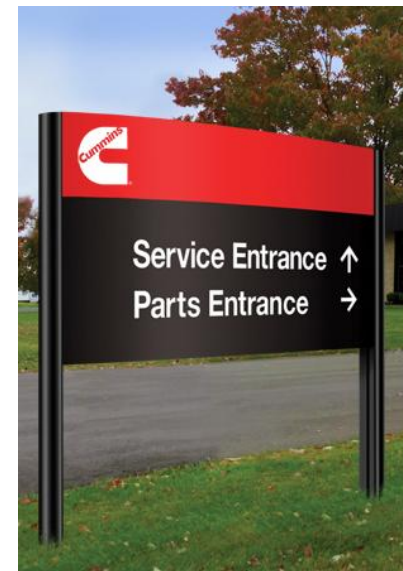




# First Quarter 2013 Earnings Teleconference

April 30, 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, particularly in the Risk Factors section of our 2012 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**

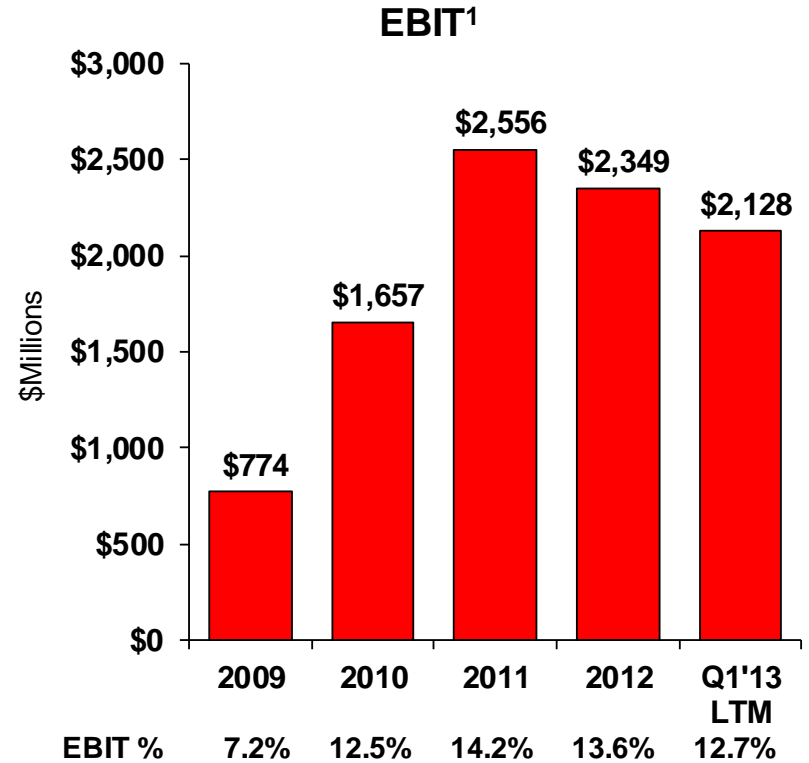
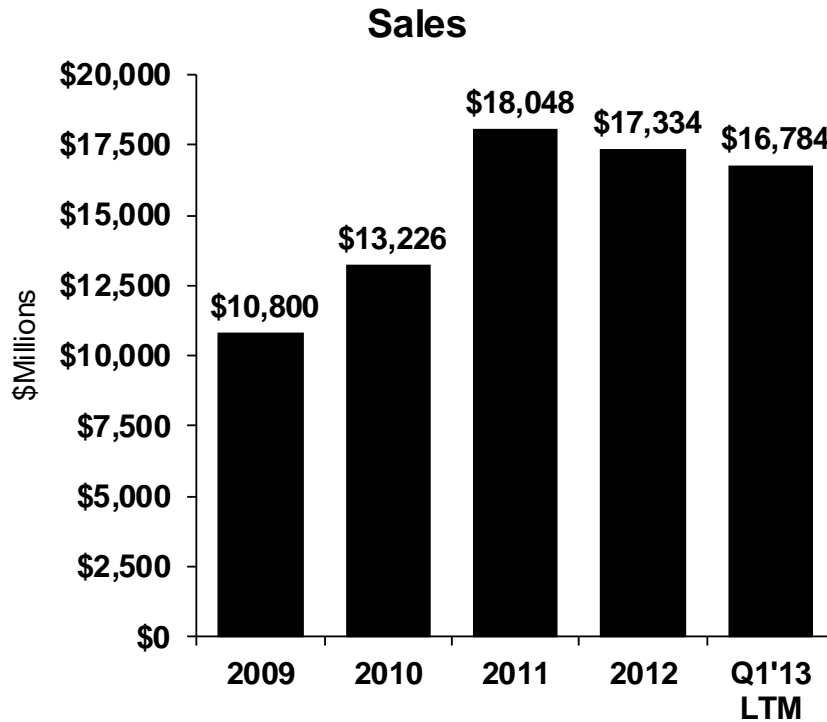
**Tuesday, September 17, 2013**

