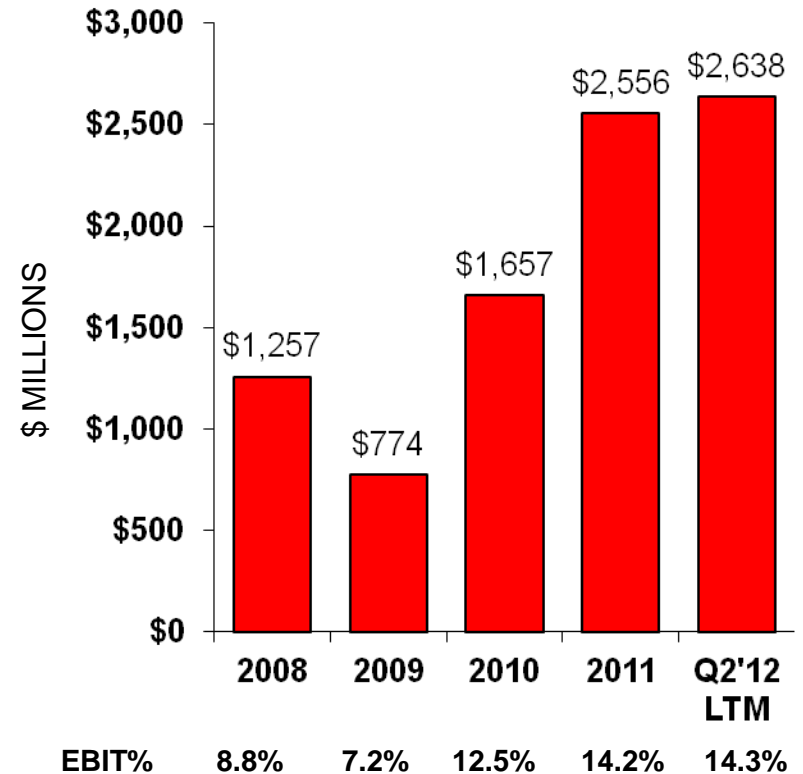


Cummins Inc.

Sales



EBIT¹



¹ EBIT excludes restructuring charges in 2008 and 2009 and the gains from divestiture of two businesses and flood insurance recovery are excluded from 2011. Also, Q212 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011.



Cummins Inc.

Selected Financial Data

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Sales	4,452	4,641	-4%	4,472	0%
EBIT Excluding Special Items ¹	663	707	-6%	658	+1%
% of Sales	14.9%	15.2%		14.7%	
ROANA (LTM) ¹	37%	36%		37%	
ROE (LTM) ¹	31%	28%		31%	

- Revenue, compared to the prior year, declined due to weaker demand in China, Brazil, and Europe offsetting strong demand from on-highway and construction markets in North America. Revenues were also negatively impacted by the appreciation of the dollar against several other currencies.



¹ Q211 EBIT excludes \$68 million pre-tax gain from the exhaust business transaction. Also, in Q212 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011.

Joint Venture Income

\$M	Q2-12	Q2-11	Q1-12
Engine	37	49	38
<i>On-highway</i>	24	31	25
<i>Off-highway</i>	13	18	13
Power Generation	10	13	10
Distribution	49	46	48
Components	8	9	8
Total JV Income	104	117	104

- JV contribution, compared to the prior year, was lower due to weaker demand at joint ventures in China and India being partially offset by an improvement in North American distributors.



Cummins Inc.

Selected Income Statement Data

\$M	Q2-12	Q2-11	Q1-12
Net Income Attributable to CMI -- Excluding Special Items	465	468	455
Diluted EPS ¹	2.45	2.41	2.38
Gross Margin (% of Sales)	27.2%	25.9%	26.8%
SAR (% of Sales)	15.1%	13.4%	14.7%

- EBIT, compared to the prior year, declined due to lower JV income and additional spending offsetting record gross margins.
- Gross margin percent improved, compared to the prior year, as a result of productivity improvements and cost reductions in our plants, improved pricing, lower warranty and material cost, along with, a more favorable product mix.



¹ Q211 EPS excludes \$68 million pre-tax gain from the exhaust business transaction. Also, Q212 EPS excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011.

Engine Segment

Selected Financial Data

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Sales	2,841	2,900	-2%	2,859	-1%
EBIT	376	377	0%	381	-1%
% of Sales	13.2%	13.0%		13.3%	

- Revenue growth in North America was more than offset by weaker demand in international markets with on-highway markets in Brazil and construction markets in China showing the most significant declines year-over-year.
- EBIT margin percent, compared to the prior year, improved as a result of favorable product mix, better pricing for parts and industrial engines, and lower product coverage costs. This was partially offset by weaker contribution from joint ventures in China and India, along with increased spending on growth initiatives.



Engine Segment

Sales by Market – On-highway

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Heavy-Duty Truck	807	693	+16%	892	-10%
Medium-Duty Truck & Bus	512	608	-16%	526	-3%
Light-Duty Auto & RV	297	310	-4%	286	+4%

- **Heavy Duty Truck:** Shipments up 11% Y-o-Y and down 11% sequentially.
- **Medium-Duty Truck & Bus:** Shipments down 10% Y-o-Y and flat sequentially.
- **Light-Duty & RV:** Shipments down 3% Y-o-Y and up 3% sequentially.



Engine Segment

Sales by Market – Off-highway

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Industrial	859	988	-13%	861	0%
Stationary Power	366	301	+22%	294	+24%

- **Industrial:** Shipments down 34% YoY and down 2% sequentially.
- **Stationary Power:** Shipments up 34% YoY and up 20% sequentially.



Guidance for 2012 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 19%.
- Medium-duty truck & bus revenue down 5%.
- Light duty auto & RV revenue Up 5%.
- Industrial revenue down 9%.



Key On-Highway Engine Markets - 2012

Key Market	Previous Market Size	Current Market Size
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	278K units	260K units
Medium Duty Truck – NAFTA	117K units	104K units
Heavy & Medium Truck – China	1.04M units	980K units
Heavy & Medium Truck – India	398K units	345K units
Medium Duty Truck – Brazil	171K units	145K units



Components Segment

Selected Financial Data

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Sales	1,036	1,032	0%	1,099	-6%
EBIT	116	120	-3%	143	-19%
% of Sales	11.2%	11.6%		13.0%	

- Compared to the prior year, increased demand in North American on-highway markets was offset by lower demand from international on-highway markets, foreign currency movements and the impact of divestitures completed last year.
- EBIT margin percent declined compared to last year due to increased R&E spending which more than offset lower material costs.



Power Generation Segment

Selected Financial Data

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Sales	909	909	0%	780	+17%
EBIT	94	105	-10%	76	+24%
% of Sales	10.3%	11.6%		9.7%	

- Revenue, compared to the prior year, increased in North America, however, was offset by lower demand in Europe, China, and Latin America, along with, a negative impact from a stronger US dollar.
- EBIT margin percent, compared to the prior year, decreased due to spending on growth initiatives and lower joint venture income.



Distribution Segment

Selected Financial Data

\$M	Q2-12	Q2-11	Growth	Q1-12	Growth
Sales	794	785	+1%	775	+2%
EBIT	92	106	-13%	94	-2%
% of Sales	11.6%	13.5%		12.1%	

- Strong demand for parts and service in most regions was offset by weaker demand for engines in the North American Oil & Gas market and power generation in the Middle East. Also, currency movements had a negative impact.
- EBIT margin, compared to the prior year, was lower due to the impact of currency and increased spending to build out the distribution network, particularly in Africa and China.



Guidance Change – Revenue

	EBU	PGBU	DBU	COMP	ELIMS
Heavy – Duty Truck	(270M)			(130M)	180M
Medium – Duty Truck	(170M)			(40M)	
China	(130M)	(30M)		(30M)	
Oil & Gas	(70M)		(60M)		
US – PG		(50M)	(50M)		
Europe		(100M)	(35M)	(30M)	
Stationary Power	(300M)				
Other Markets	(120M)	(40M)	(85M)	(20M)	
FX	(70M)	(50M)	(70M)	(30M)	
Total	(1.13B)	(270M)	(300M)	(280M)	
CMI Guidance Reduction: (1.8B)					



Guidance for 2012 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	\$18B
Earnings from Joint Ventures	Down 5%
EBIT Margin	14.25 – 14.75%
Effective Tax Rate	26.0% ¹
Capital Expenditures	\$750-800M
Global Pension Funding	\$130M

¹Excluding discrete items



Guidance for 2012 Segment Results

<u>Item</u>	<u>Engine</u>	<u>Components</u>	<u>Power Generation</u>	<u>Distribution</u>
Consolidated Revenue Growth	Flat	Up 5%	Flat	Up 10%
EBIT Margins (% of Revenue)	12-13%	11-12%	10-11%	12-13%



Cash Flow

\$M	Q2-12	Q2-11	Q1-12
Operating Cash Inflow	376	656	21
Capital Expenditures	140	124	126
Working Capital Measure	3,567	3,369	3,335
Working Capital Measure (% of Annualized Net Sales)	20.0%	18.2%	18.6%
Debt to Capital %	11.0%	13.3%	10.9%

- Operating cash flow driven by strong earnings and dividends received from joint ventures. These improvements were partially offset by investments in capital projects and working capital.



