



Fourth Quarter 2012 Earnings Teleconference

February 6, 2013



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.



CMI Analyst Day

Tuesday, September 17, 2013

New York, NY

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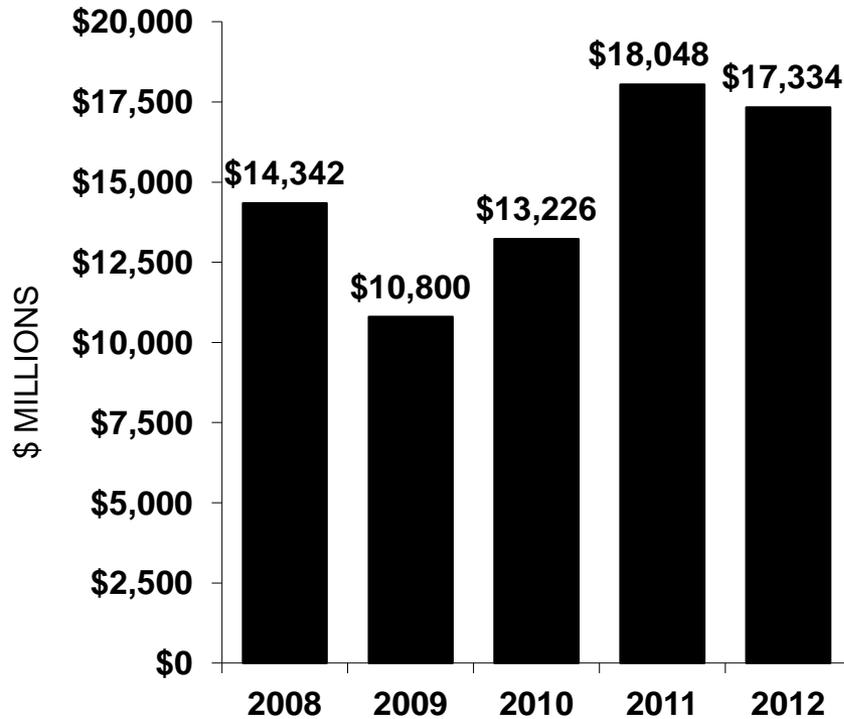
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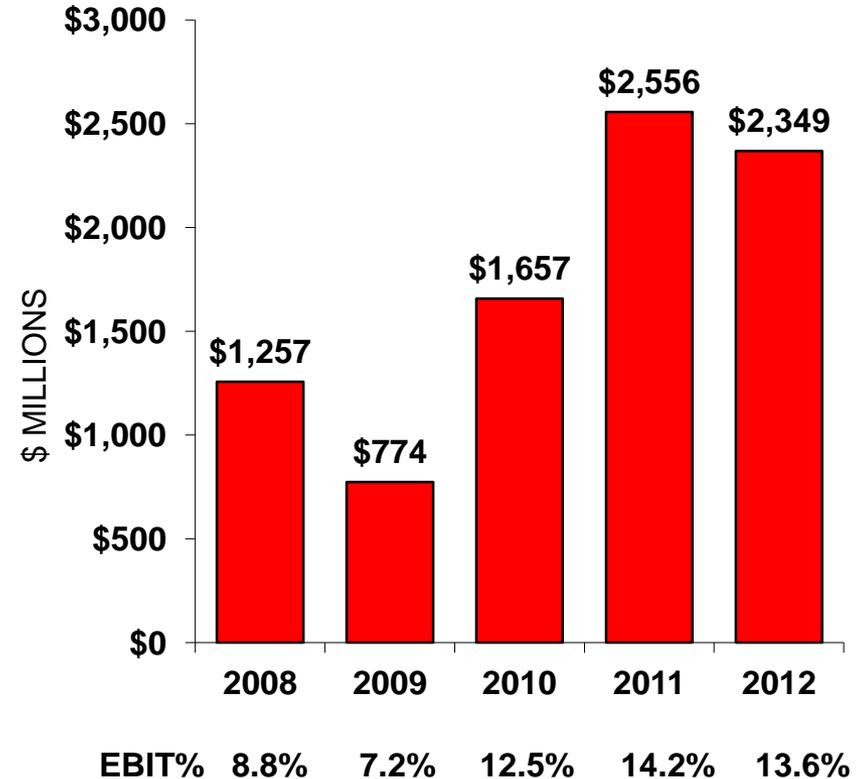


Cummins Inc.

Sales



EBIT¹



¹ EBIT excludes restructuring charges in 2008 and 2009, and the gains from the divestiture of two businesses and flood insurance recovery are excluded from 2011. Also, Q2'12 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011, and Q4'12 EBIT excludes \$52 million in restructuring charges.



Cummins Inc.

Selected Financial Data

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Sales	4,292	4,921	-13%	4,118	+4%
EBIT Excluding Special Items ¹	532	677	-21%	496	+7%
% of Sales	12.4%	13.8%		12.0%	
ROANA ²	30%	38%		33%	
ROE ²	25%	31%		27%	

- Compared to the prior year, the reduction in revenue was driven by a decline in the heavy-duty truck market and oil and gas markets in North America, and lower demand for power generation, construction and mining equipment in international markets, partially offset by increased shipments to Chrysler and the North American bus market.
- Quarter-over-quarter growth was driven by increased sales in the Distribution business in North America.

¹ Q4'12 EBIT excludes \$52 million in restructuring charges. Q4'11 EBIT excludes gain from divestiture of business and flood insurance recovery.

² ROANA and ROE calculations exclude gain from divestiture of business, restructuring, and flood insurance recovery.



Joint Venture Income

\$M	Q4-12	Q4-11	Q3-12
Engine	27	40	25
<i>On-highway</i>	19	28	15
<i>Off-highway</i>	8	12	10
Power Generation	8	10	12
Distribution	41	44	50
Components	6	7	7
Total JV Income	82	101	94

- JV contribution, compared to the prior year, was lower due to weaker demand at joint ventures in China and India.
- The sequential decline was driven by lower earnings at North and Latin American distributors.



Cummins Inc.

Selected Income Statement Data

\$M	Q4-12	Q4-11	Q3-12
Net Income Attributable to CMI ¹	404	491	352
Diluted EPS ¹	2.14	2.56	1.86
Gross Margin ² (% of Sales)	25.3%	25.2%	25.3%
SAR ³ (% of Sales)	14.7%	13.7%	15.6%

- EBIT, compared to the prior year, declined due to lower volumes and lower joint venture earnings.
- Gross margin was up marginally compared to the prior year, with improved pricing and lower material costs offsetting the impact of lower volumes and higher product coverage costs

¹ Q4'12 Net Income attributable to CMI and Diluted EPS excludes \$35 million (after tax) in restructuring charges. Q4'11 Net Income attributable to CMI and Diluted EPS exclude gains from divestiture of business and flood insurance recovery

² Q4'12 Gross Margin excludes \$29m in restructuring charges

³ Q4'12 SAR excludes \$23m in restructuring charges



Engine Segment

Selected Financial Data

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Sales	2,506	3,061	-18%	2,527	-1%
EBIT ¹	272	368	-26%	239	+14%
% of Sales	10.9%	12.0%		9.5%	

- Year-over-year, stronger demand for bus and light-duty engines in North America was more than offset by reduced demand in the Brazil truck market, North American heavy-duty truck market, global construction, as well as North American oil and gas and international mining markets.
- EBIT margin declined, compared to the prior year, due to lower volumes and joint venture earnings, partially offset by improved pricing and lower material costs.



¹ Q4'12 EBIT excludes \$20 million in restructuring charges.

Engine Segment

Sales by Market – On-highway

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Heavy-Duty Truck	609	865	-30%	656	-7%
Medium-Duty Truck & Bus	575	598	-4%	478	+20%
Light-Duty Auto & RV	343	299	+15%	353	-3%

- **Heavy Duty Truck:** Shipments down 38% Y-o-Y and down 10% sequentially.
- **Medium-Duty Truck & Bus:** Shipments down 5% Y-o-Y and up 11% sequentially.
- **Light-Duty & RV:** Shipments down 5% Y-o-Y and down 18% sequentially.



Engine Segment

Sales by Market – Off-highway

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Industrial	747	1,030	-27%	766	-2%
Stationary Power	232	269	-14%	274	-15%

- **Industrial:** Shipments down 52% YoY and down 12% sequentially.
- **Stationary Power:** Shipments down 14% YoY and down 22% sequentially.



Guidance for 2013 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue and shipments up 1%. NAFTA Class 8 heavy-duty truck build expected to be 240K units.
- Medium-duty truck & bus revenue flat. North America truck shipments flat. Brazil truck shipments up 15% offset by reduced Bus shipments.
- Light duty auto & RV revenue down 5%.
- Industrial revenue down 12% driven by a decline in mining revenues.



Key On-Highway Engine Markets - 2013

Key Market	Market Size	YoY Growth
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	240K units	Down 4%
Medium Duty Truck – NAFTA <i>Class 6 – 7, and Class 8 Group 1 - Production</i>	109K units	Up 2%
Heavy & Medium Truck – China <i>Sales</i>	926K units	Flat
Heavy & Medium Truck – India <i>Production</i>	303K units	Down 5%
Medium Duty Truck – Brazil <i>Production</i>	158K units	Up 15%



Components Segment

Selected Financial Data

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Sales	939	1,092	-14%	938	0%
EBIT ¹	84	132	-36%	89	-6%
% of Sales	8.9%	12.1%		9.5%	

- Compared to the prior year, sales were down 14 percent, driven by reduced demand in the North American heavy-duty truck market and lower demand in Europe partially offset by increased demand for aftertreatment systems in Brazil.
- EBIT margin percent, compared to last year, declined due to increased investment in research and engineering to support future growth.

Power Generation Segment

Selected Financial Data

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Sales	765	920	-17%	814	-6%
EBIT ¹	54	87	-38%	73	-26%
% of Sales	7.1%	9.5%		9.0%	

- Revenue, compared to the prior year, declined due to lower demand in several international markets including Europe, Middle East, Latin America and China partially offset by increased demand in North America.
- EBIT margin percent, compared to the prior year, declined due to lower volume and increased technical spending focused on new products.



¹ Q4'12 EBIT excludes \$12 million in restructuring charges.

Distribution Segment

Selected Financial Data

\$M	Q4-12	Q4-11	Change	Q3-12	Change
Sales	907	834	+9%	801	+13%
EBIT ¹	98	87	+13%	99	-1%
% of Sales	10.8%	10.4%		12.4%	

- Revenue, compared to the prior year, was higher primarily driven by acquisitions and stronger demand for power generation equipment in the U.S. and Africa, which was partially offset by decreased demand in North American oil and gas markets and Europe.
- EBIT margin, compared to the prior year, improved due to lower selling and administrative spending as a percent of sales, partially offset by lower joint venture contribution as a percent of sales.



¹ Q4'12 EBIT excludes \$14 million in restructuring charges.