**New York, NY**

For additional information contact:  
Mark Smith, Executive Director – Investor Relations  
(812) 377-3121  
Mark.A.Smith@Cummins.com  
[www.Cummins.com](http://www.Cummins.com)



# Cummins Inc.



<sup>1</sup> EBIT excludes restructuring charges in 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.

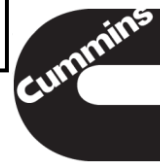
## Selected Financial Data

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Sales	3,922	4,472	-12%	4,292	-9%
EBIT Excluding Special Items <sup>1</sup>	437	658	-34%	532	-18%
% of Sales	11.1%	14.7%		12.4%	
ROANA (LTM) <sup>2</sup>	26%	37%		30%	
ROE (LTM) <sup>2</sup>	21%	31%		25%	

- Compared to the prior year, the reduction in revenue was driven by a decline in on-highway and Oil and Gas markets in North America, lower demand internationally for power generation and globally for mining markets.
- Quarter-over-quarter declines were driven by North American Bus and light duty markets, global mining markets, and normal seasonality in the Power Generation and Distribution business.

<sup>1</sup> Q4'12 EBIT excludes \$52 million in restructuring charges.

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



# Joint Venture Income

\$M	Q1-13	Q1-12	Q4-12
Engine	23	38	27
<i>On-highway</i>	14	25	19
<i>Off-highway</i>	9	13	8
Power Generation	7	10	8
Distribution	45	48	41
Components	7	8	6
Total JV Income	82	104	82

- JV contribution, compared to the prior year, was lower primarily due to weaker demand at joint ventures in China and India.
- Sequentially weakness in India offset by strength in North America distribution.



# Cummins Inc.

## Selected Income Statement Data

\$M	Q1-13	Q1-12	Q4-12
Net Income Attributable to CMI <sup>1</sup>	282	455	404
Diluted EPS <sup>1</sup>	1.49	2.38	2.14
Gross Margin <sup>2</sup> (% of Sales)	24.4%	26.8%	25.3%
SAR <sup>3</sup> (% of Sales)	16.0%	14.7%	14.7%

- EBIT, compared to the prior year, declined due to lower volumes and lower joint venture earnings.
- Gross margin was down compared to the prior year, with the impact of reduced volumes, unfavorable mix, and higher product coverage costs, partially offset by the benefit of improved pricing and lower material costs.

<sup>1</sup> Q4'12 Net Income attributable to CMI and Diluted EPS excludes \$35 million (after tax) in restructuring charges.

<sup>2</sup> Q4'12 Gross Margin excludes \$29m in restructuring charges

<sup>3</sup> Q4'12 SAR excludes \$23m in restructuring charges





# Engine Segment Selected Financial Data

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Sales	2,303	2,859	-19%	2,506	-8%
EBIT <sup>1</sup>	195	381	-49%	272	-28%
% of Sales	8.5%	13.3%		10.9%	

- Year-over-year, stronger demand in global agriculture and Brazil truck markets was more than offset by reduced demand in North American on-highway markets as well as North American oil and gas and global mining markets.
- EBIT margins declined, compared to the prior year, due to lower volumes, unfavorable mix, higher product coverage costs, and lower joint venture contribution, partially offset by improved pricing and lower material cost.

<sup>1</sup> Q4'12 EBIT excludes \$20 million in restructuring charges.



# Engine Segment Sales by Market – On-highway

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Heavy-Duty Truck	654	892	-27%	609	+7%
Medium-Duty Truck & Bus	448	526	-15%	575	-22%
Light-Duty Auto & RV	260	286	-9%	343	-24%

- **Heavy Duty Truck:** Shipments down 35% Y-o-Y and up 6% sequentially.
- **Medium-Duty Truck & Bus:** Shipments down 4% Y-o-Y and down 12% sequentially.
- **Light-Duty & RV:** Shipments down 18% Y-o-Y and down 27% sequentially.