Thank You for Your Interest in



We Will Now Take Your Questions

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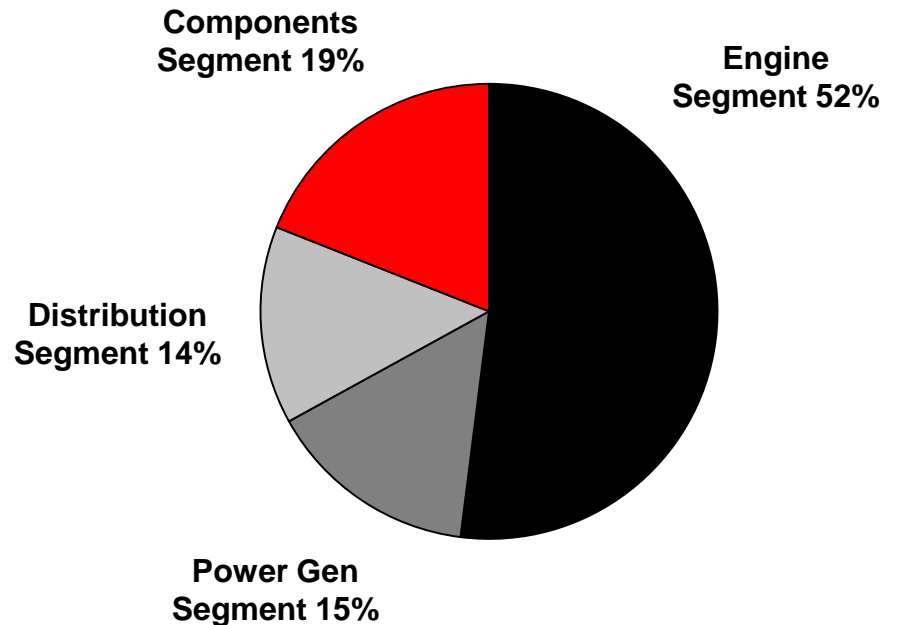
Appendix



Cummins Inc.

- Macro growth trends play to Cummins' strengths
- Disciplined investment for growth
- Demonstrated technology leadership

Q2'12 LTM Revenue by Segment



Q2'12 LTM Data

Sales: \$18.5 billion

EBIT : \$2.7 billion

EBIT margin: 14.3%

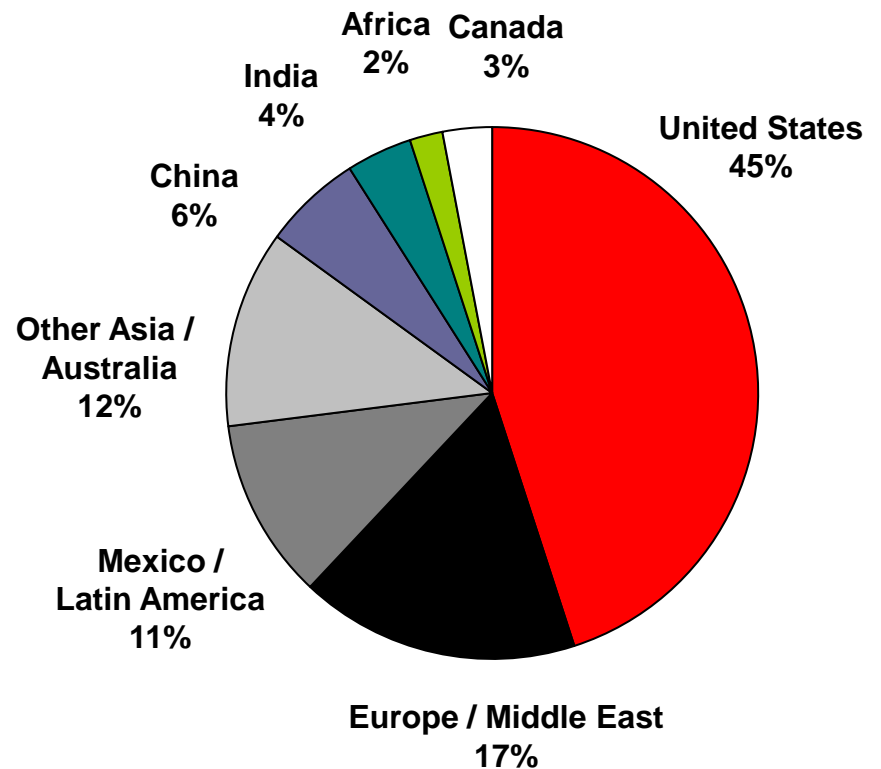
EBIT excludes gains from divestitures of businesses and flood insurance recovery.



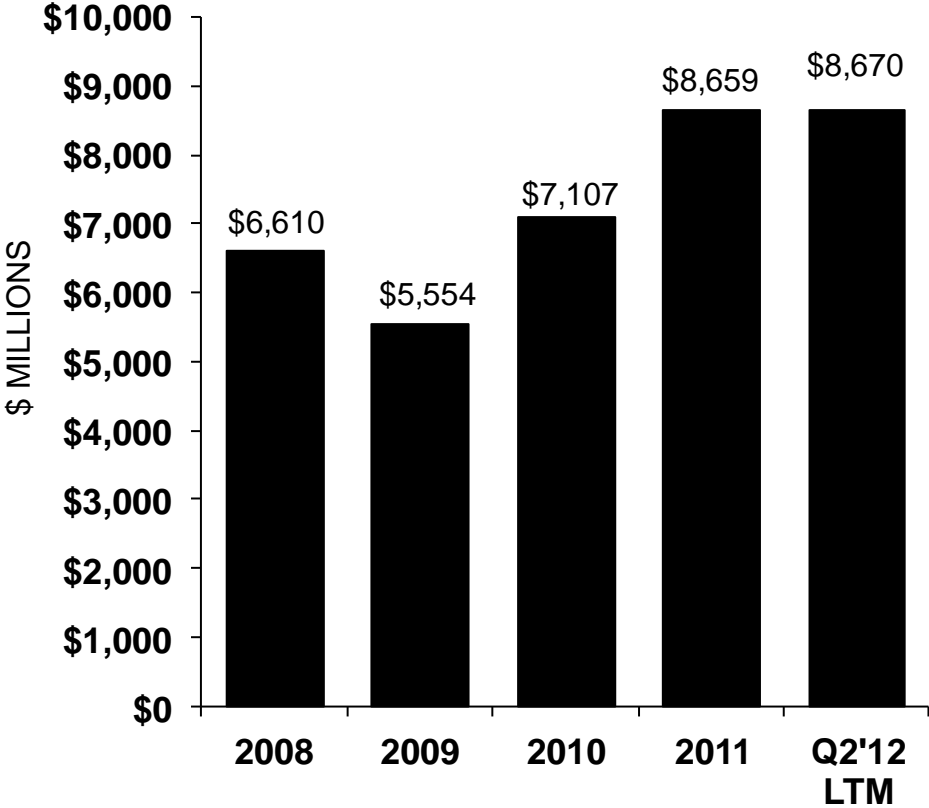
Cummins Inc.

- Strong geographic diversification and leadership across multiple end-markets

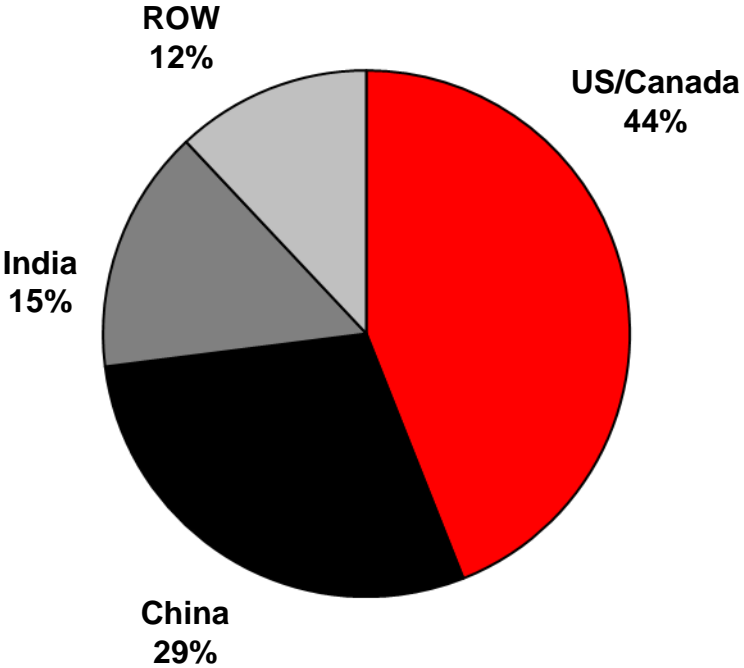
Q2'12 LTM Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



Q2'12 LTM Revenues



Note: ROW = Rest of World



Engine Segment – Overview

- Diesel and natural gas engines from 2.8L to 91L and 60 hp to 3500 hp
- Long-term 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