Guidance for 2013 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	Flat to down 5%
Earnings from JVs	Down 5%
EBIT Margin	13 - 14%
Effective Tax Rate	26.0% ¹
Capital Expenditures	\$850M
Global Pension Funding	\$170M

¹Excluding discrete income tax items



Guidance for 2013 Segment Results

<u>Item</u>	<u>Engine</u>	<u>Components</u>	<u>Power Generation</u>	<u>Distribution</u>
Consolidated Revenue Growth	Down 5%	Up 2%	Down 3%	Up 10%
EBIT Margins (% of Revenue)	10.0-11.0%	10.5-11.5%	9.0-10.0%	11.5-12.5%



Cash Flow

\$M	Q4-12	Q4-11	Q3-12
Operating Cash Inflow	745	705	390
Capital Expenditures	266	245	158
Working Capital Measure	3,357	3,121	3,613
Working Capital Measure (% of Annualized Net Sales)	19.6%	15.9%	21.9%
Debt to Capital %	10.0%	11.8%	10.5%

- Operating cash flow increased, compared to the prior year, driven by reductions in working capital investment partially offset by lower earnings.



Thank You for Your Interest in



We Will Now Take Your Questions

For additional information contact:

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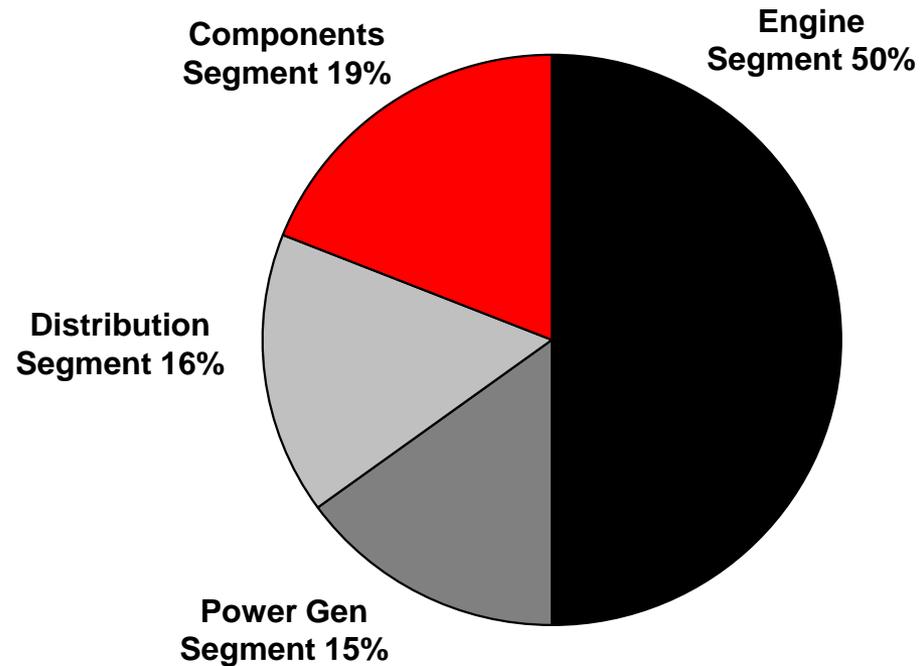
Appendix



Cummins Inc.

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

2012 Revenue by Segment



2012 Data

Sales: \$17.3 billion

EBIT¹: \$2.3 billion

EBIT margin: 13.6%

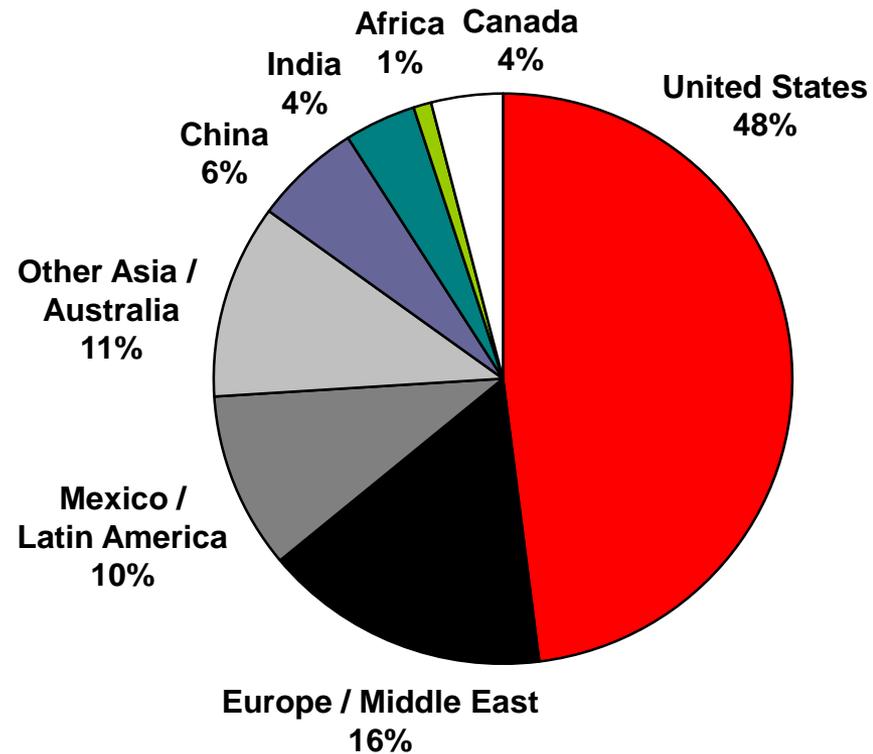
¹ Q2'12 EBIT excludes pre-tax gains of \$6 million from the divestiture of two businesses from 2011. Also, Q4'12 EBIT excludes \$52 million in restructuring charges.



Cummins Inc.

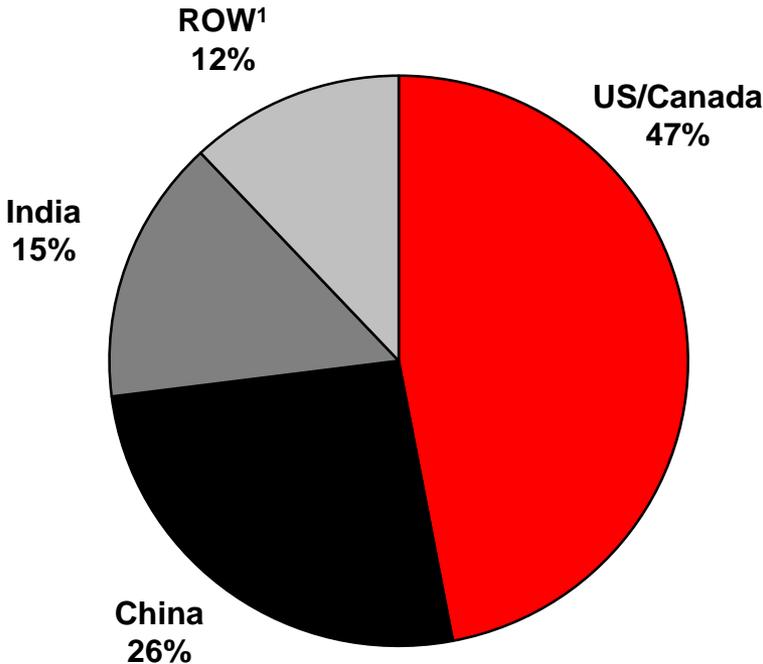
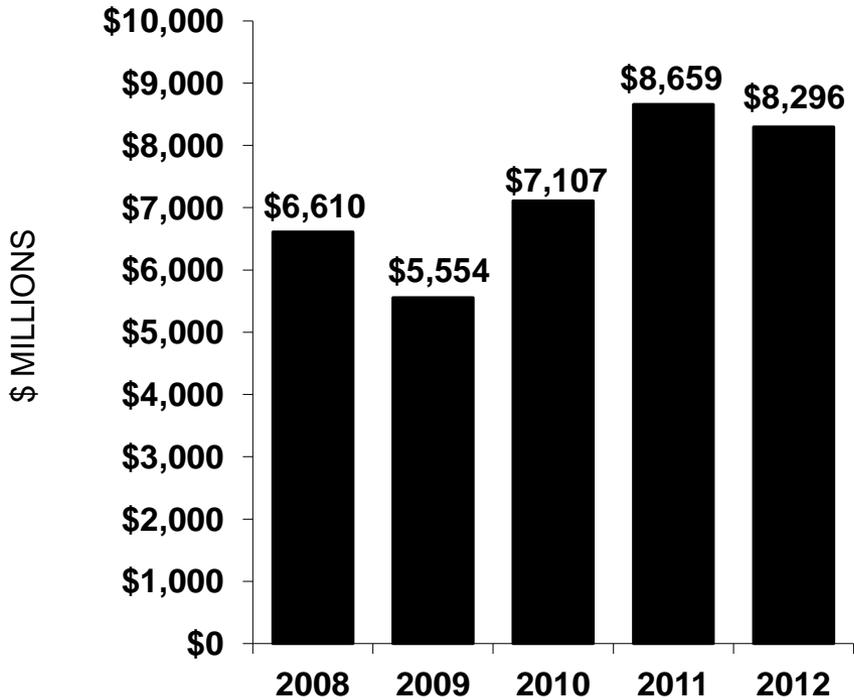
- Strong geographic diversification and leadership across multiple end-markets

2012 Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated

2012 Revenues



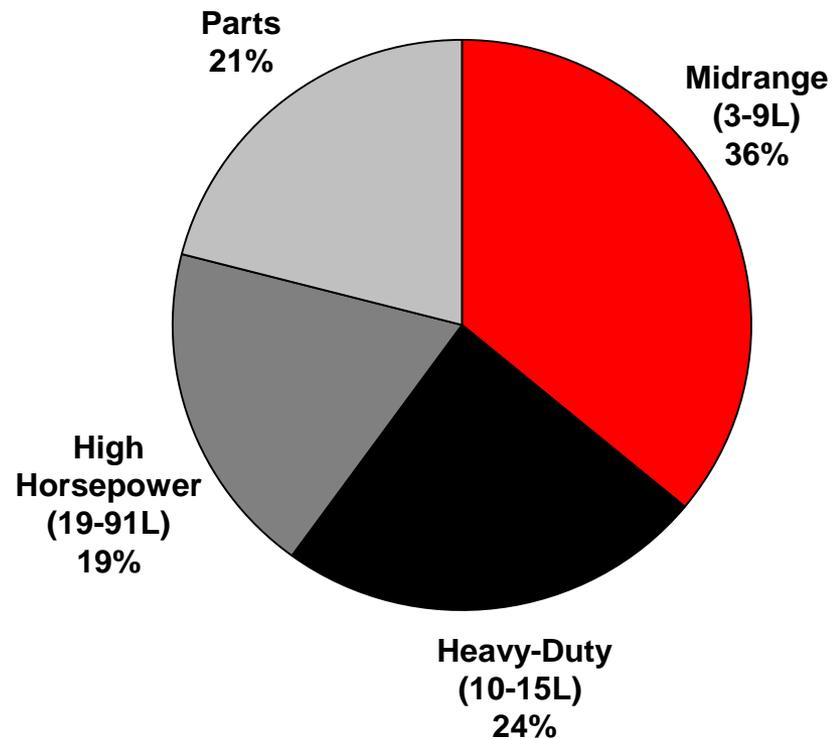
¹ ROW = Rest of World

Engine Segment – Overview

- Diesel and natural gas engines from 2.8L to 91L and 48 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