# Engine Segment Sales by Market – Off-highway

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Industrial	714	861	-17%	747	-4%
Stationary Power	227	294	-23%	232	-2%

- **Industrial:** Shipments down 24% YoY and up 1% sequentially.
- **Stationary Power:** Shipments down 5% YoY and up 21% sequentially.



# Guidance for 2013 Engine Markets

## Revenue by market (including aftermarket):

- Heavy-duty truck revenue and shipments down 1%. NAFTA Class 8 heavy-duty truck build expected to be 233K units.
- Medium-duty truck & bus revenue up 1%. North America truck shipments flat. Brazil truck shipments up 19%, partially offset by reduced Bus shipments in North America.
- Light duty auto & RV revenue down 5%.
- Industrial revenue down 12% driven by a decline in mining revenues.



# Key On-Highway Engine Markets - 2013

<b>Key Market</b>	<b>Previous Market Size</b>	<b>Current Market Size</b>
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	240K units	233K units
Medium Duty Truck – NAFTA <i>Class 6 – 7, and Class 8 Group 1 - Production</i>	109K units	109K units
Heavy & Medium Truck – China <i>Sales</i>	926K units	926K units
Heavy & Medium Truck – India <i>Production</i>	303K units	280K units
Heavy & Medium Truck – Brazil <i>Production</i>	153K units	158K units



# Components Segment Selected Financial Data

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Sales	1,018	1,099	-7%	939	+8%
EBIT <sup>1</sup>	119	143	-17%	84	+42%
% of Sales	11.7%	13.0%		8.9%	

- Compared to the prior year, sales were down 7 percent, driven by reduced demand in North American on-highway markets and lower demand in Europe partially offset by increased demand for aftertreatment systems in Brazil.
- EBIT margin, compared to last year, declined due to lower volumes, continued technical investment and higher coverage costs.

<sup>1</sup> Q4'12 EBIT excludes \$6 million in restructuring charges.



# Power Generation Segment Selected Financial Data

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Sales	746	780	-4%	765	-2%
EBIT <sup>1</sup>	51	76	-33%	54	-6%
% of Sales	6.8%	9.7%		7.1%	

- Revenue, compared to the prior year, declined due to weakness in Europe and Russia partially offset by increases in India and our North American military business.
- EBIT margin percent, compared to last year, declined due to lower volumes and higher product coverage.

<sup>1</sup> Q4'12 EBIT excludes \$12 million in restructuring charges.



# Distribution Segment Selected Financial Data

\$M	Q1-13	Q1-12	Change	Q4-12	Change
Sales	778	775	0%	907	-14%
EBIT <sup>1</sup>	95	94	+1%	98	-3%
% of Sales	12.2%	12.1%		10.8%	

- Compared to the prior year, revenue excluding acquisitions, declined due to weaker power generation demand in Europe and Russia, North American Oil and Gas markets, and Global Mining markets.
- EBIT margin, compared to the prior year, was flat with favorable mix offset by reduced joint venture contribution and higher selling and admin expense, which were both impacted by acquisitions.

<sup>1</sup> 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	29.5%
Capital Expenditures	\$850M
Global Pension Funding	\$165M

<sup>1</sup>Excluding 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%	11.0-12.0%	8.5-9.5%	11.5-12.5%



# Cash Flow

\$M	Q1-13	Q1-12	Q4-12
Operating Cash Inflow	428	21	745
Capital Expenditures	114	126	266
Working Capital Measure	3,329	3,335	3,357
Working Capital Measure <i>(% of Annualized Net Sales)</i>	21.2%	18.6%	19.6%
Debt to Capital %	10.2%	10.9%	10.0%

- 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:  
Mark Smith, Executive Director – Investor Relations  
(812) 377-3121  
Mark.A.Smith@Cummins.com  
www.Cummins.com**