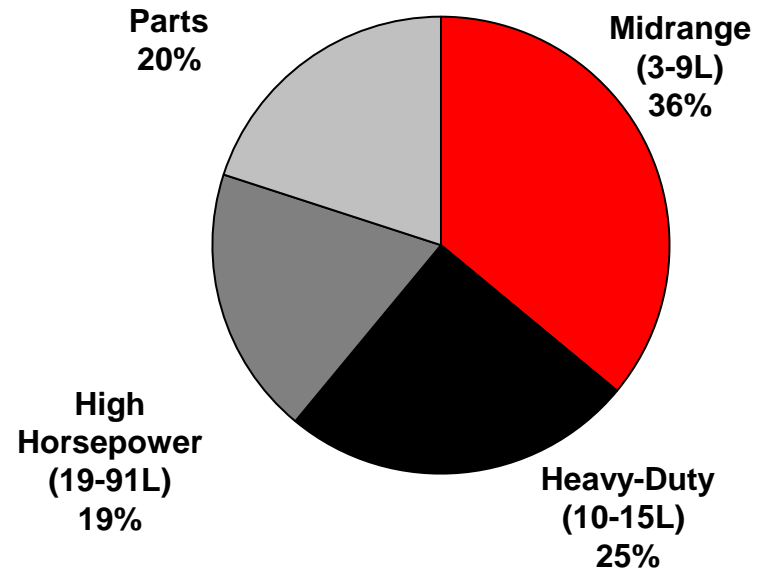
Q2'12 LTM Segment Data

Sales: \$11.7 billion

EBIT: \$1.5 billion

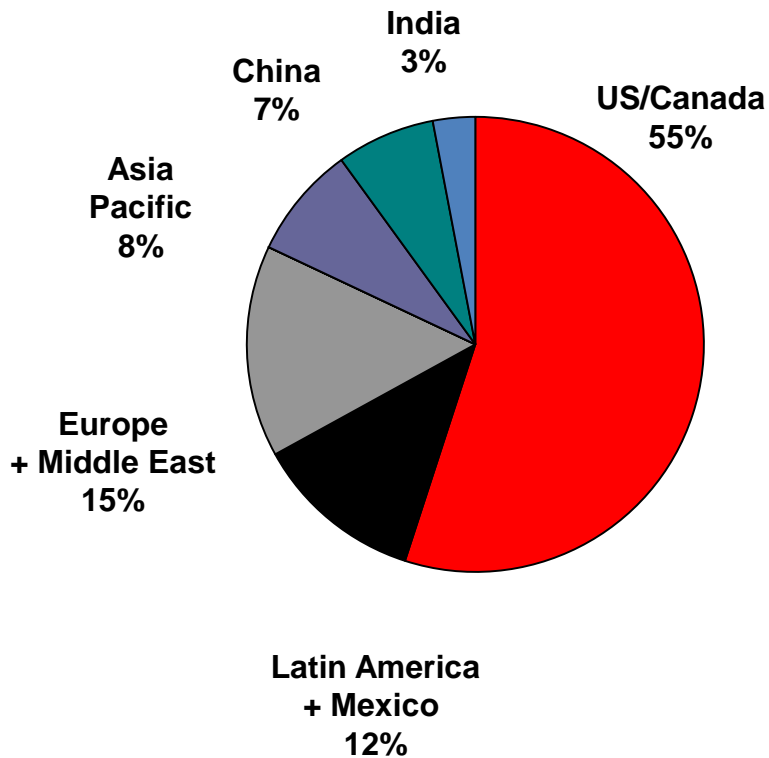
EBIT Margin: 12.6%

Q2'12 LTM Revenue by Product

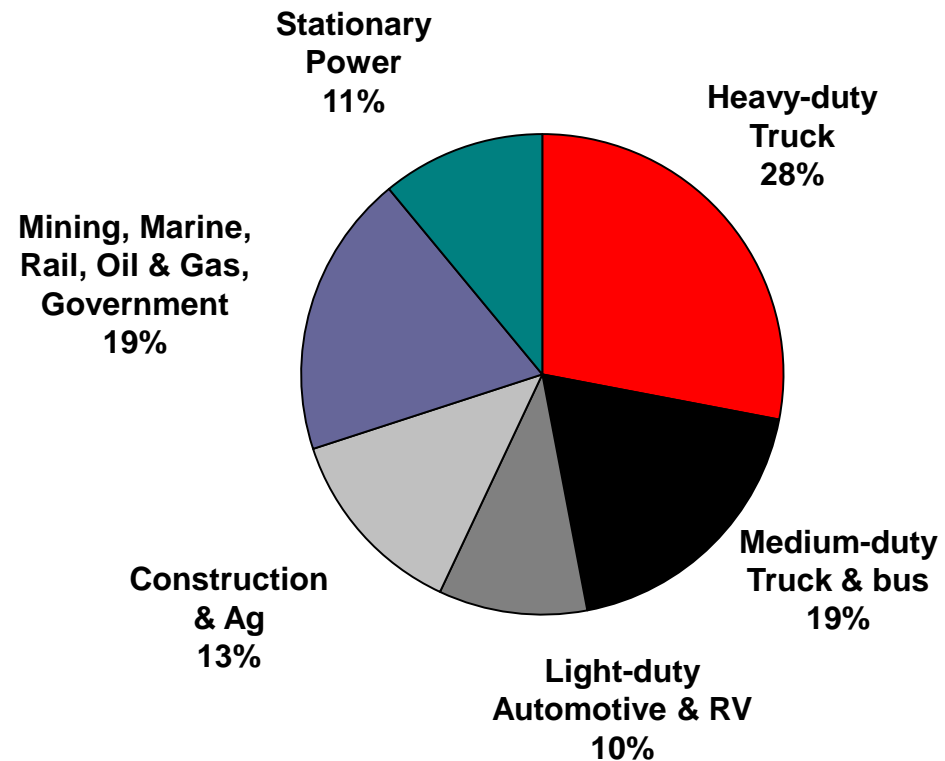


Engine Segment – Sales Mix

Geographic



Application

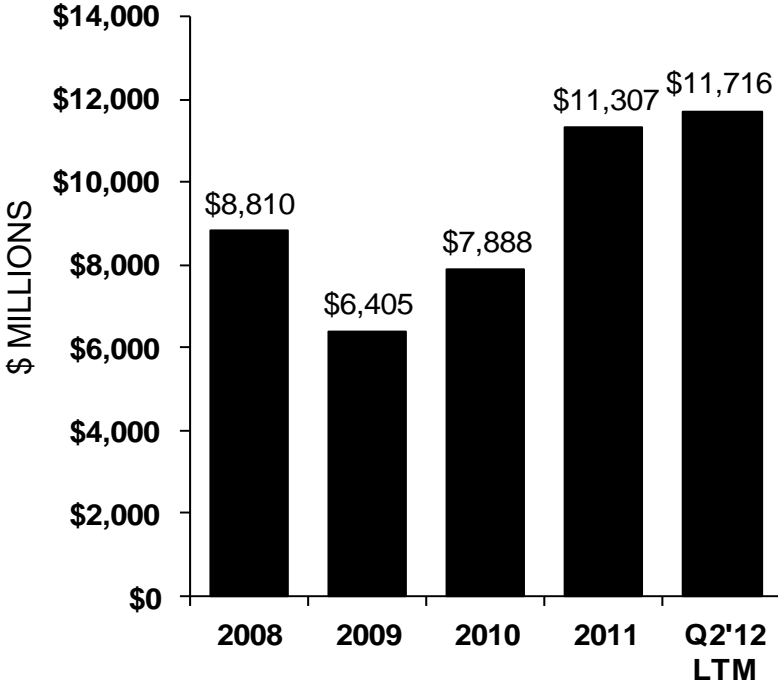


Q2'12 LTM Revenue: \$11.7B

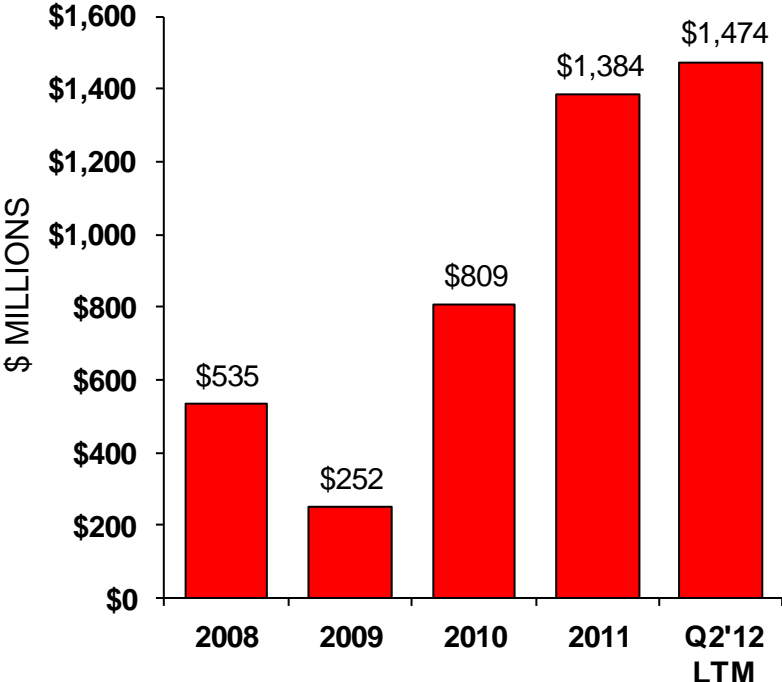


Engine Segment – Historical Performance

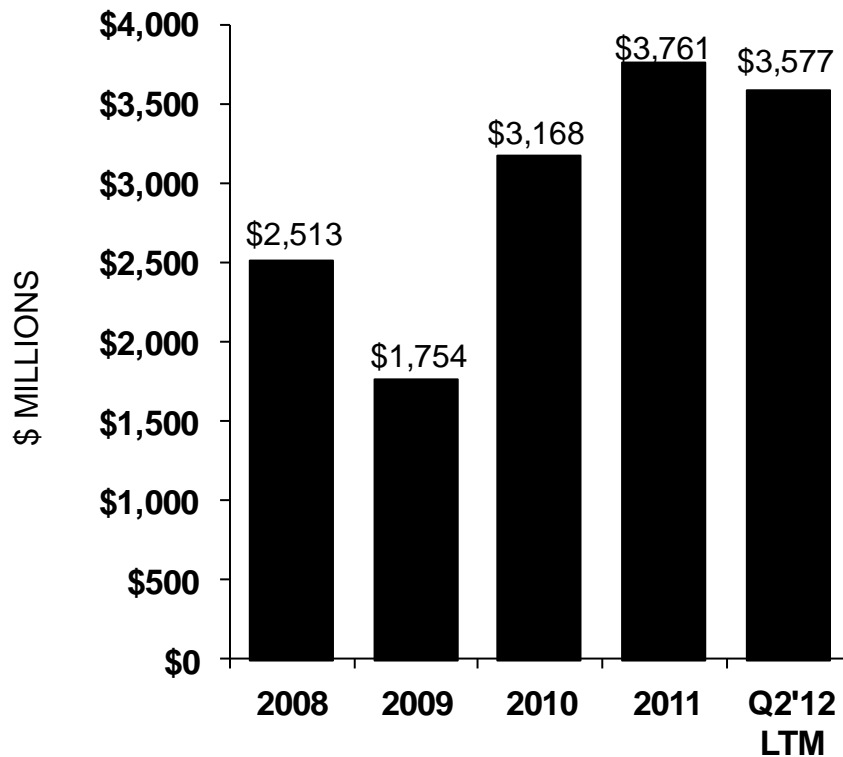
Sales



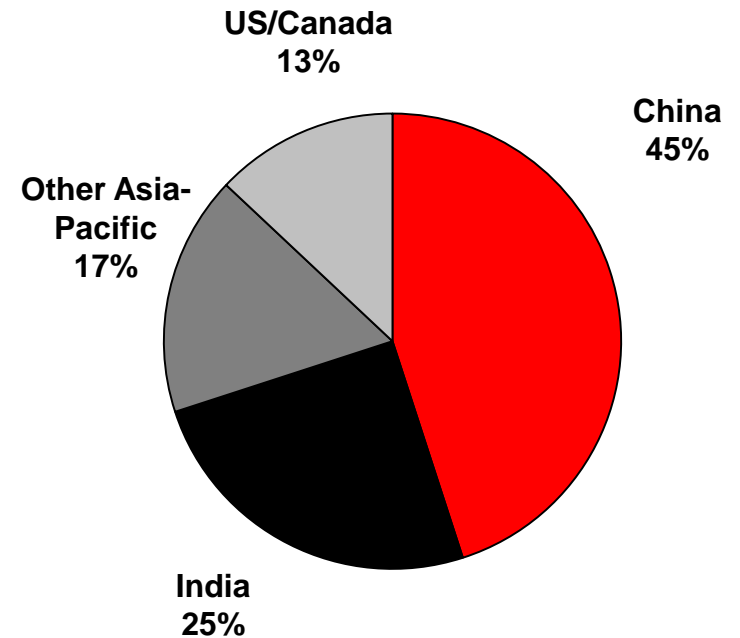
Segment EBIT



Engine Segment – Joint Venture Sales Unconsolidated



Q2'12 LTM Revenues