2012 Segment Data
Sales: \$10.7 billion
EBIT¹: \$1.3 billion
EBIT Margin: 11.8%

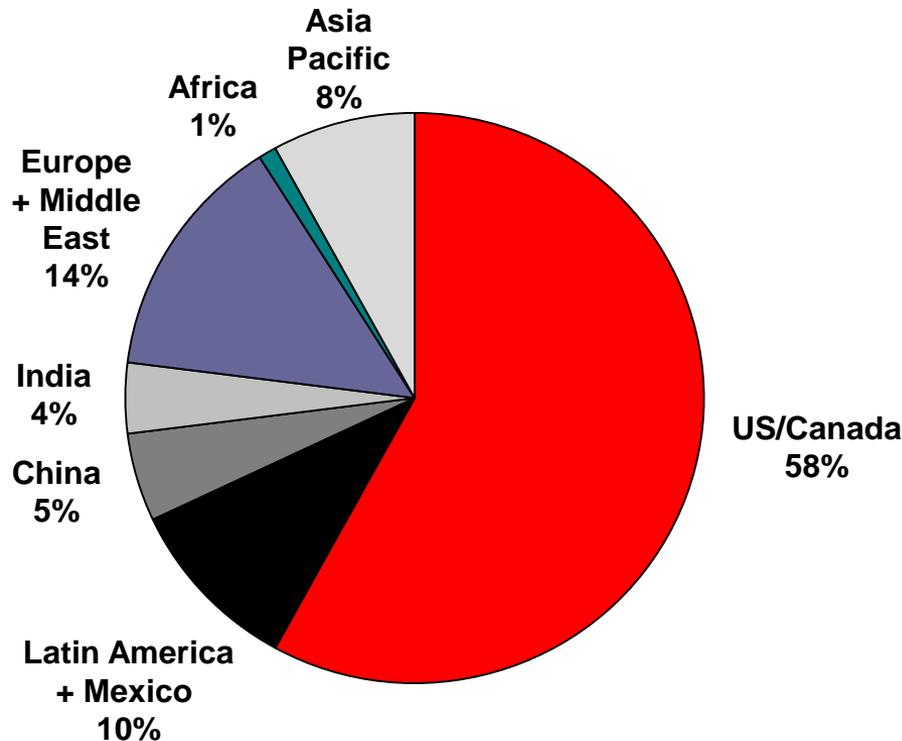
2012 Revenue by Product



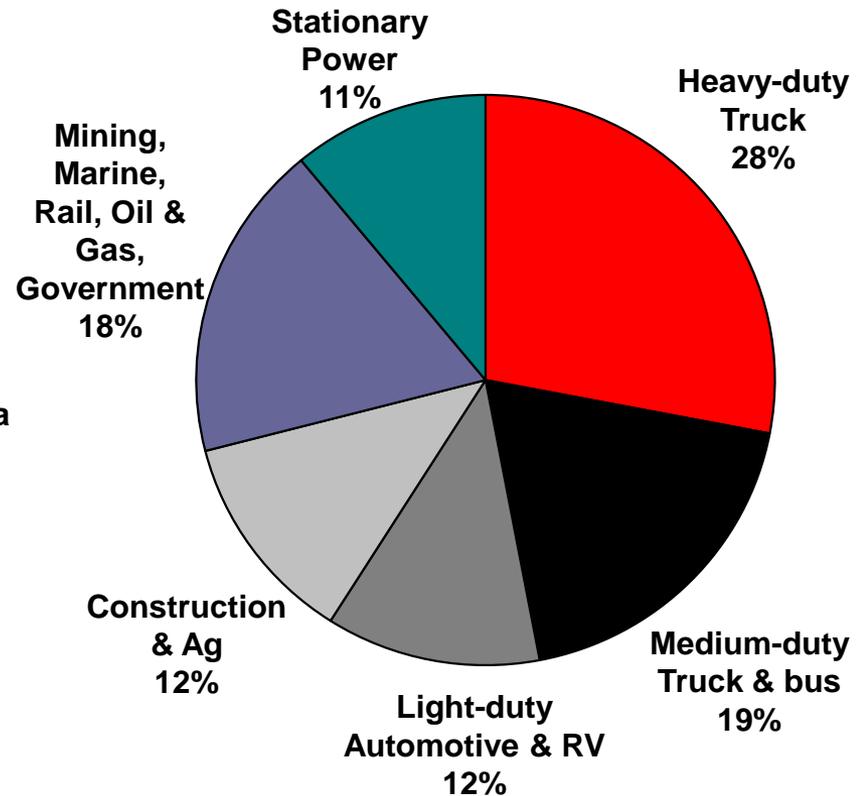
¹ Q4'12 EBIT excludes \$20 million in restructuring charges.

Engine Segment – Sales Mix

Geographic



Application

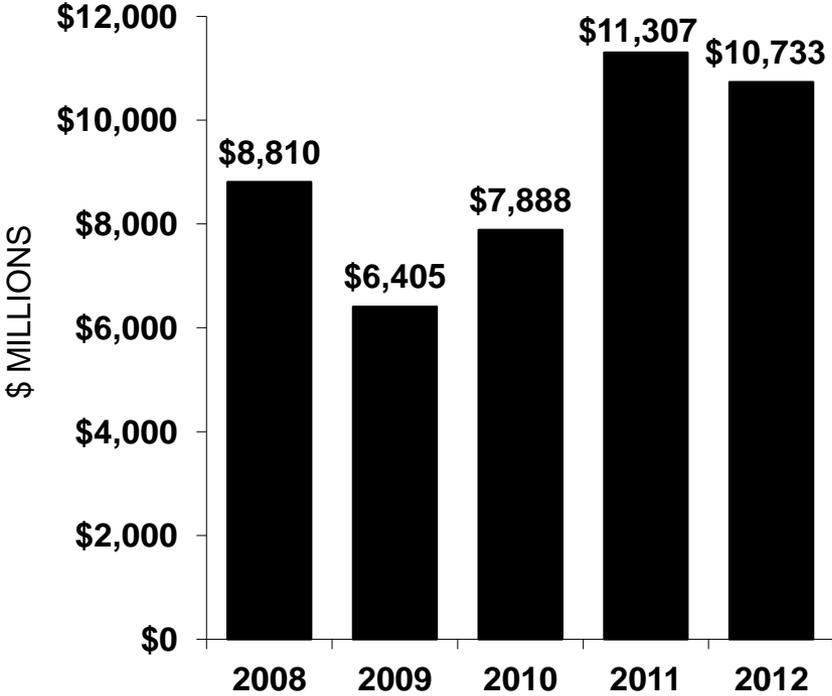


2012 Revenue: \$10.7B

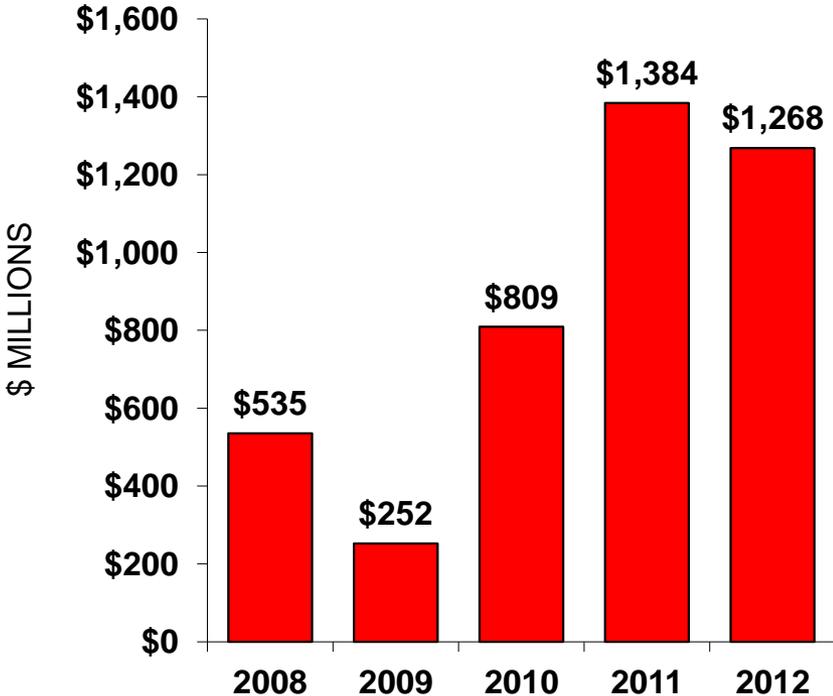


Engine Segment – Historical Performance

Sales

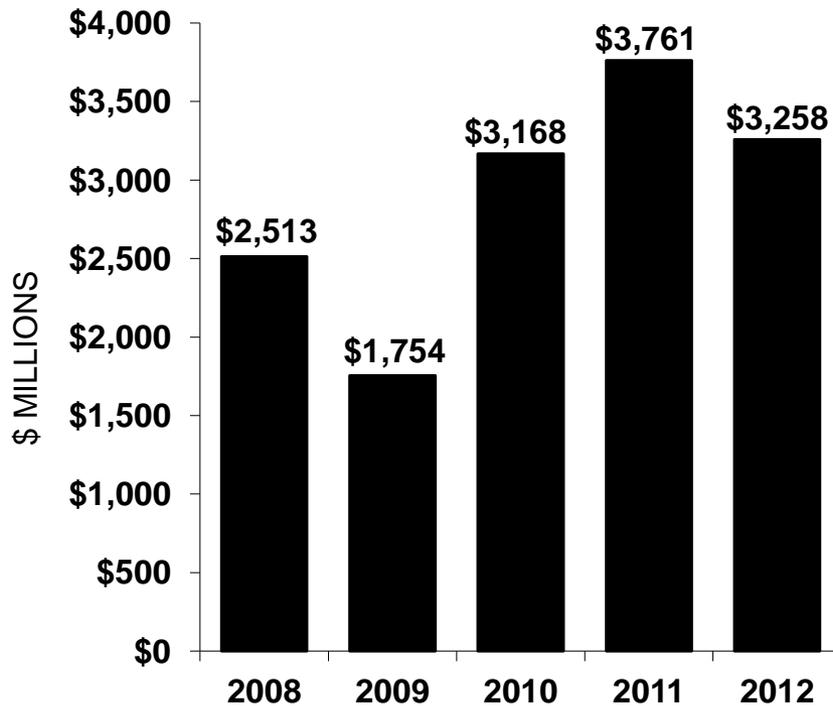


Segment EBIT¹

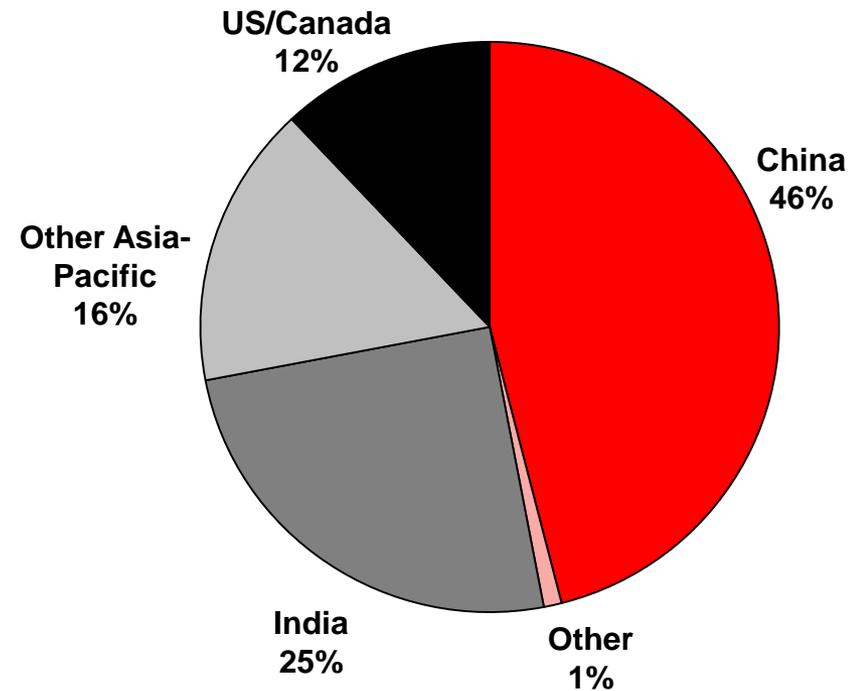


¹ Q4'12 EBIT excludes \$20 million in restructuring charges.