# Appendix

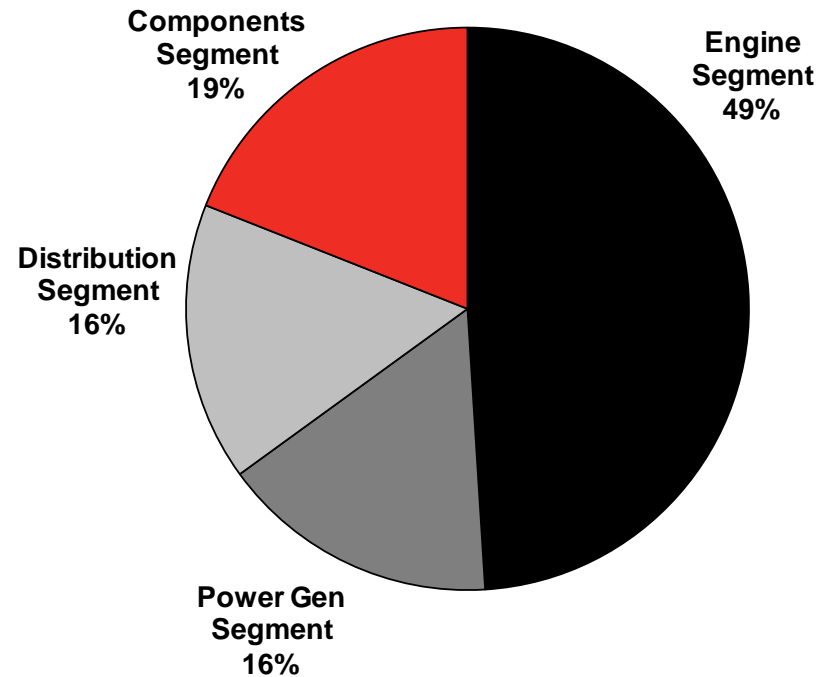


# Cummins Inc.

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

**Q1'13 LTM Data**  
**Sales: \$16.8 billion**  
**EBIT<sup>1</sup>: \$2.1 billion**  
**EBIT Margin: 12.7%**

## Q1'13 LTM Revenue by Segment



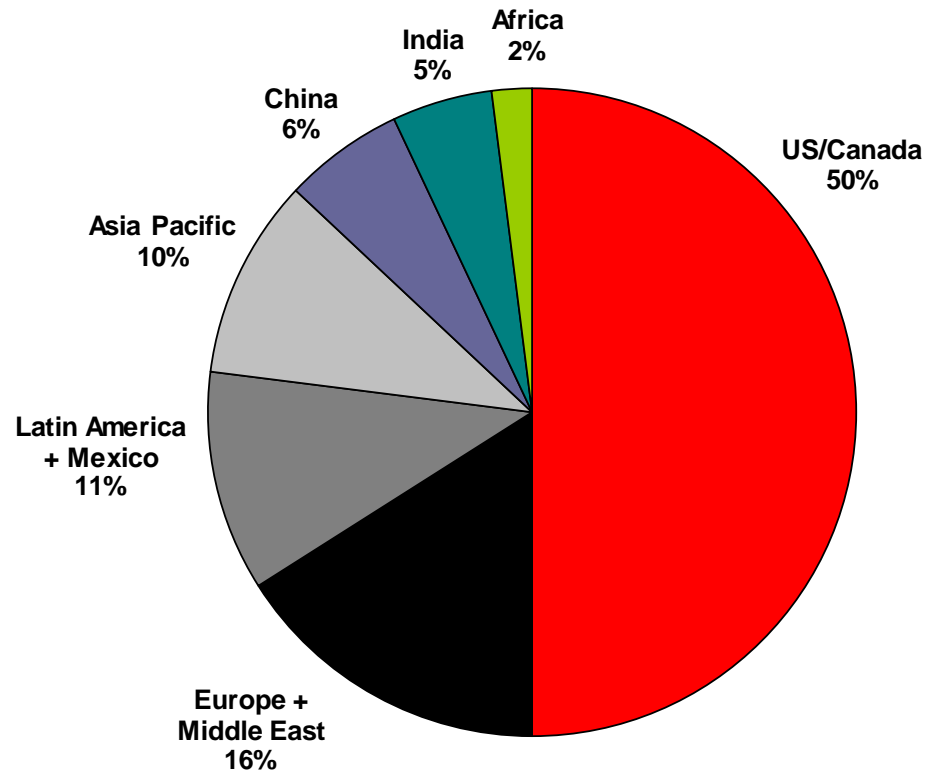
<sup>1</sup> Q2'12 EBIT excludes pre-tax gains of \$6 million from the divestiture of two businesses from 2011. Also, Q4'12 EBIT excludes \$52 million in restructuring charges.