Components Segment – Overview

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

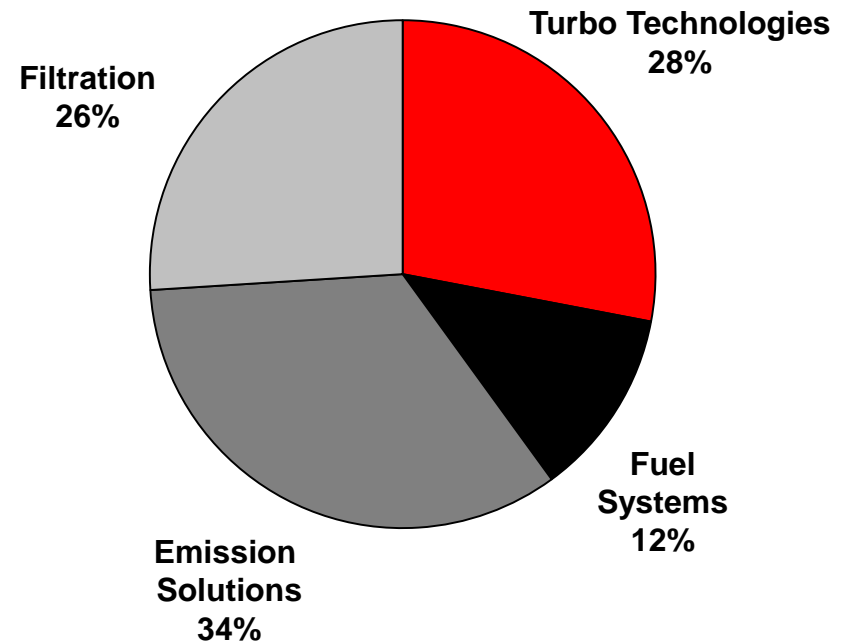
Q2'12 LTM Segment Data

Sales: \$4.2 billion

EBIT: \$504 million

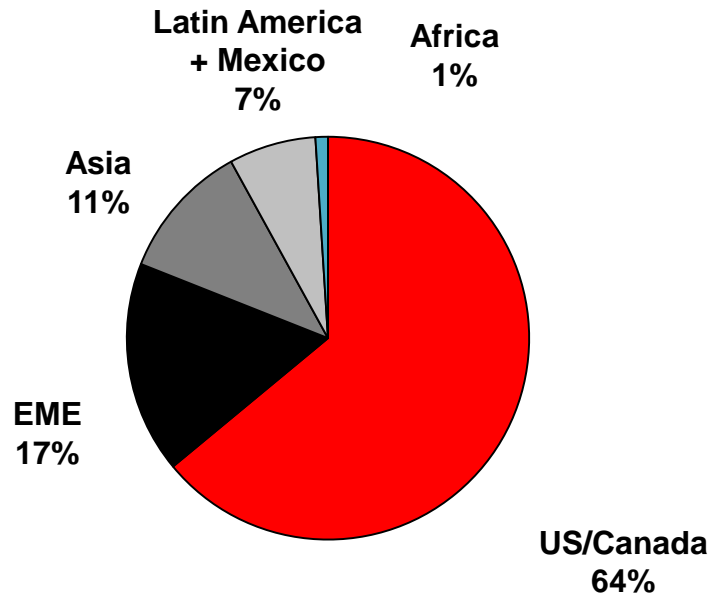
EBIT Margin: 11.9%

Q2'12 LTM Revenue by Business

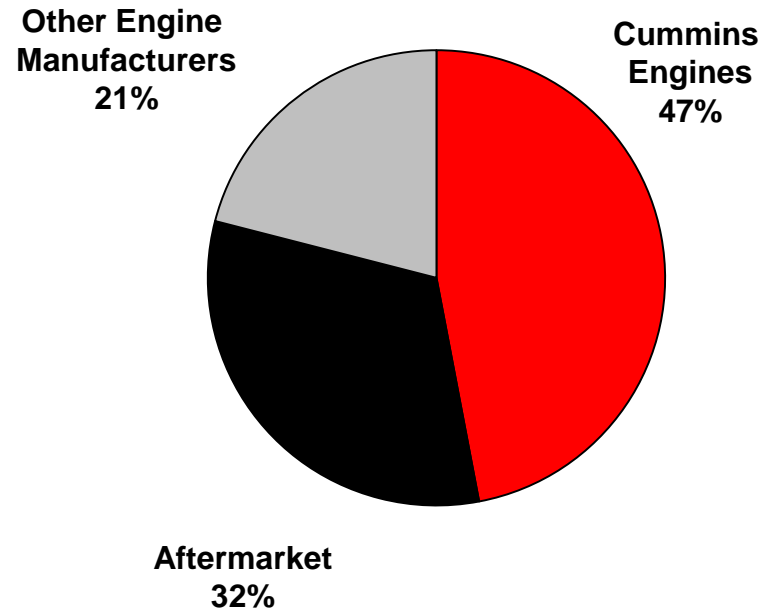


Components Segment – Sales Mix

Geographic



Application

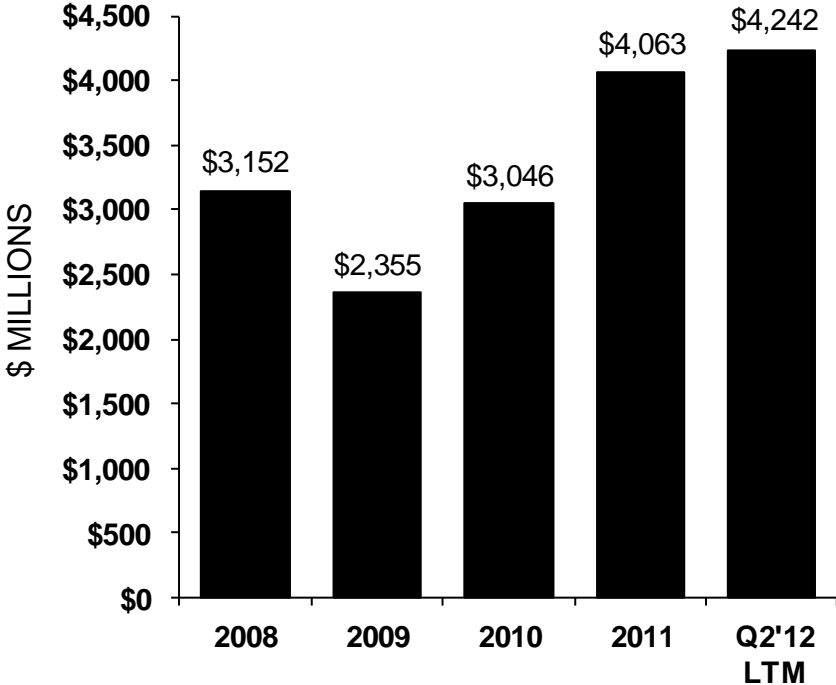


Q2'12 LTM Revenue: \$4.2B

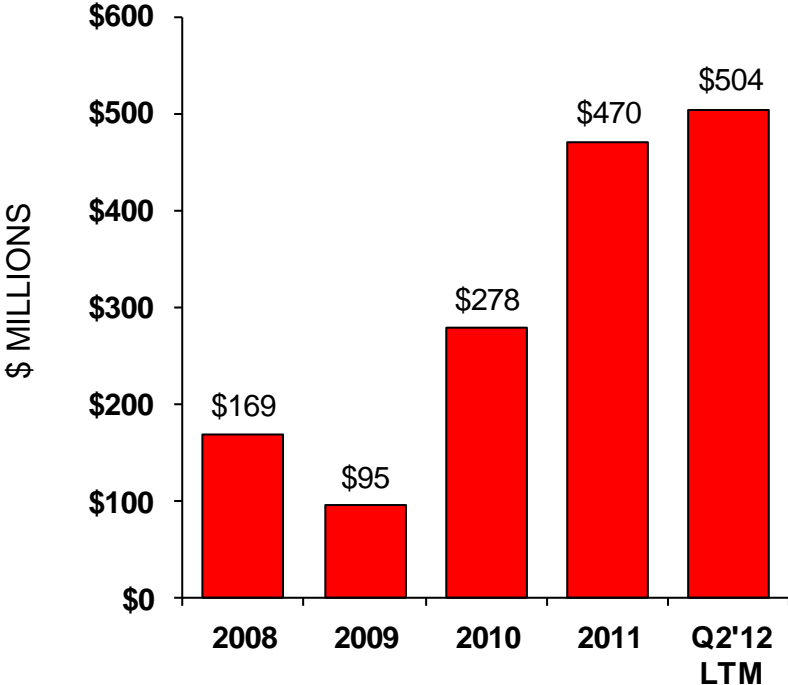


Components – Historical Performance

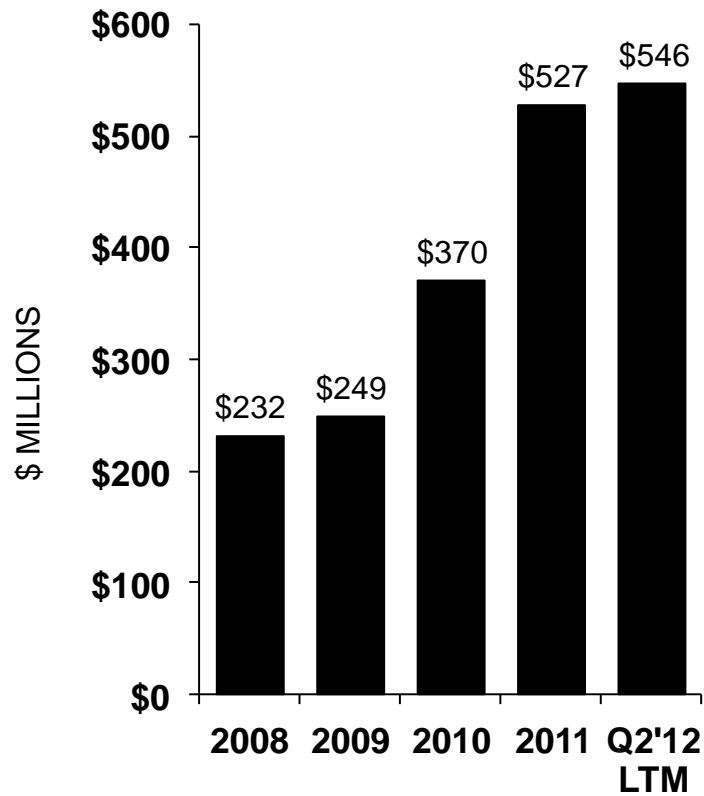
Sales



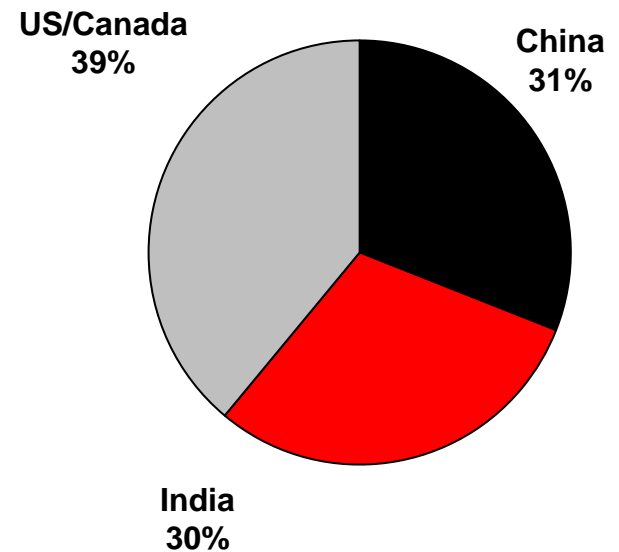
