

Eaton Cummins Automated Transmission Technologies Joint Venture

May 2, 2017





Strategic Rationale for Joint Venture

- Industry trend towards greater fuel efficiency and lower emissions
- The integration of transmission and engine controls offers the potential to improve powertrain efficiency by up to 7 percent
- Industry is shifting from manual transmissions to higher value more automated transmissions
- JV Builds on strong CMI/ETN partnership
- Combines the capabilities of the leaders in engines and transmissions for commercial vehicles
- Consistent with CMI strategy of being the world's leading powertrain supplier



Scope and Structure of the Joint Venture

- 50/50 Partners with Cummins consolidating JV financial results within its Component Segment
 - Cummins acquiring 50% interest in the business for \$600 million
 - Eaton contribution:
 - Current design for next generation automated heavy-duty transmission
 - Current automated medium-duty transmission (Procision®)
 - Specific assembly assets related to scope of the JV
 - Joint venture board and management equally represented by each company
 - Both partners will provide other services to joint venture



Joint Venture Value Creation

- The joint venture will design and manufacture next generation of transmissions that will deliver significant advancement in performance and integration for Cummins and other OEM partners

- Clear path to grow sales at least 3x current levels by 2022
 - Accelerating substitution of manual transmissions in N.A. and global HDT market
 - Market share gains through performance advantage from next generation products
 - Opportunity to leverage CMI presence and leadership in international markets where AMT adoption rates are currently very low
 - Eaton's service capability (Roadranger) supplemented by CMI global distribution network to deliver unparalleled customer support and generate customer value
 - Aftermarket revenue opportunities through parts and service



Value to Cummins

- Competitive advantage from optimizing engine and transmission development to deliver the world's best powertrains
- Strengthens our technology offerings to customers
- Captures value from secular shift to higher value more automated transmissions