# Cummins Inc.

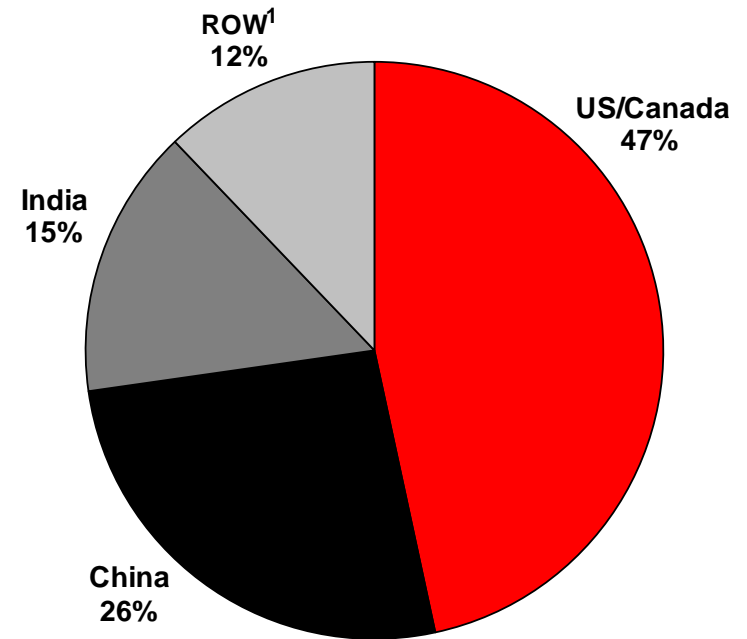
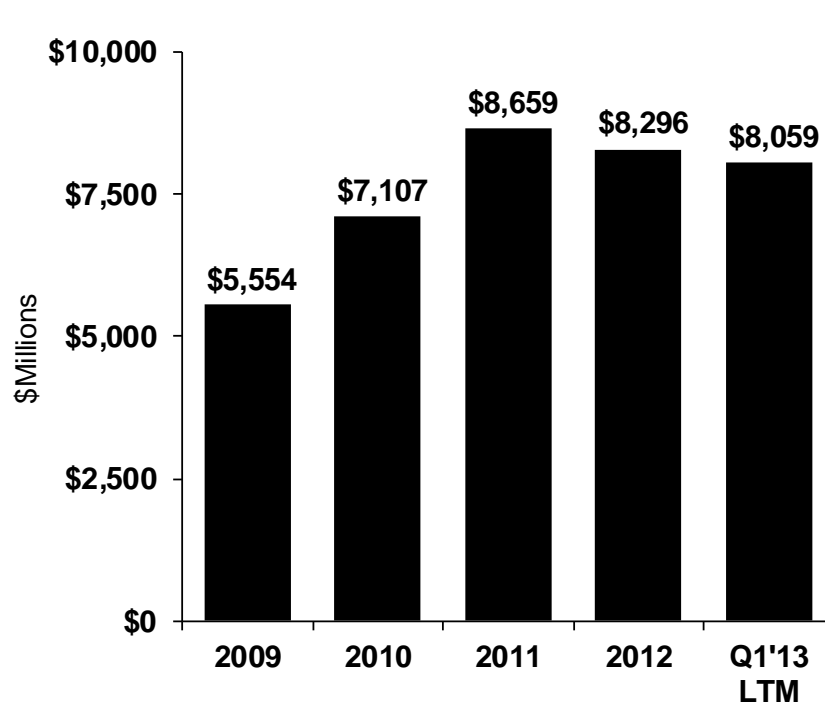
## Q1'13 LTM Revenue by Marketing Territory

- Strong geographic diversification and leadership across multiple end-markets



# Cummins – Joint Venture Sales Unconsolidated

## Q1'13 LTM Revenues



<sup>1</sup> ROW = Rest of World





# Engine Segment – Overview

- Diesel and natural gas engines from 2.8L to 91L and 48 hp to 3,500 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