Segment EBIT



Components Segment – Joint Venture Sales Unconsolidated



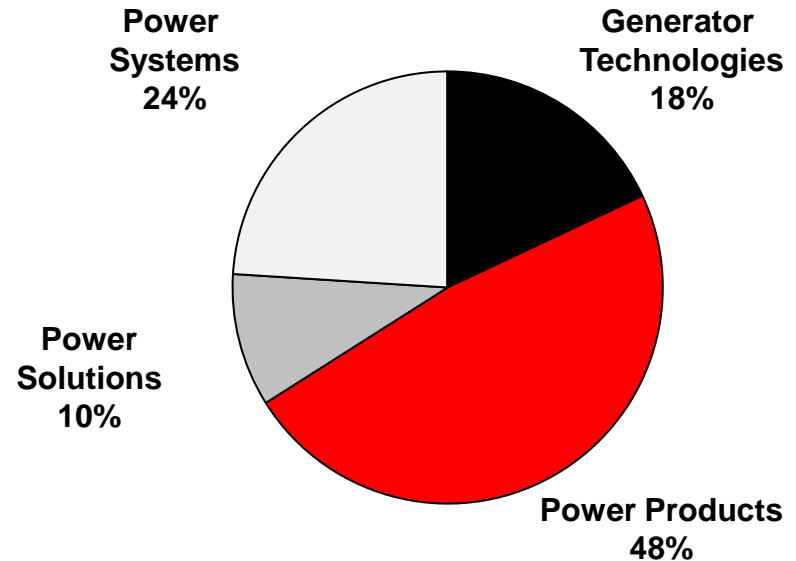
Q2'12 LTM Revenues



Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 5 kW to 2,750 kW
- Leading supplier of alternators from 0.6kVA to 30,000 kVA
- Leading market share in multiple geographies

Q2'12 LTM Revenue by Product



Q2'12 LTM Segment Data

Sales: \$3.5 billion

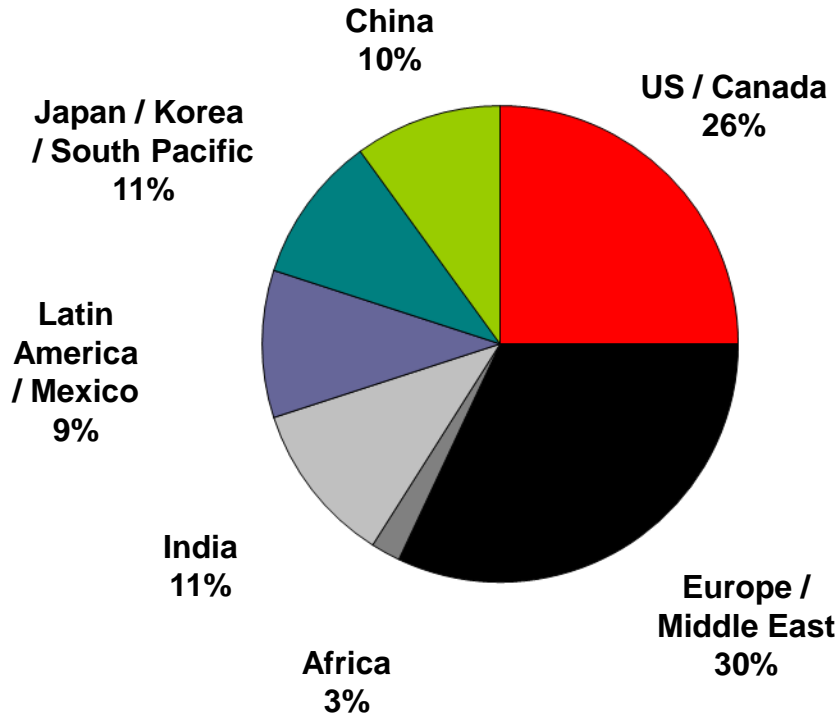
EBIT: \$349 million

EBIT Margin: 10.0%



Power Generation Segment – Sales Mix

Geographic



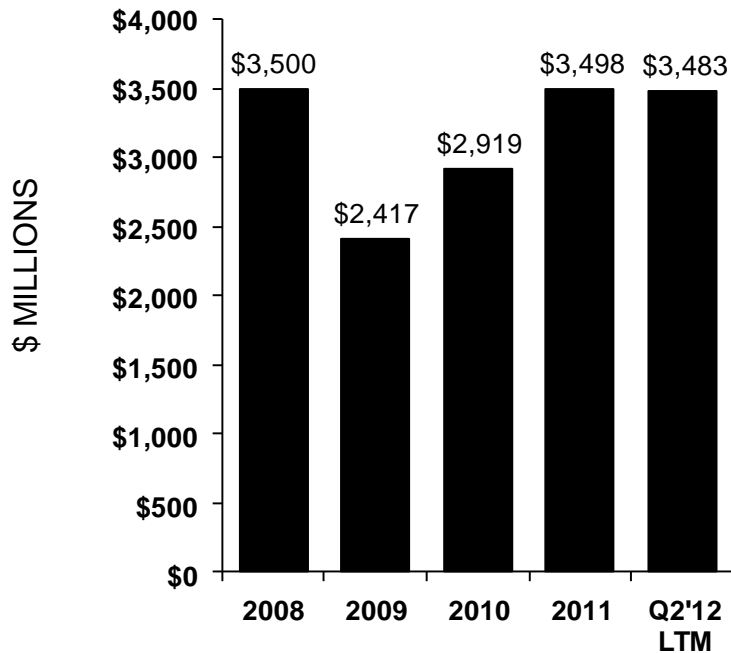
- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