Engine Segment – Joint Venture Sales Unconsolidated



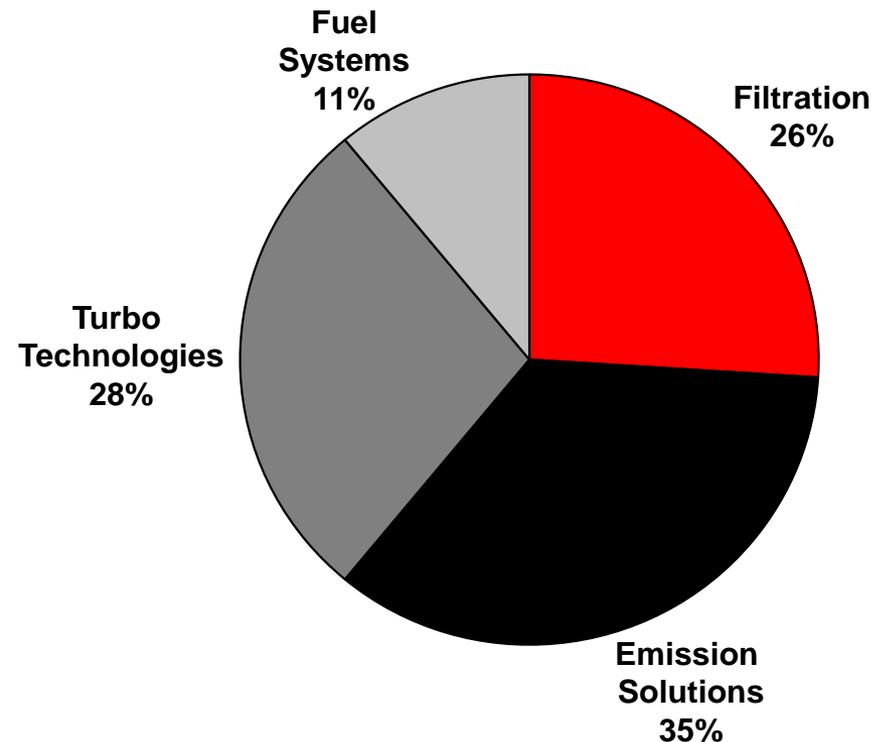
2012 Revenues



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

2012 Revenue by Business



2012 Segment Data

Sales: \$4.0 billion

EBIT¹: \$432 million

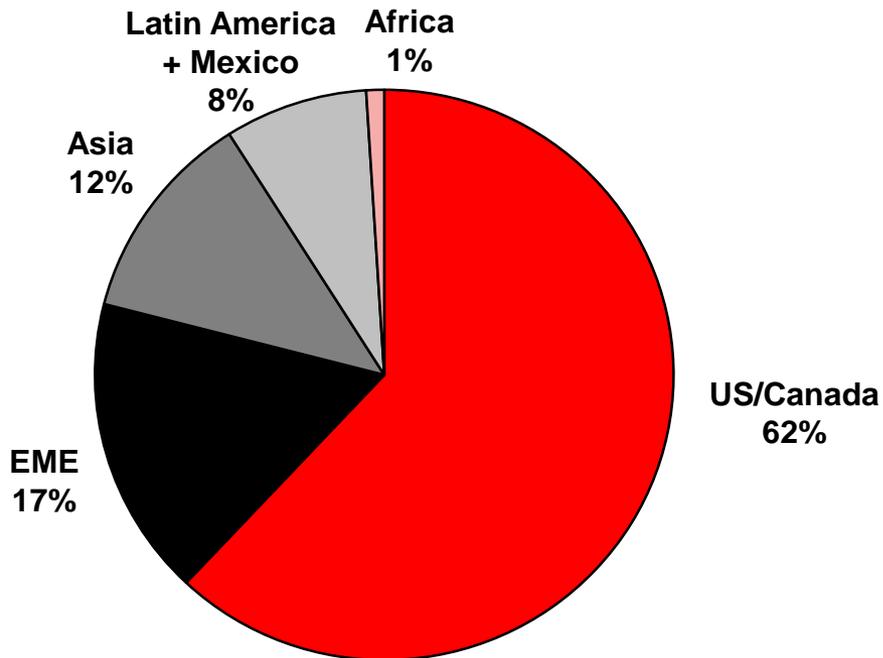
EBIT Margin: 10.8%



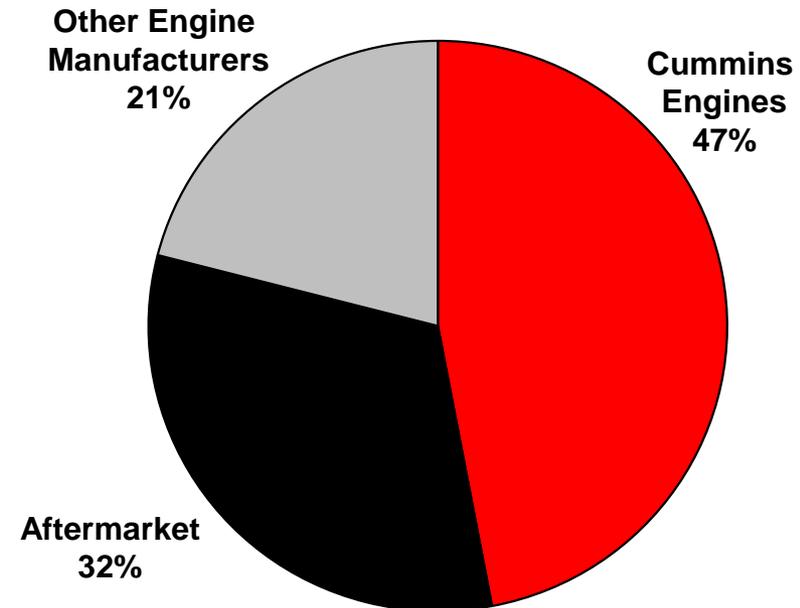
¹ Q2'12 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011, and Q4'12 EBIT excludes \$6 million in restructuring charges.