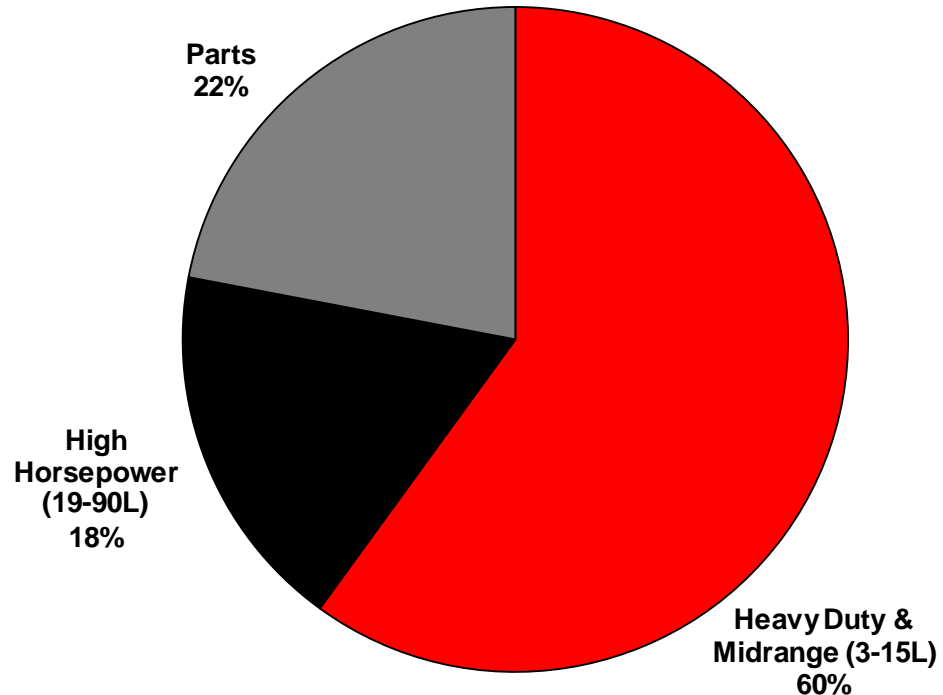
## Q1'13 LTM Segment Data

Sales: \$10.2 billion

EBIT<sup>1</sup>: \$1.1 billion

EBIT Margin: 10.6%

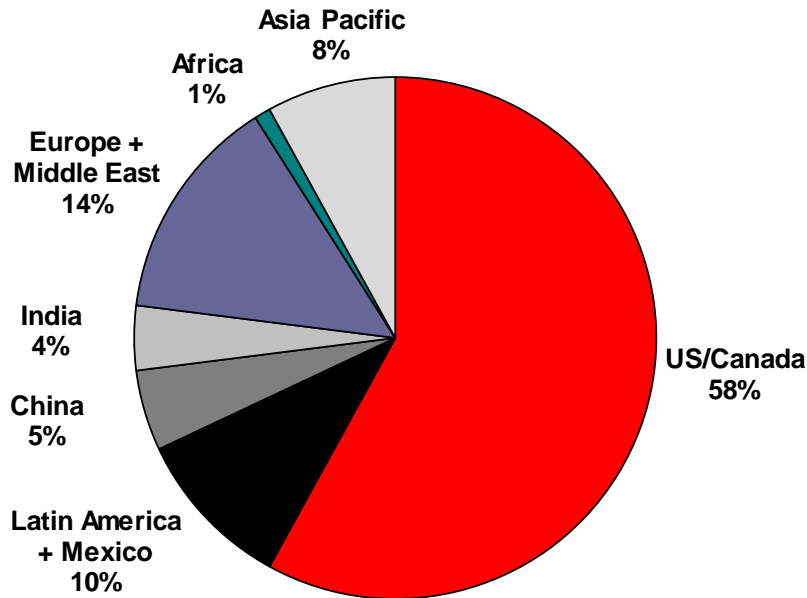
## Q1'13 LTM Revenue by Product



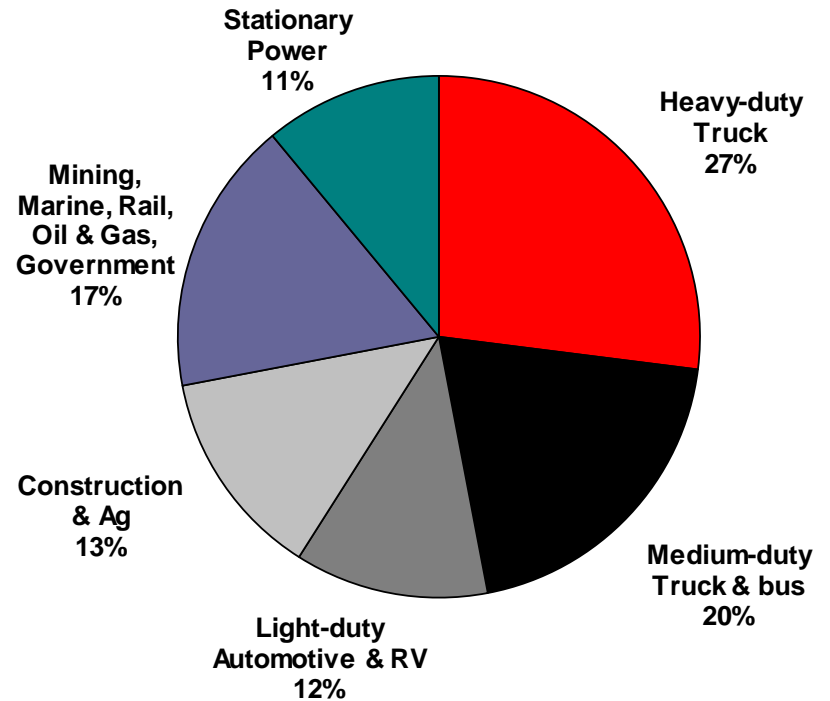