Q2'12 LTM Revenue: \$3.5B

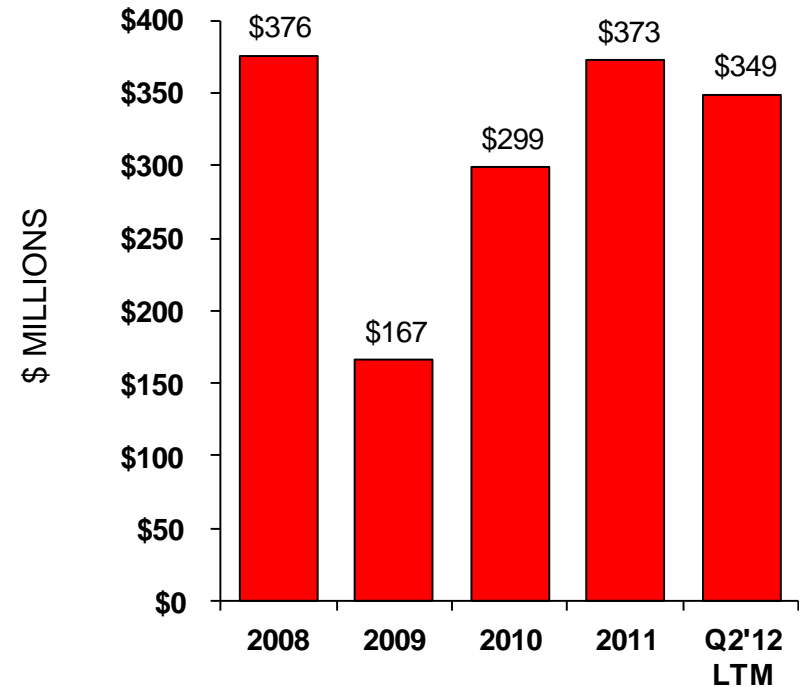


Power Generation – Historical Performance

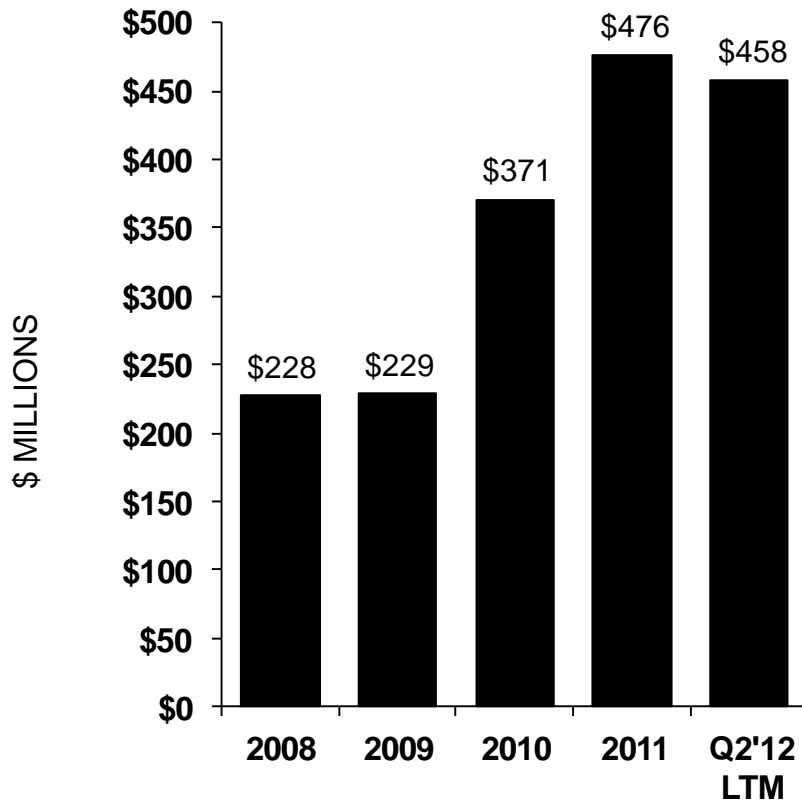
Sales



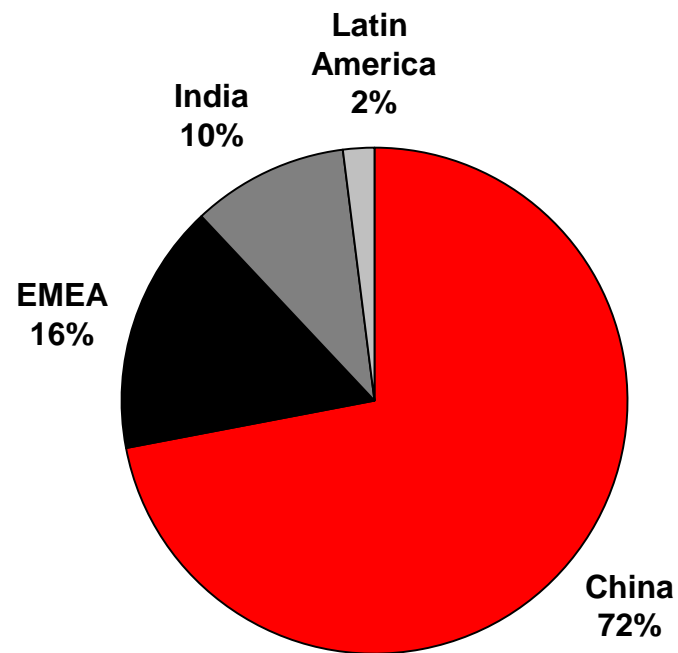
Segment EBIT



Power Generation Segment – Joint Venture Sales Unconsolidated



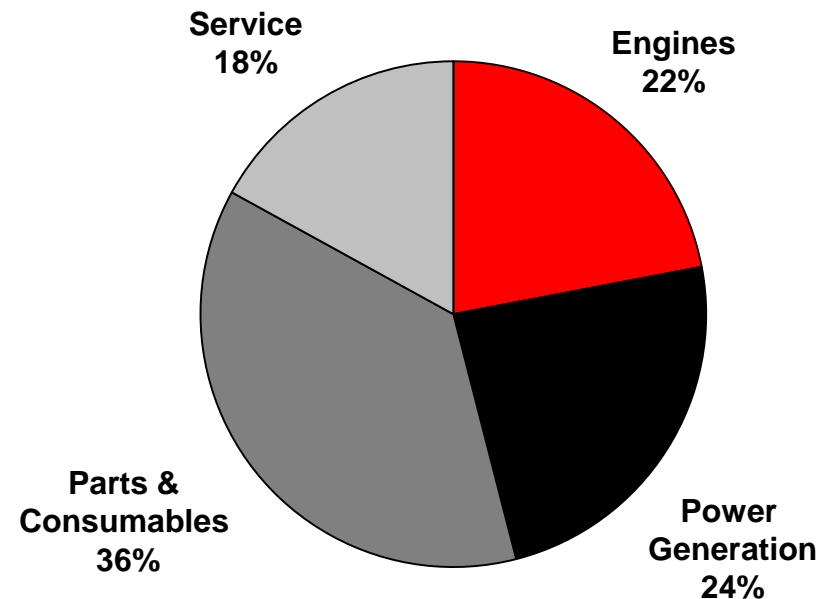
Q1'12 LTM Revenues



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

Application



Q2'12 LTM Segment Data

Sales: \$3.2 billion

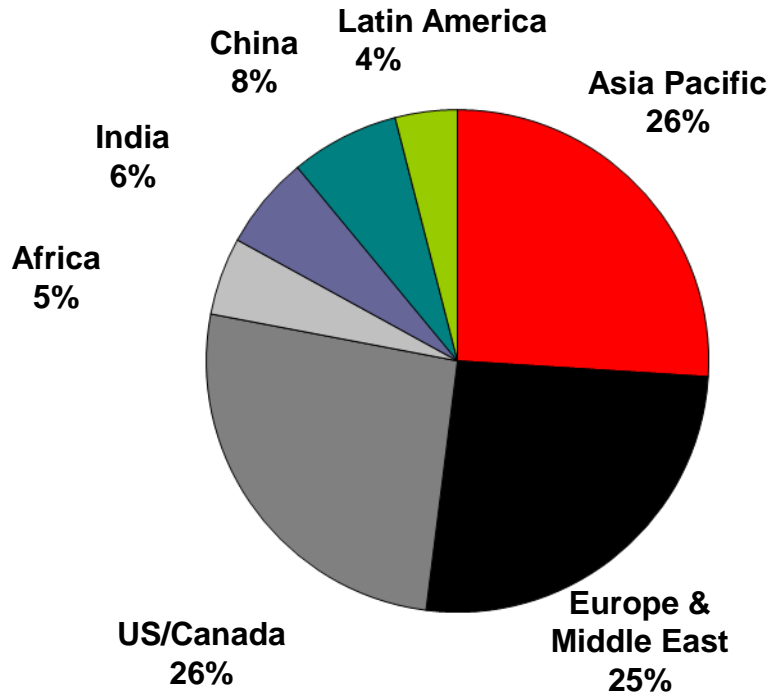
EBIT: \$377 million

EBIT Margin: 11.8%



Distribution Segment – Sales Mix

Geographic



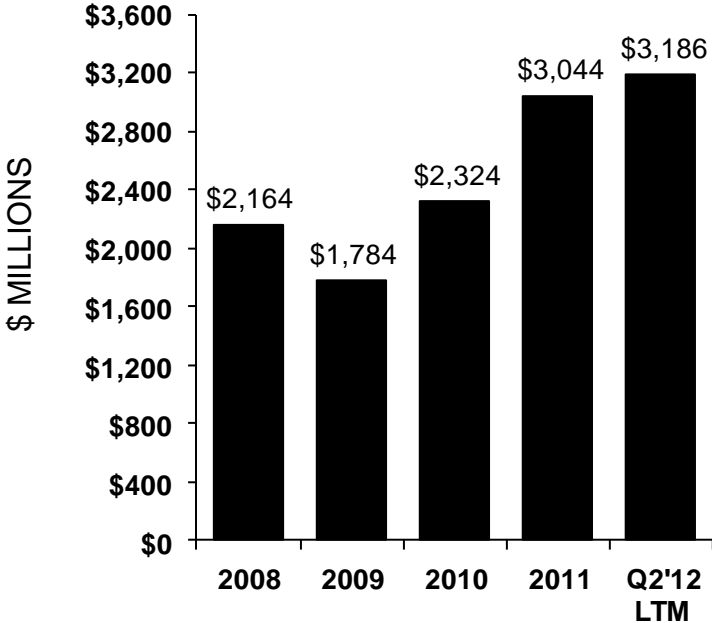
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