Components Segment – Sales Mix

Geographic



Application

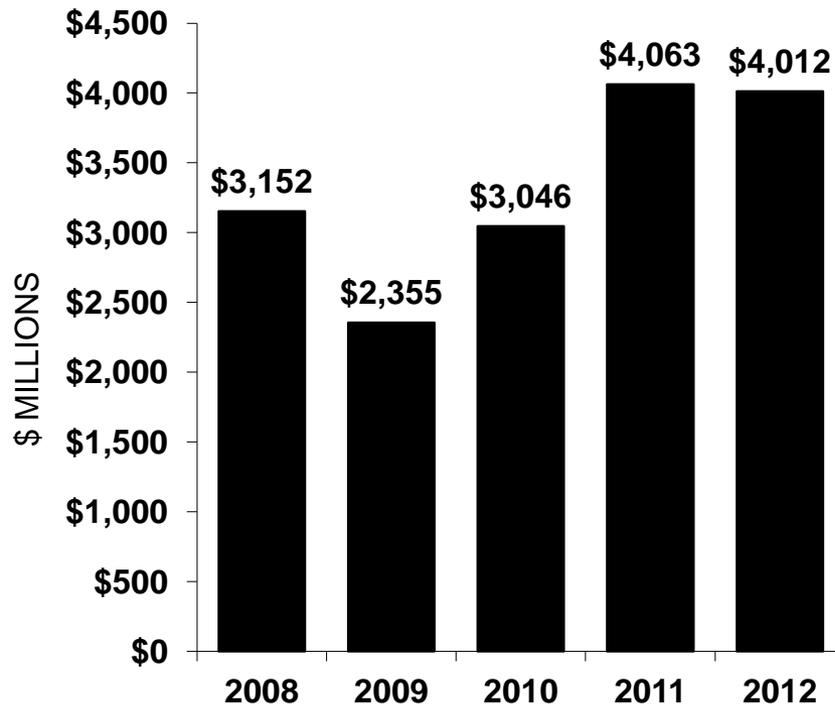


2012 Revenue: \$4.0B

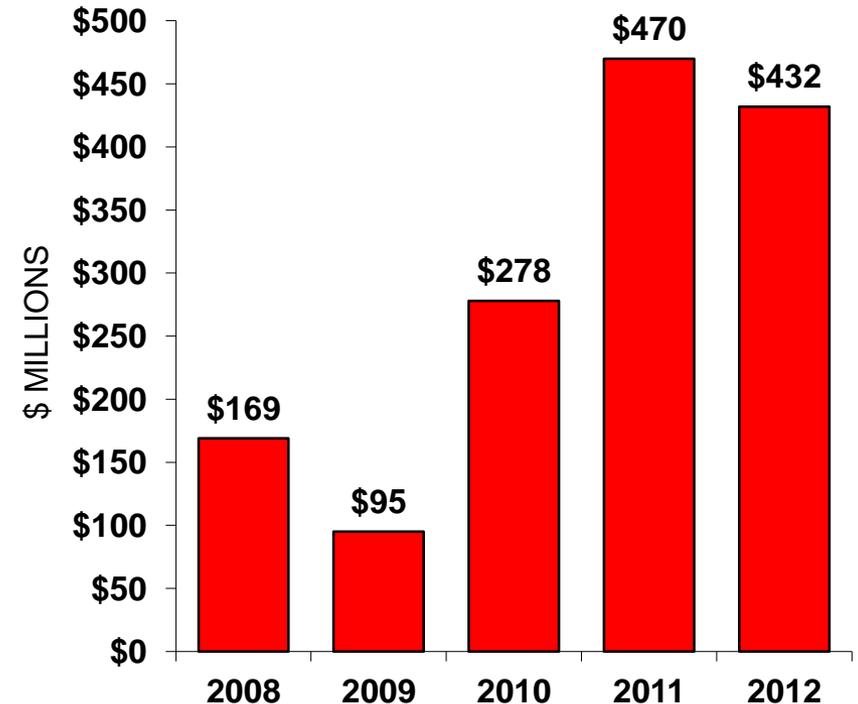


Components – Historical Performance

Sales

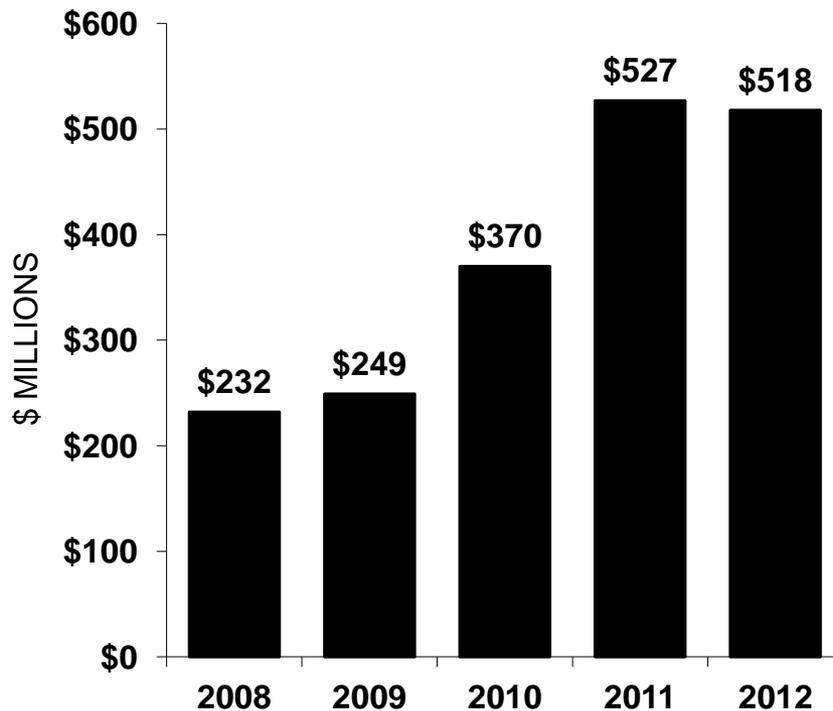


Segment EBIT¹

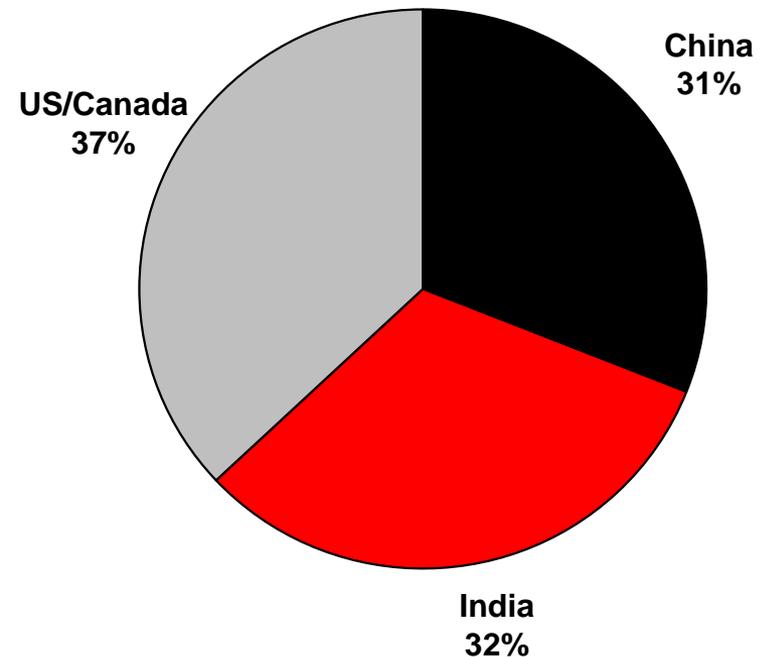


¹ 2011 EBIT excludes \$121 million and Q2'12 EBIT excludes \$6 million, both from the divestiture of two businesses in 2011. Also, Q4'12 EBIT excludes \$6 million in restructuring charges.

Components Segment – Joint Venture Sales Unconsolidated



2012 Revenues



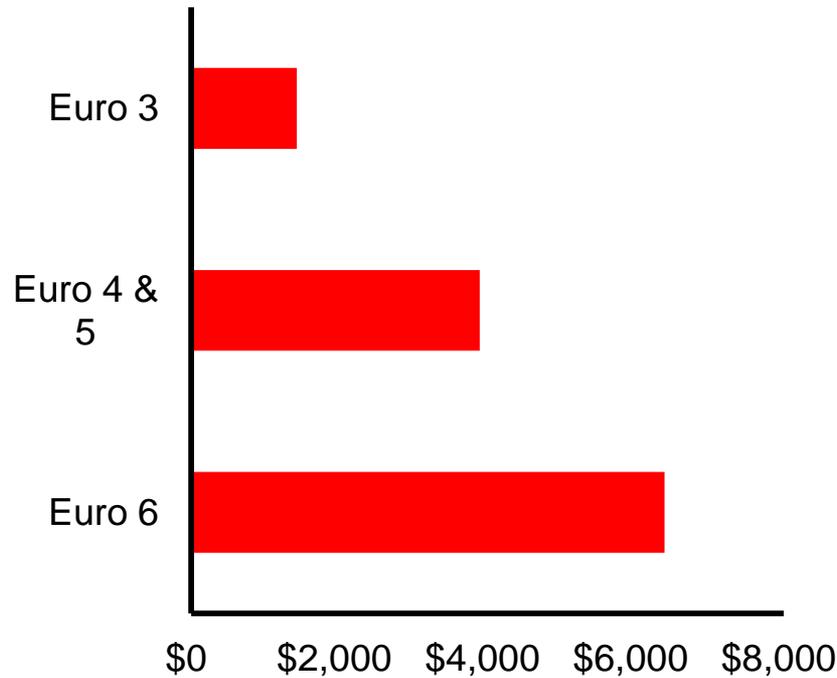
Global Emissions Regulations - Driving Growth

Market/Application	2010	2011	2012	2013	2014	2015	2016+
U.S. on-highway	EPA10			EPA13	CO₂		EPA16
Europe on-highway					Euro VI		CO₂
Brazil on-highway			Euro V				Euro VI
China on-highway				Euro IV			Euro V
India on-highway	Euro IV (Major cities)					Euro IV (Countrywide)	Euro V
U.S. off-highway		Tier 4i	Tier 4i		Tier 4F		
Europe off-highway		Stage 3B			Stage 4		