<sup>1</sup> Q4'12 EBIT excludes \$20 million in restructuring charges.

# Engine Segment – Sales Mix

Geographic



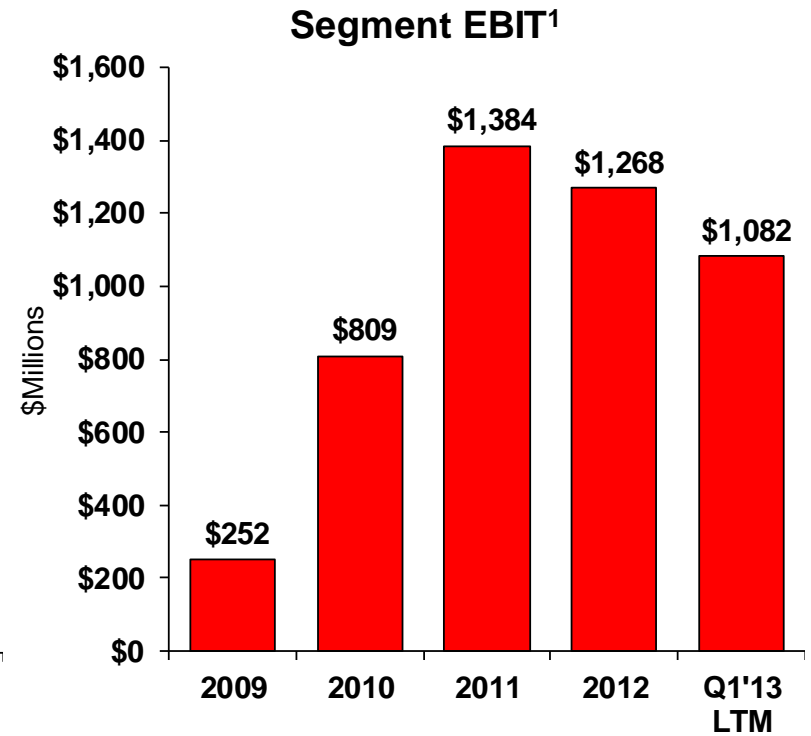
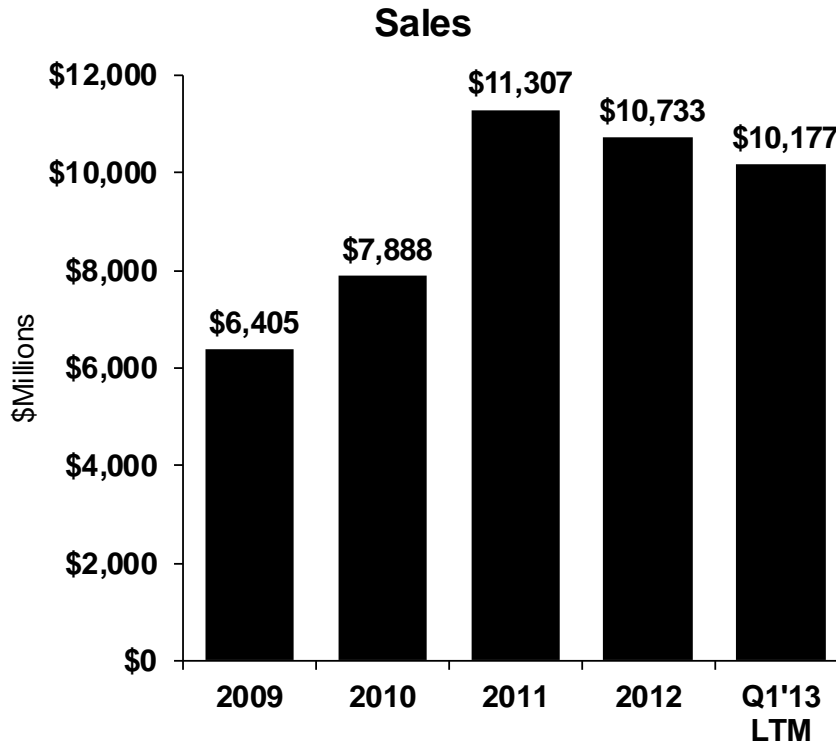
Application