Q2'12 LTM Revenue: \$3.2B

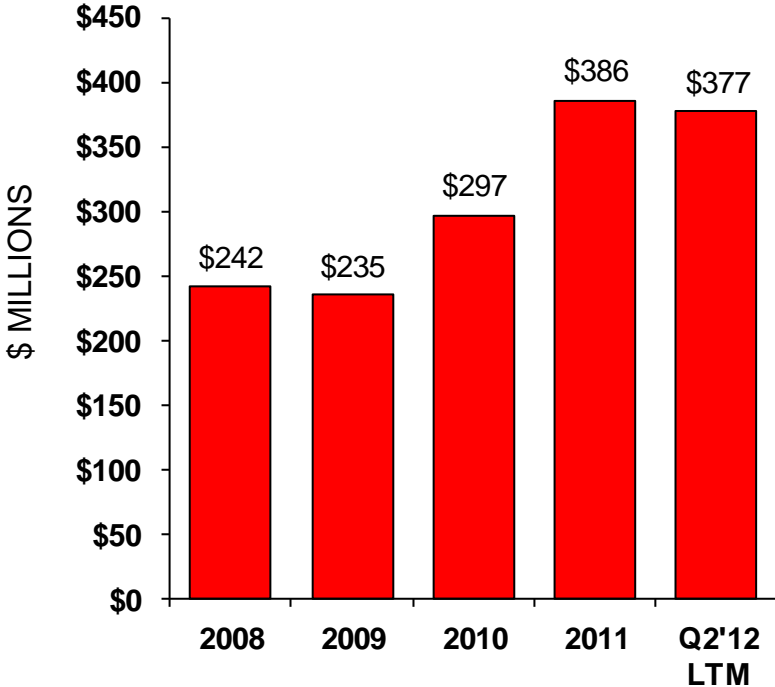


Distribution – Historical Performance

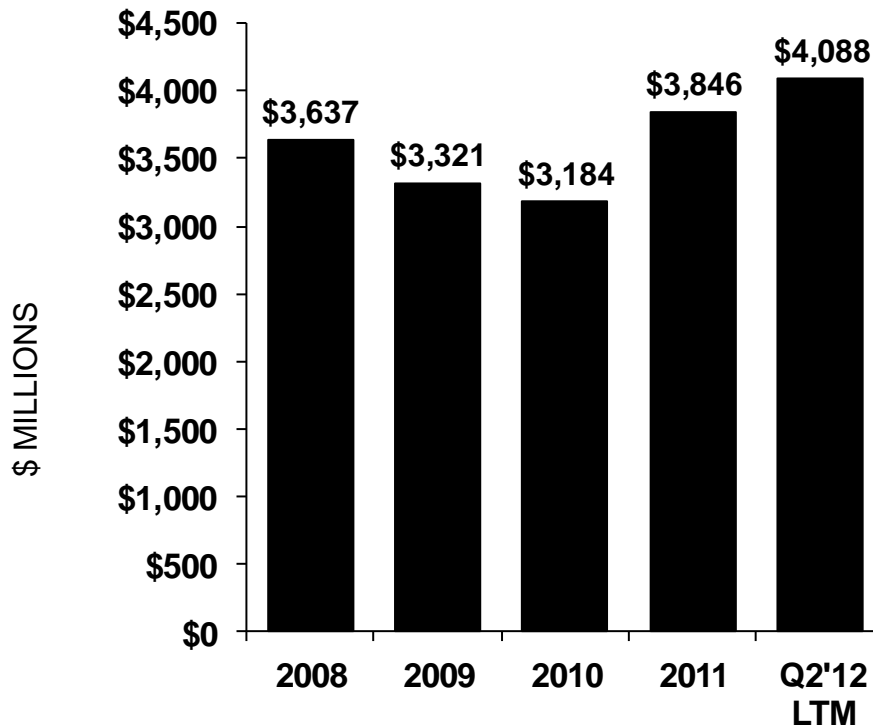
Sales



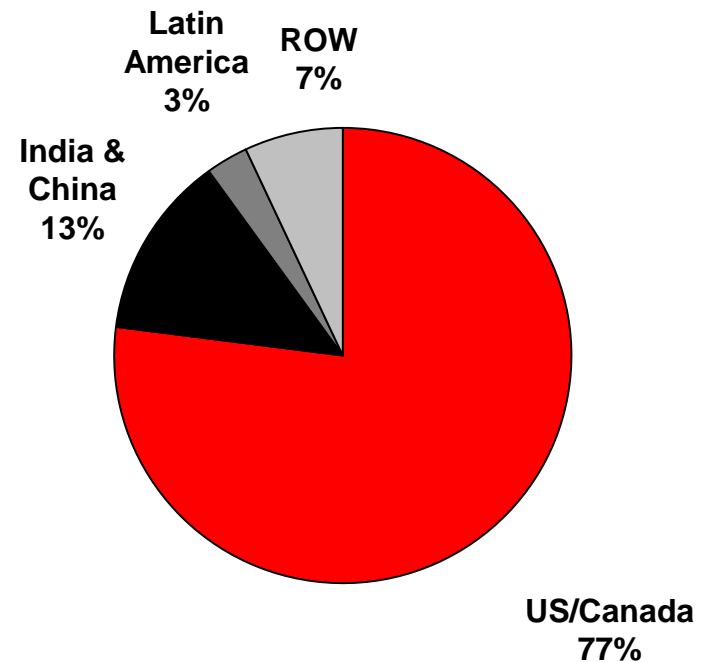
Segment EBIT



Distribution Segment – Joint Venture Sales Unconsolidated



Q2'12 LTM Revenues

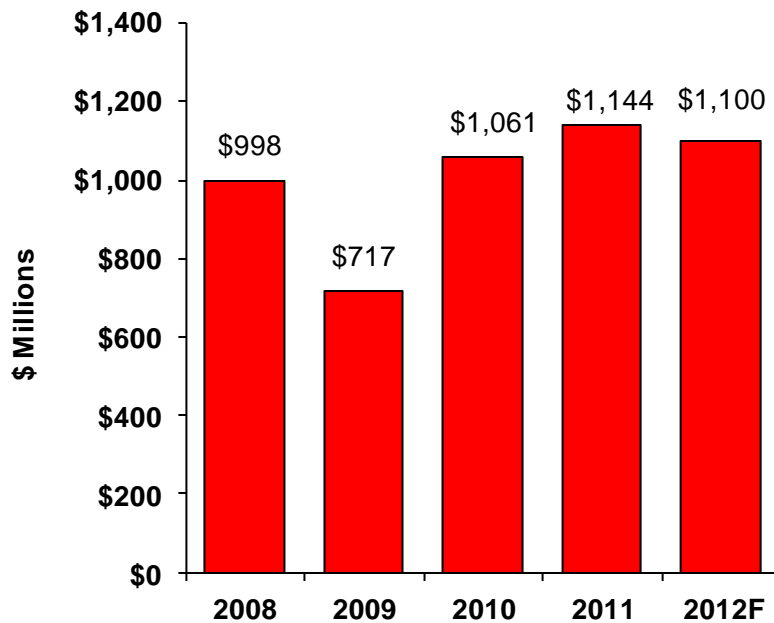


Note: ROW = Rest of World

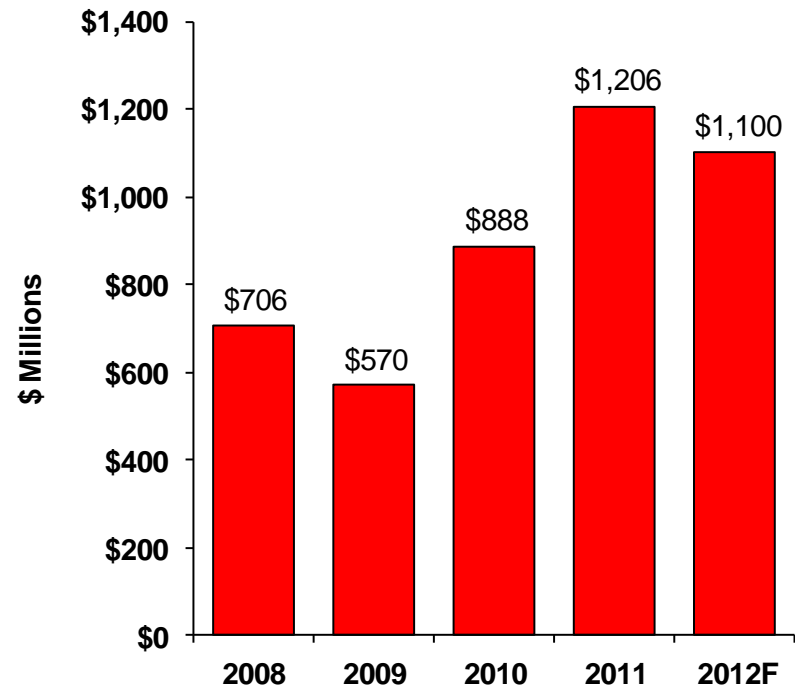


India – Historical Performance

Consolidated Sales*



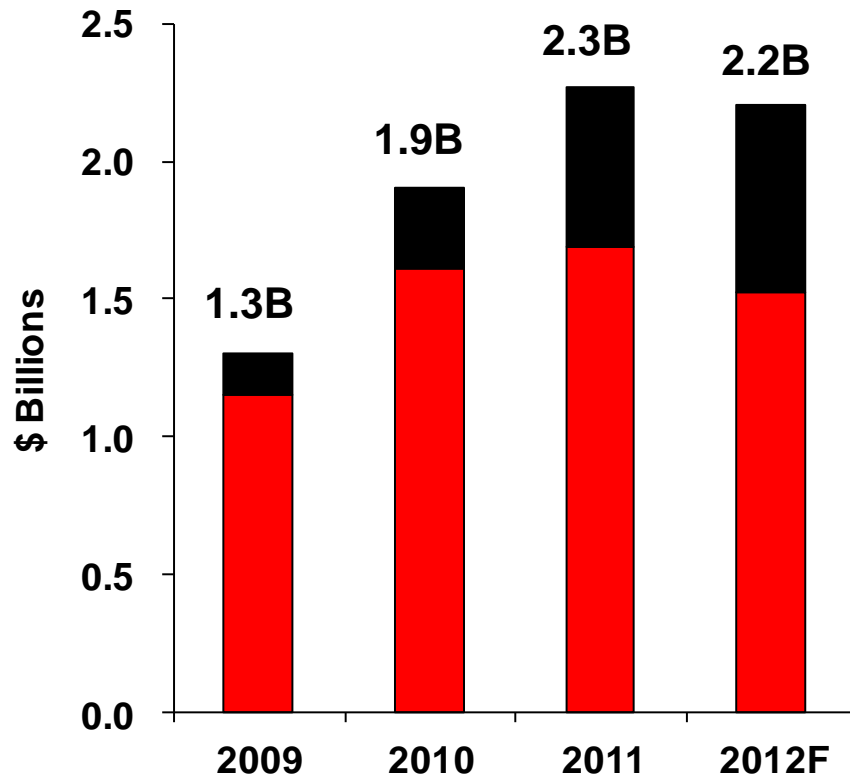
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports.