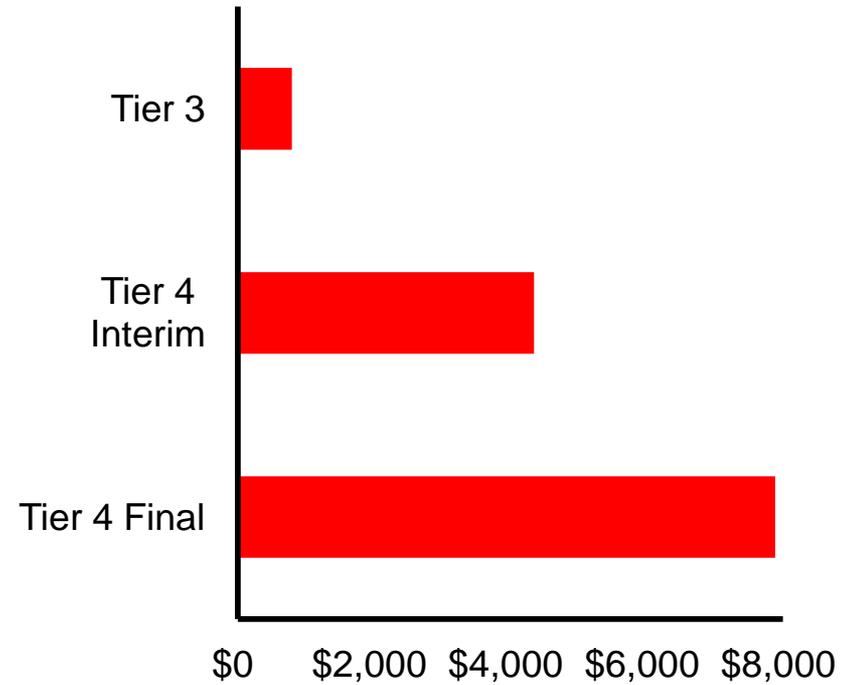


Regulations Drive Increased Content

On-highway



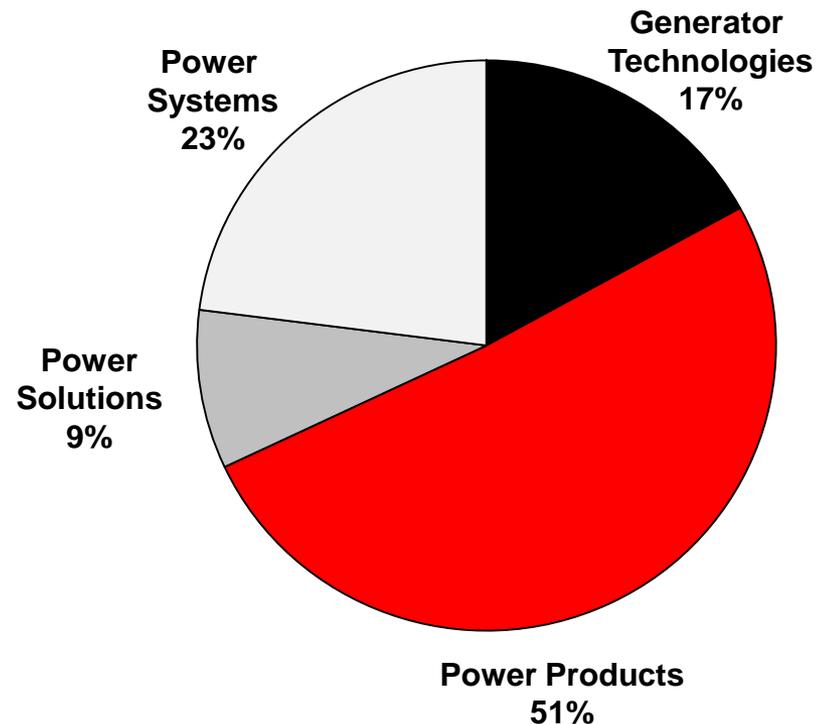
Off-highway



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

2012 Revenue
by Product



2012 Segment Data

Sales: \$3.3 billion

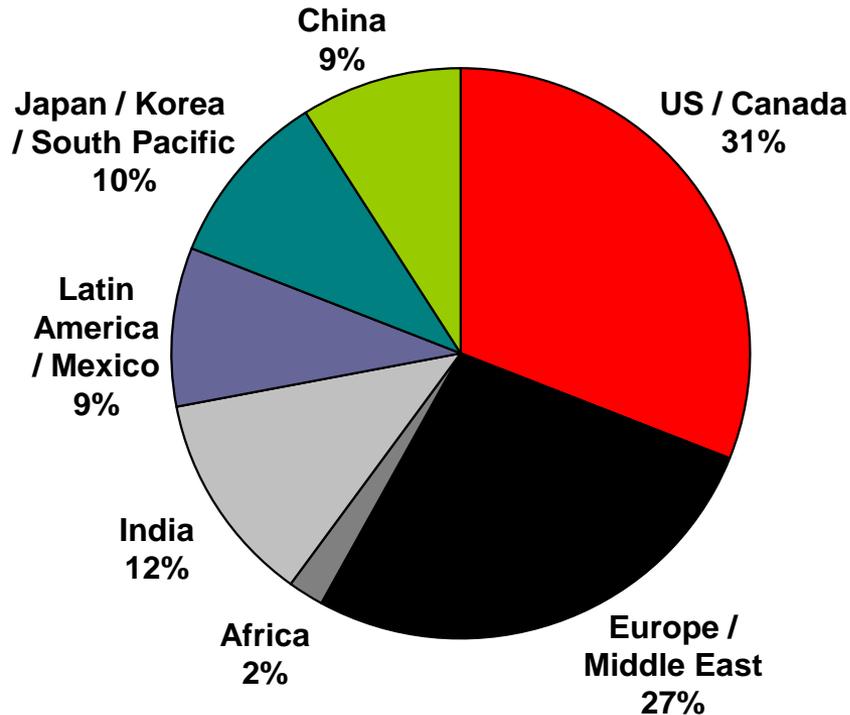
EBIT¹: \$297 million

EBIT Margin: 9.1%



Power Generation Segment – Sales Mix

Geographic



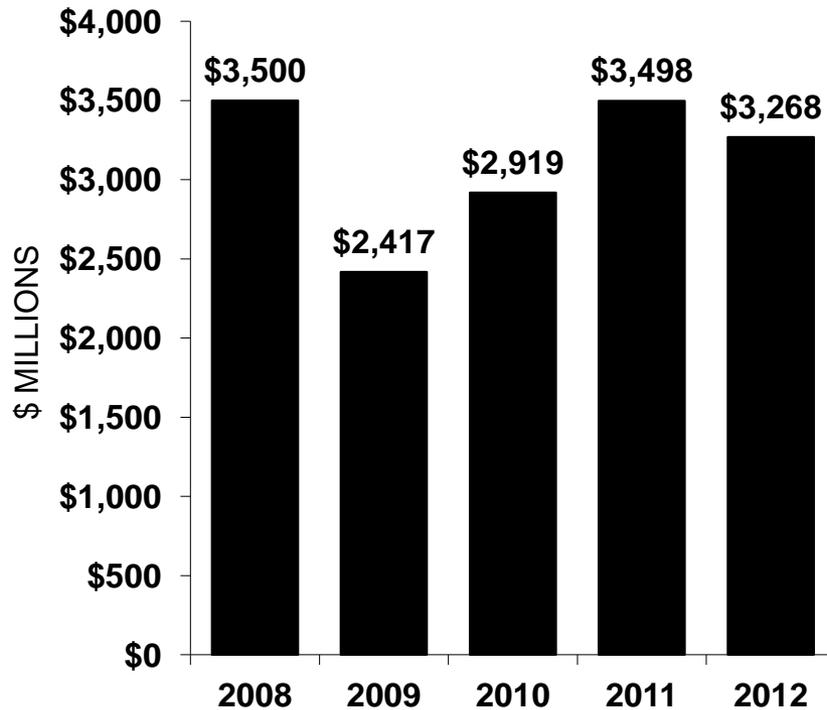
- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

2012 Revenue: \$3.3B

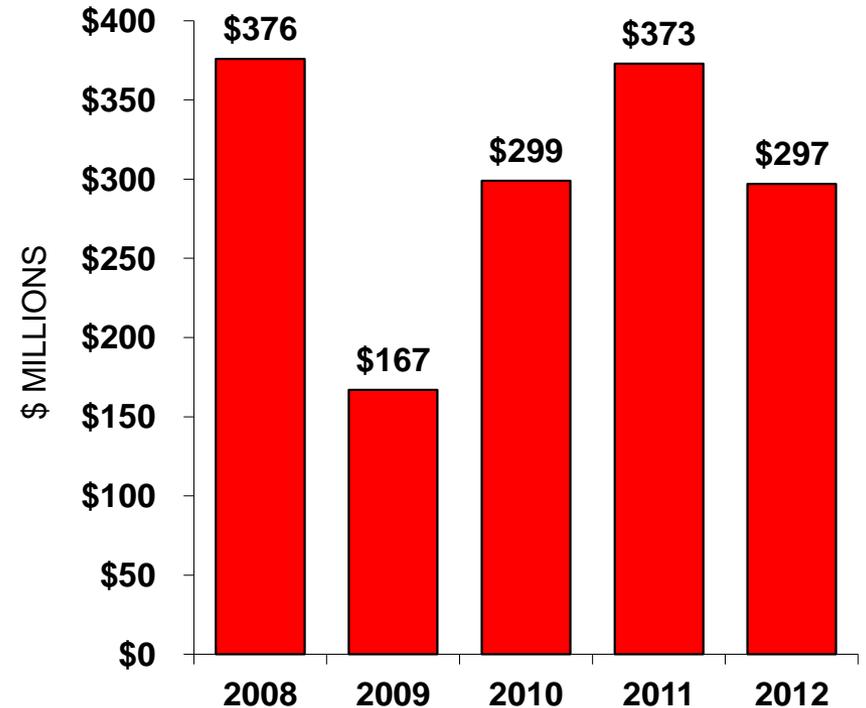


Power Generation – Historical Performance

Sales

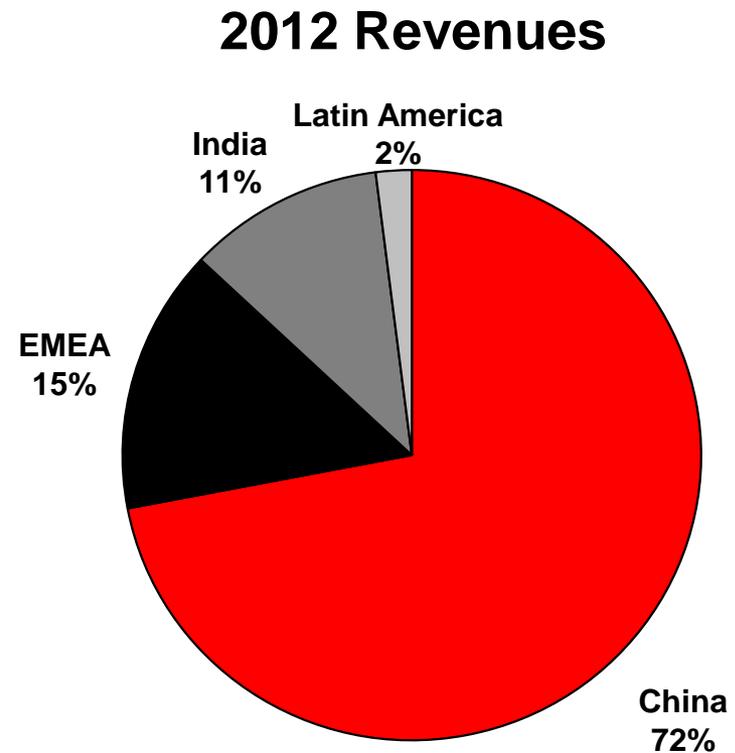
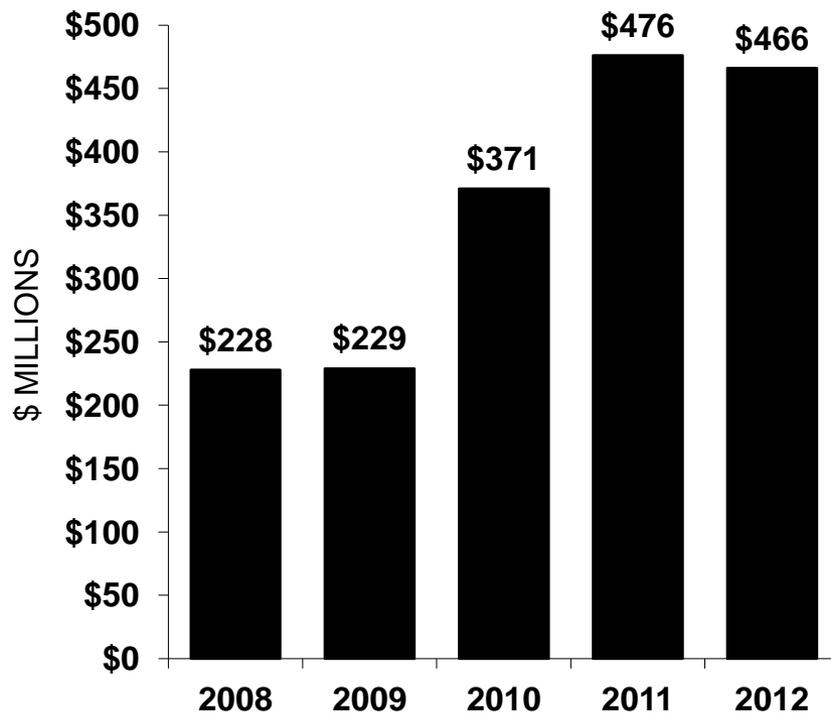


Segment EBIT¹



¹ Q4'12 EBIT excludes \$12 million in restructuring charges.

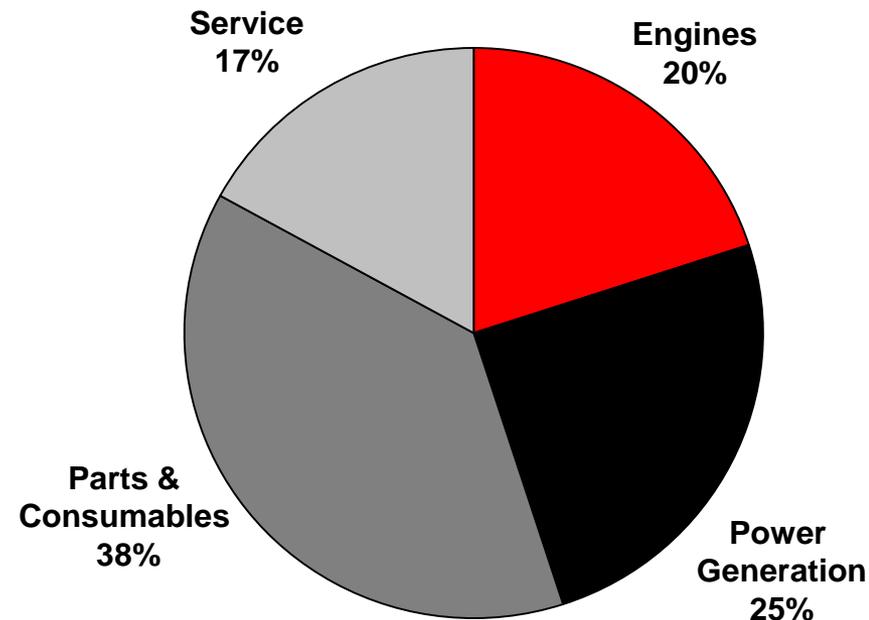
Power Generation Segment – Joint Venture Sales Unconsolidated



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



2012 Segment Data

Sales: \$3.3 billion

EBIT¹: \$383 million

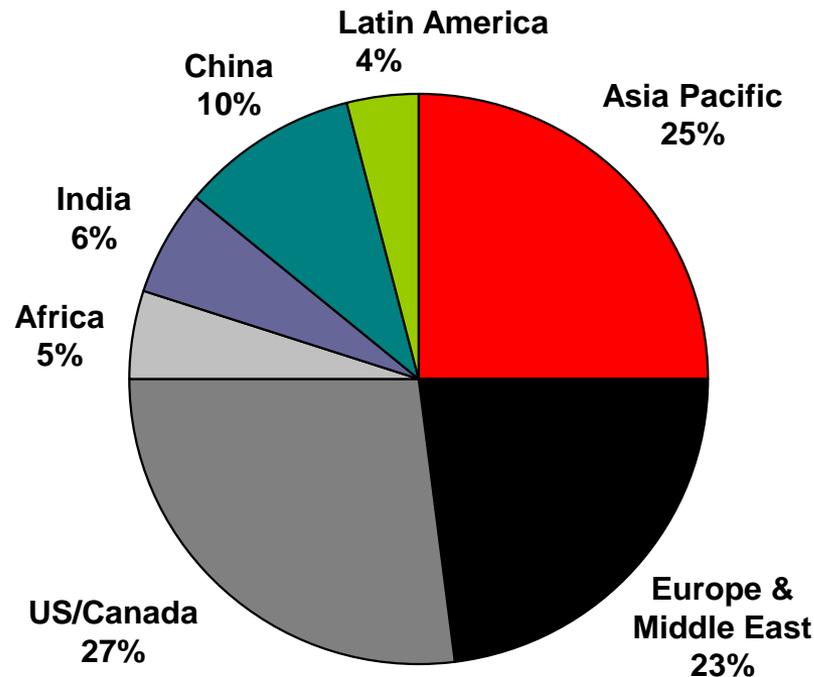
EBIT Margin: 11.7%



¹ Q4'12 EBIT excludes \$14 million in restructuring charges.