Strong Growth in Emerging Markets: India*



- Growing with Tata
- Leadership in Industrial and Power Gen
- Expanding our markets

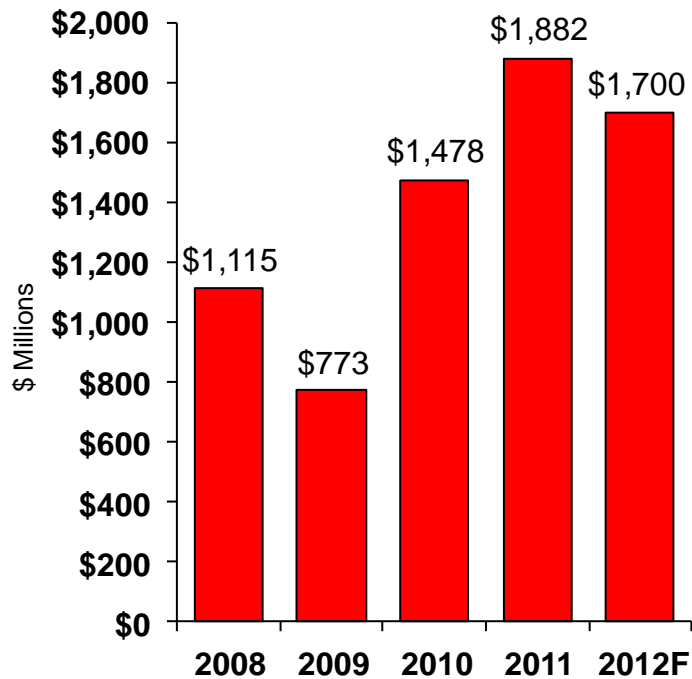
■ Export Revenue
■ Domestic Revenue

*Consolidated + Unconsolidated Revenue

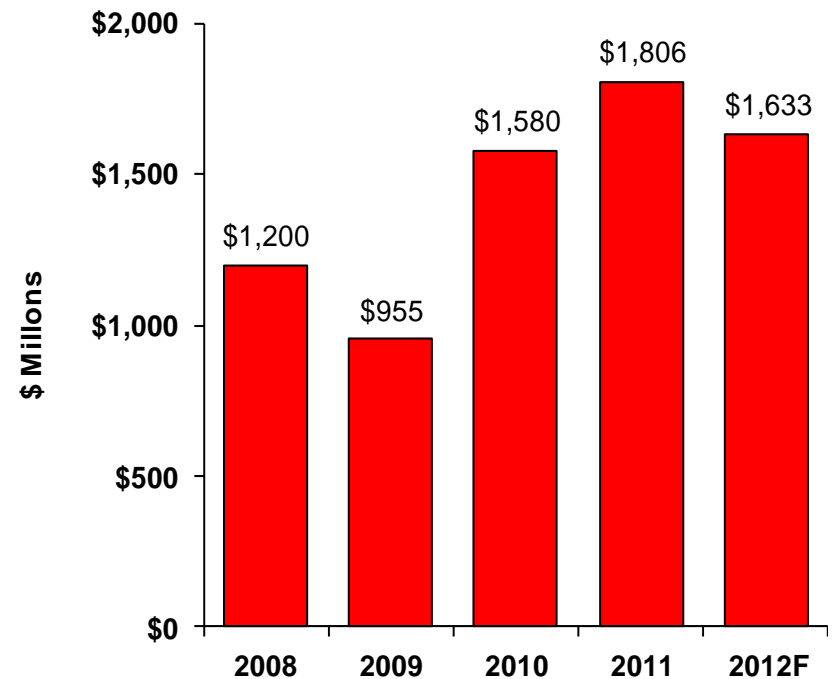


China – Historical Performance

Consolidated Sales*



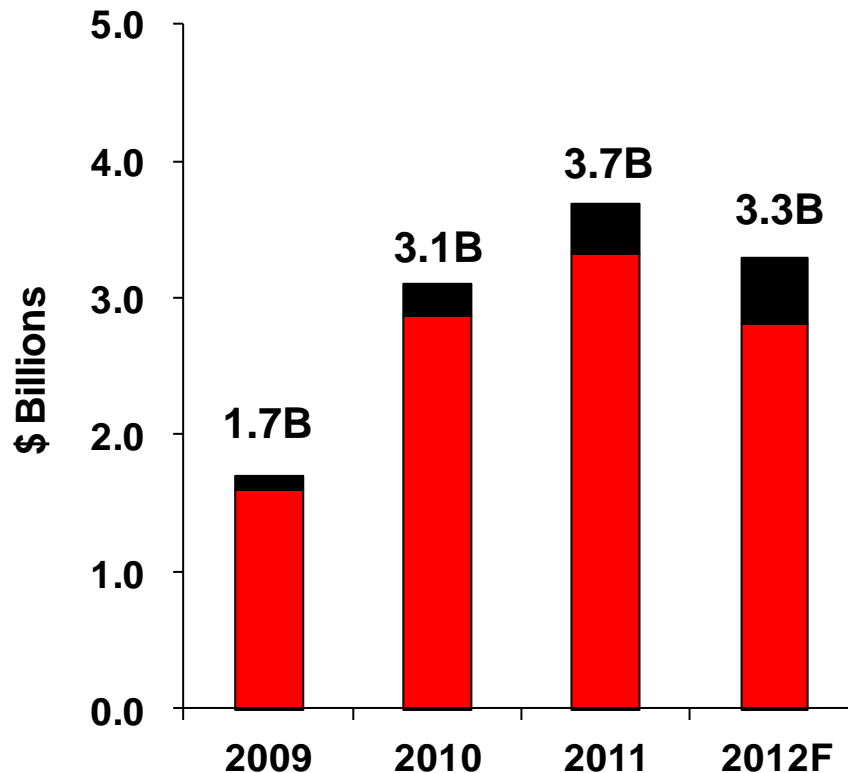
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports



Strong Growth in Emerging Markets: China*



■ Export Revenue
■ Domestic Revenue

- Truck market growth
- Emissions content
- New engine platform expanding our market
- Power generation

*Consolidated + Unconsolidated Revenue



Non-GAAP Reconciliations



Non-GAAP Reconciliation – EBIT

Millions	<u>Three Months Ended</u>		
	July 1, 2012	Apr 1, 2012	June 26, 2011
EBIT excluding gain on sale of businesses	\$ 663	\$ 658	707
Add: gain on sale of businesses and flood insurance recovery	6	0	68
Total EBIT	<u>669</u>	<u>658</u>	<u>775</u>
Less: interest expense	8	8	13
Income before income taxes	<u>661</u>	<u>650</u>	<u>762</u>
Less: Income tax expense	166	175	225
Consolidated net income	<u>495</u>	<u>475</u>	<u>537</u>
Less: Net income attributable to noncontrolling interests	26	20	32
Net Income attributable to Cummins Inc.	<u>469</u>	<u>455</u>	<u>505</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 programs. 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 to 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 Measure

Millions	<u>Three Months Ended</u>		
	July 1, 2012	Apr 1, 2011	June 26, 2011
Accounts and notes receivable, net	\$ 2,620	\$ 2,684	\$ 2,780
Inventories	2,581	2,382	2,275
Less Accounts payable – trade	<u>(1,634)</u>	<u>(1,731)</u>	<u>(1,686)</u>
Working capital measure	\$ 3,567	\$ 3,335	\$ 3,369
Working capital measure (% of Annualized Net Sales)	20.0%	18.6%	18.2%

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



Non-GAAP Reconciliation – Net Assets

Millions	July 1 2012	June 26 2011
Net assets for operating segments	<u>\$ 7,815</u>	<u>\$ 6,950</u>
Liabilities deducted in computing net assets	4,719	4,739
Pension and other postretirement liabilities	(899)	(821)
Deferred tax assets not allocated to segments	509	420
Debt-related costs not allocated to segments	<u>25</u>	<u>25</u>
Total Assets	<u><u>\$ 12,169</u></u>	<u><u>\$ 11,313</u></u>

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



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

Millions	July 1 2012	June 26 2011
Equity used for return on equity calculation*	\$ 6,806 *	\$ 5,771 **
Defined benefit postretirement plans	(703)	(613)
Total shareholders equity	\$ 6,103	\$ 5,158
plus Noncontrolling Interest	334	359
Total Equity	\$ 6,437	\$ 5,517

* Q2 2012 Equity includes \$4M of Gain on 2011 Divestitures (net of tax)

** Q2 2011 Equity includes \$37M of Gain on Exhaust Sale (net of tax)

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.