Distribution Segment – Sales Mix

Geographic



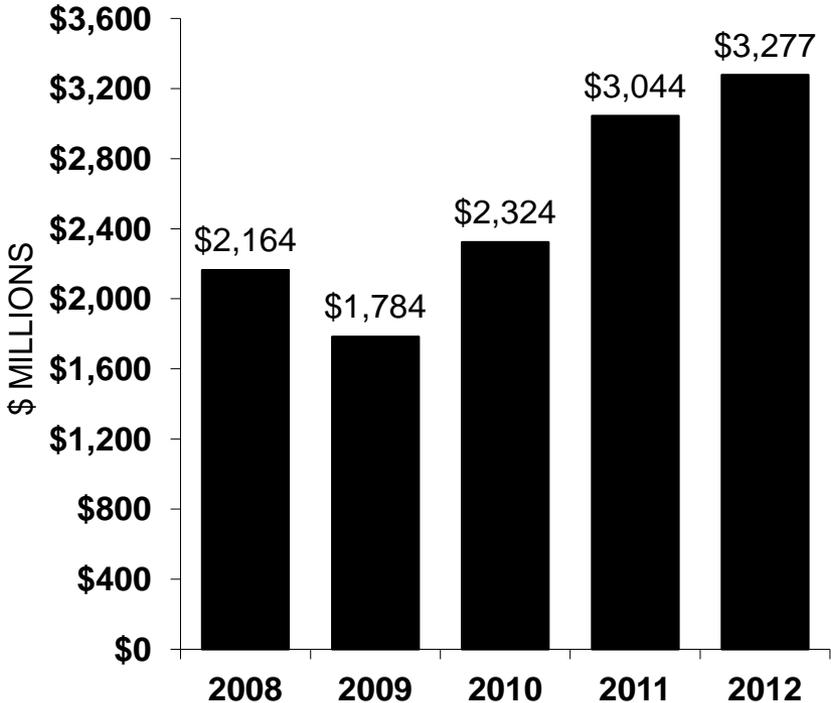
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

2012 Revenue: \$3.3B

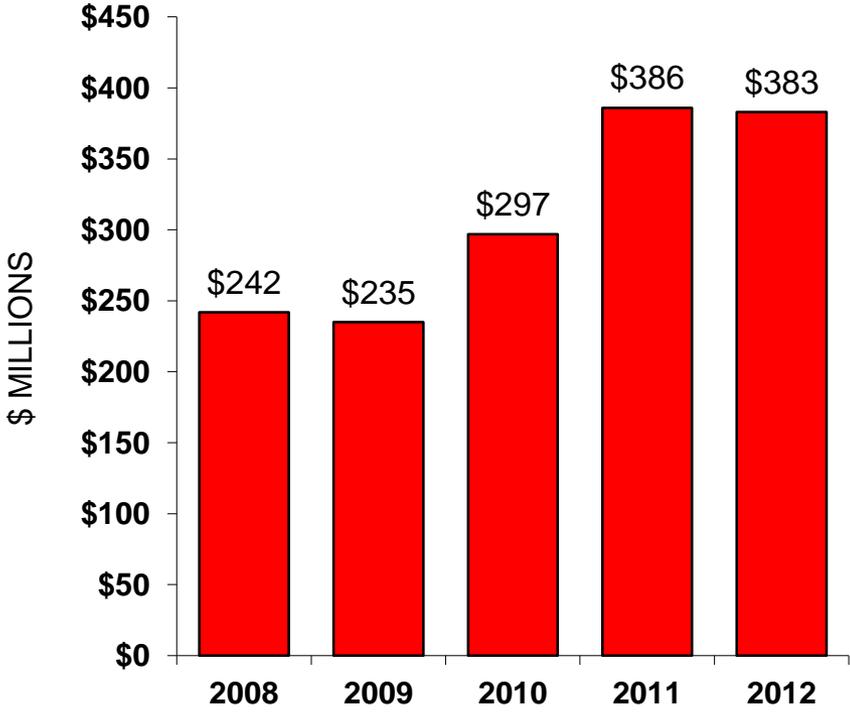


Distribution – Historical Performance

Sales

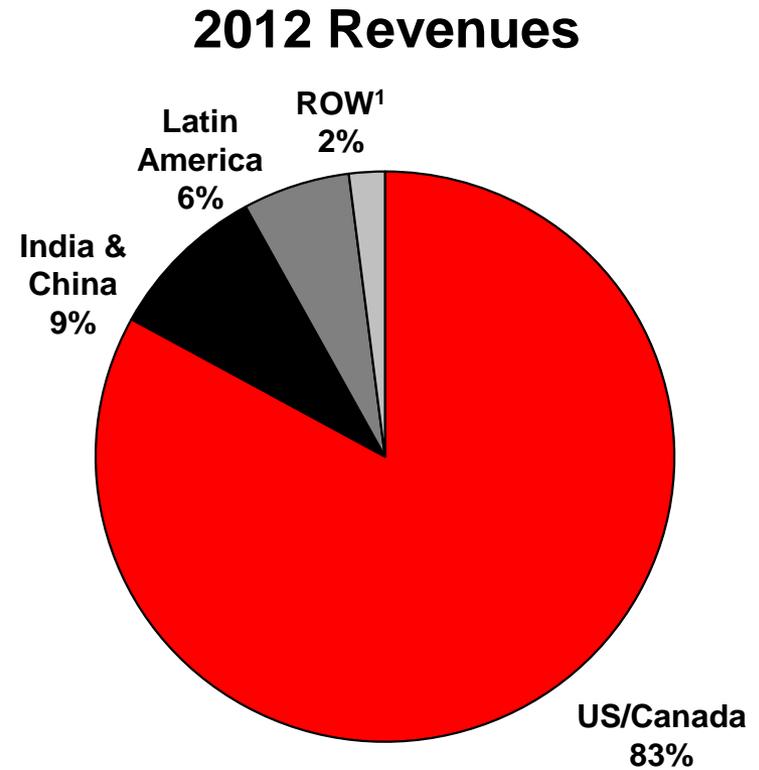
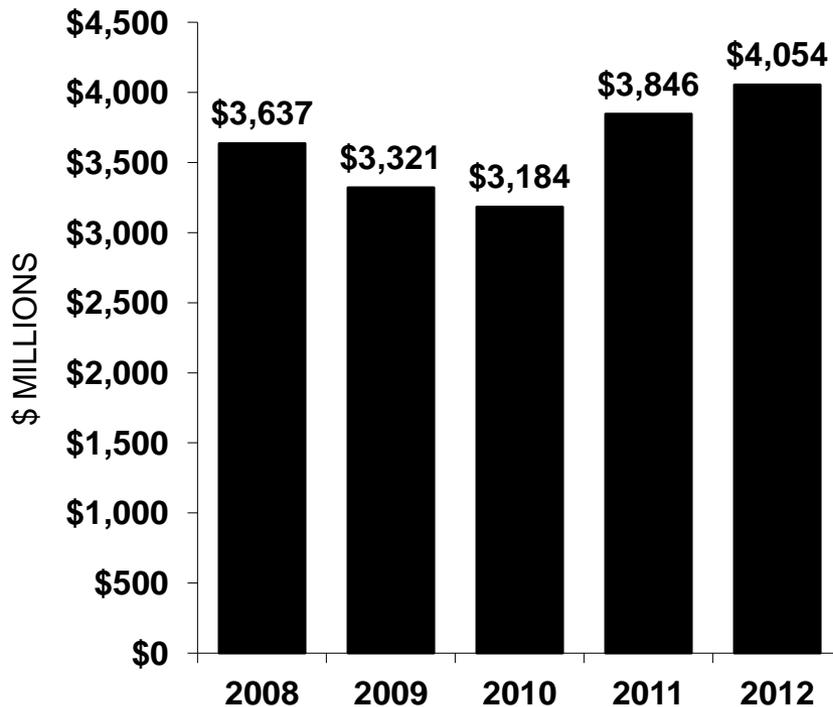


Segment EBIT¹



¹ Q4'12 EBIT excludes \$14 million in restructuring charges.

Distribution Segment – Joint Venture Sales Unconsolidated



¹ ROW = Rest of World

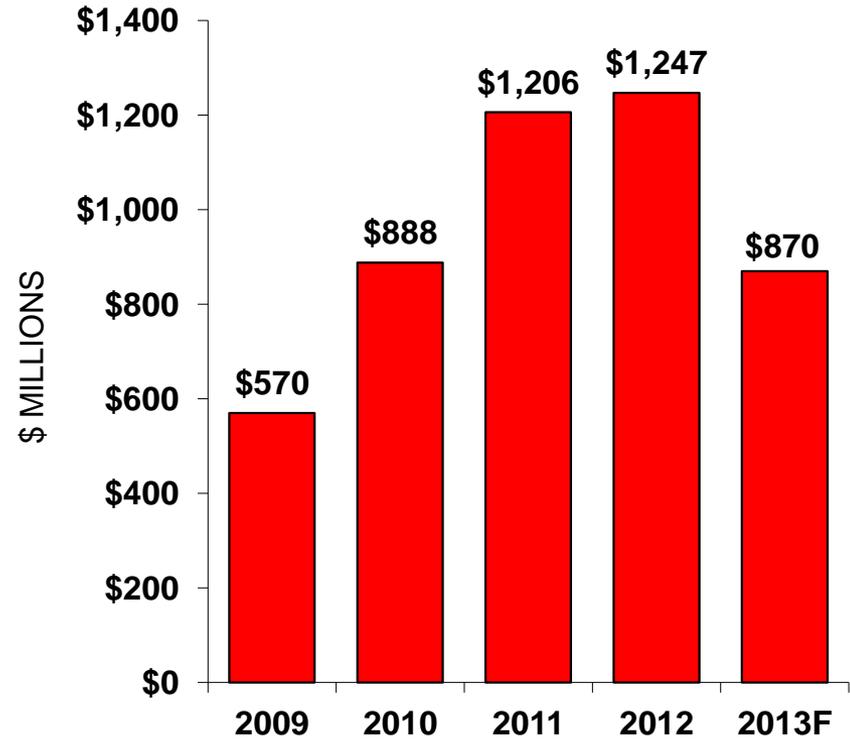


India – Historical Performance

Consolidated Sales¹



Joint Venture Sales Unconsolidated²

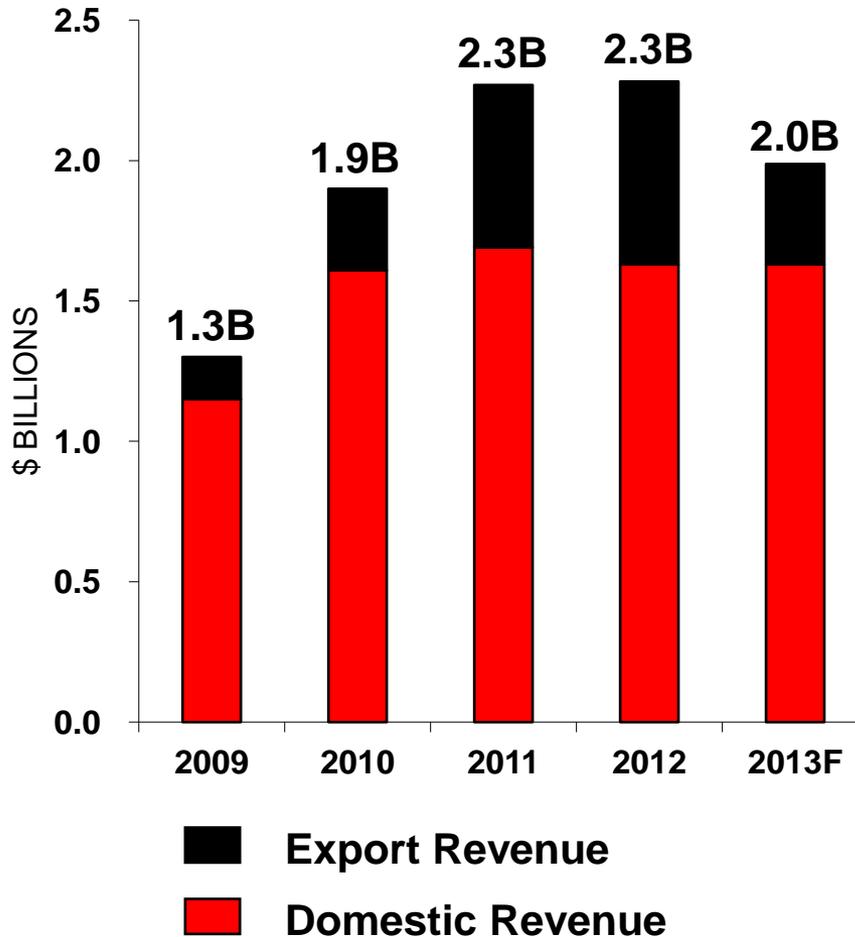


¹ Before intercompany eliminations. Figures also include exports.

² KPIT Cummins excluded from 2013 Joint Venture Sales Unconsolidated due to reduction in ownership interest.



Emerging Markets – India¹



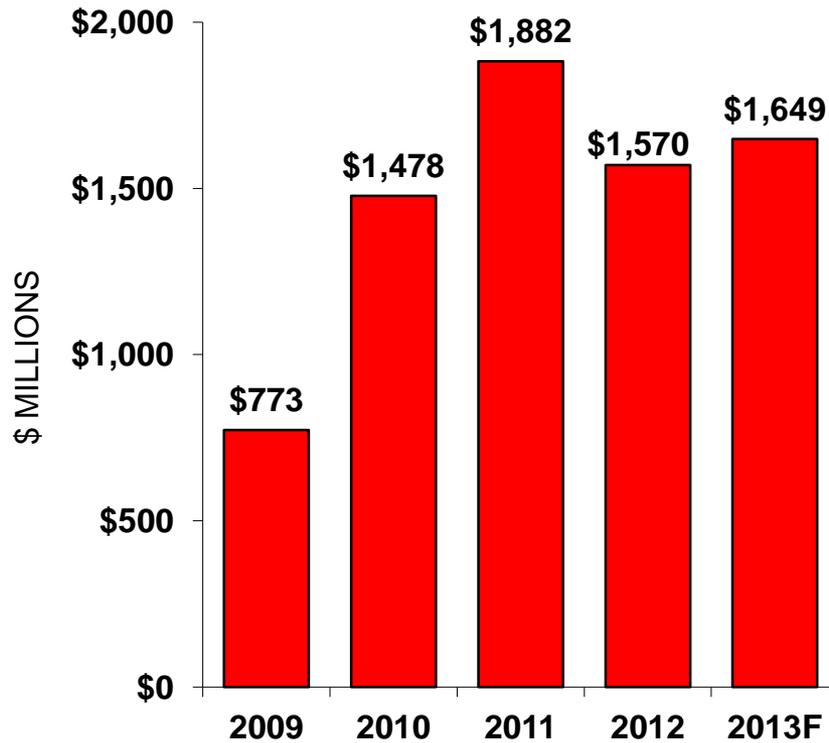
- Growing with Tata
- Leadership in Industrial and Power Gen
- Expanding our markets



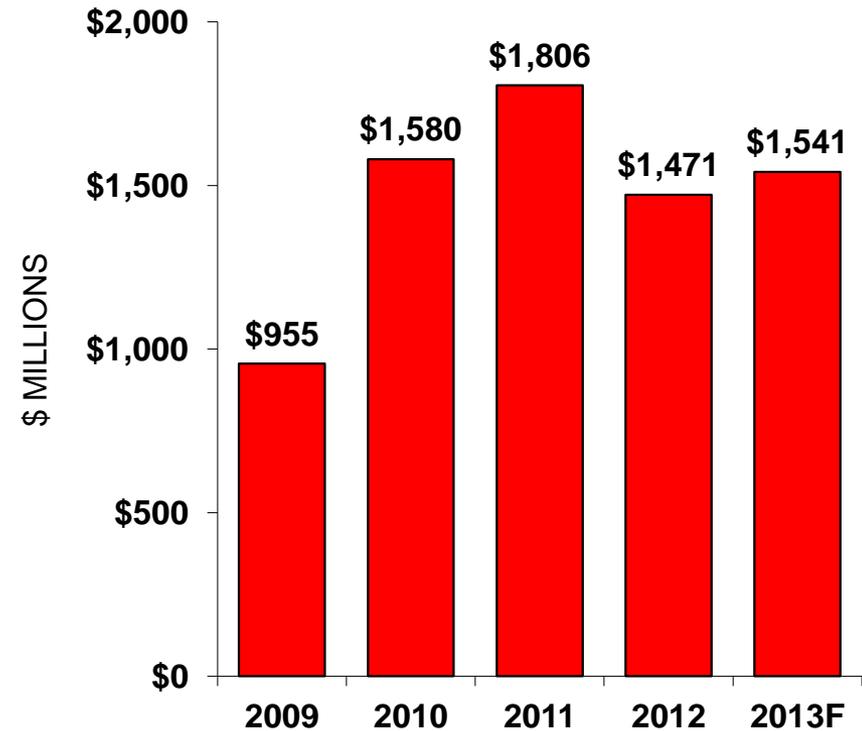
¹Consolidated + Unconsolidated Revenue. Before intercompany eliminations. KPIT Cummins excluded from 2013 due to reduction in ownership interest.

China – Historical Performance

Consolidated Sales¹



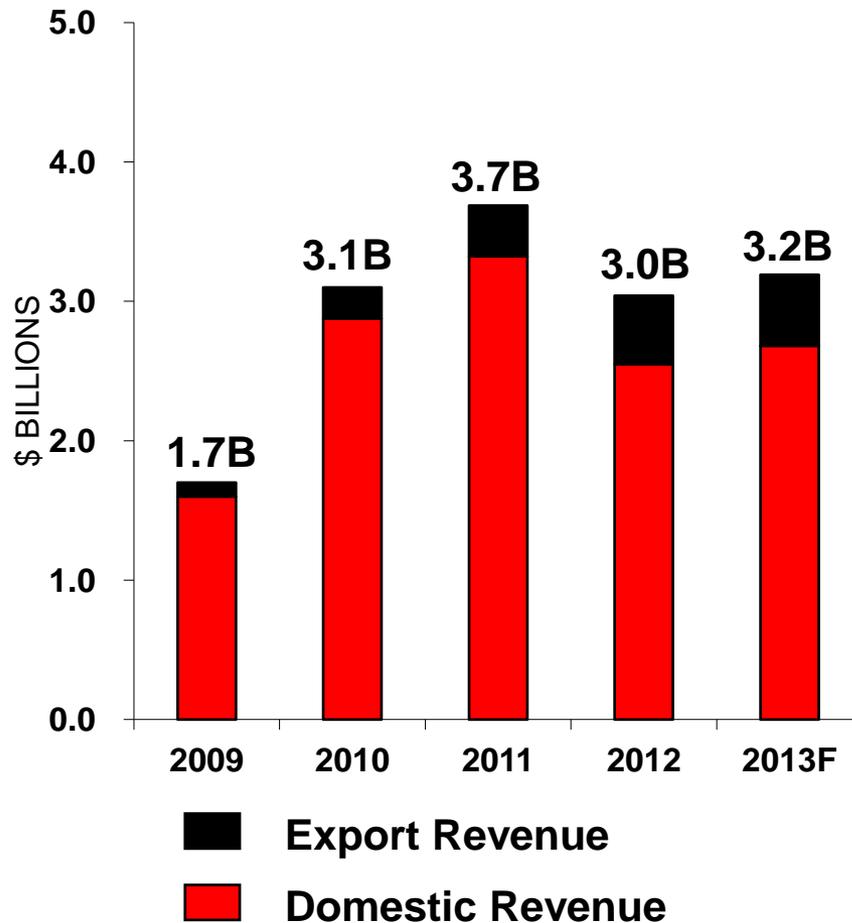
Joint Venture Sales Unconsolidated



¹Before intercompany eliminations. Figures also include exports.



Emerging Markets – China¹



- Truck market growth
- Emissions content
- Growth in distribution
- Power generation

¹Consolidated + Unconsolidated Revenue. Before intercompany eliminations.



Non-GAAP Reconciliations



Non-GAAP Reconciliation – EBIT

Three Months Ended

Millions	December 31, 2012	September 30, 2012	December 31, 2011
EBIT excluding gain on sale of businesses, flood recoveries and restructuring charges	\$ 532	\$ 496	\$ 677
Add: Gain on sale of businesses + flood recoveries	0	0	91
Less: Restructuring charges	52	0	0
Total EBIT	<u>480</u>	<u>496</u>	<u>768</u>
Less: Interest expense	7	9	10
Income before income taxes	<u>473</u>	<u>487</u>	<u>758</u>
Less: Income tax expense	75	117	186
Consolidated net income	<u>398</u>	<u>370</u>	<u>572</u>
Less: Net income attributable to noncontrolling interests	29	18	24
Net Income attributable to Cummins Inc.	<u>369</u>	<u>352</u>	<u>548</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	December 31, 2012	September 30, 2012	December 31, 2011
Accounts and notes receivable, net	\$ 2,475	\$ 2,503	\$ 2,526
Inventories	2,221	2,570	2,141
Less Accounts payable – trade	<u>(1,339)</u>	<u>(1,460)</u>	<u>(1,546)</u>
Working capital measure	<u>\$ 3,357</u>	<u>\$ 3,613</u>	<u>\$ 3,121</u>
Working capital measure (% of Annualized Net Sales)	19.6%	21.9%	15.9%

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	December 31, 2012	December 31, 2011
Net assets for operating segments	<u>\$ 8,177</u>	<u>\$ 7,304</u>
Liabilities deducted in computing net assets	4,913	4,832
Pensions and other post retirement liabilities	(977)	(928)
Deferred tax assets not allocated to segments	410	435
Debt related costs not allocated to segments	<u>25</u>	<u>25</u>
Total assets	<u>\$ 12,548</u>	<u>\$ 11,668</u>

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, 2012	December 31, 2011
Equity used for return on equity calculation ¹	<u>\$ 7,397</u>	<u>\$ 6,216</u>
Defined benefit post retirement plans	<u>(794)</u>	<u>(724)</u>
Total shareholders equity	6,603	5,492
Noncontrolling interest	<u>371</u>	<u>339</u>
Total Equity	<u>\$ 6,974</u>	<u>\$ 5,831</u>

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.