Q1'13 LTM Revenue: \$10.2 B



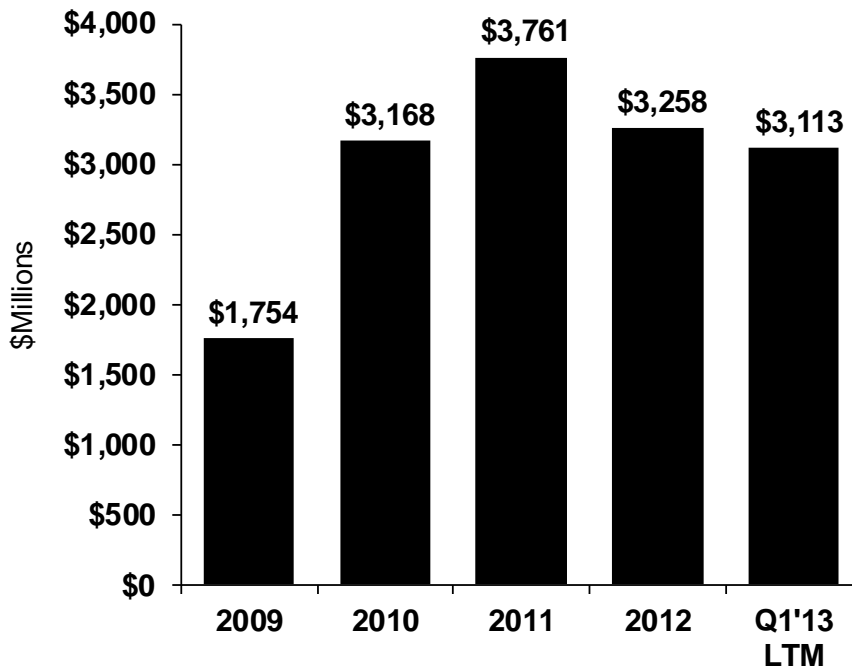
# Engine Segment – Historical Performance



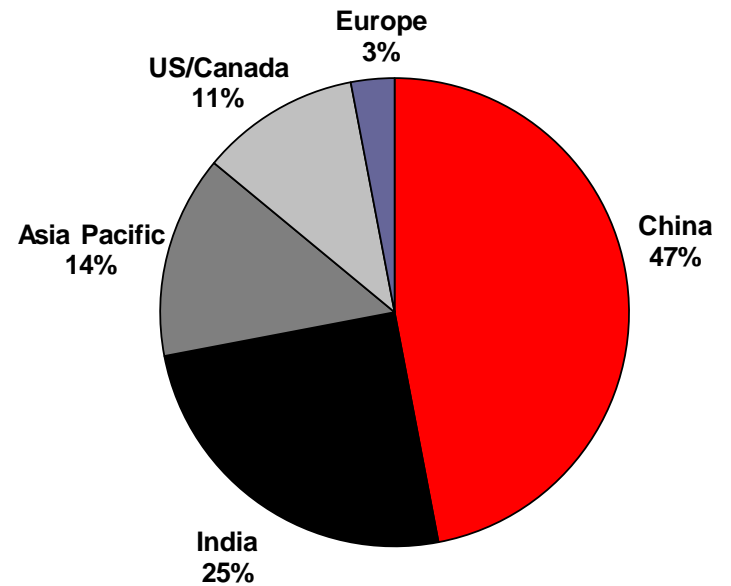
<sup>1</sup> Q4'12 EBIT excludes \$20 million in restructuring charges.



# Engine Segment – Joint Venture Sales Unconsolidated



## Q1'13 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

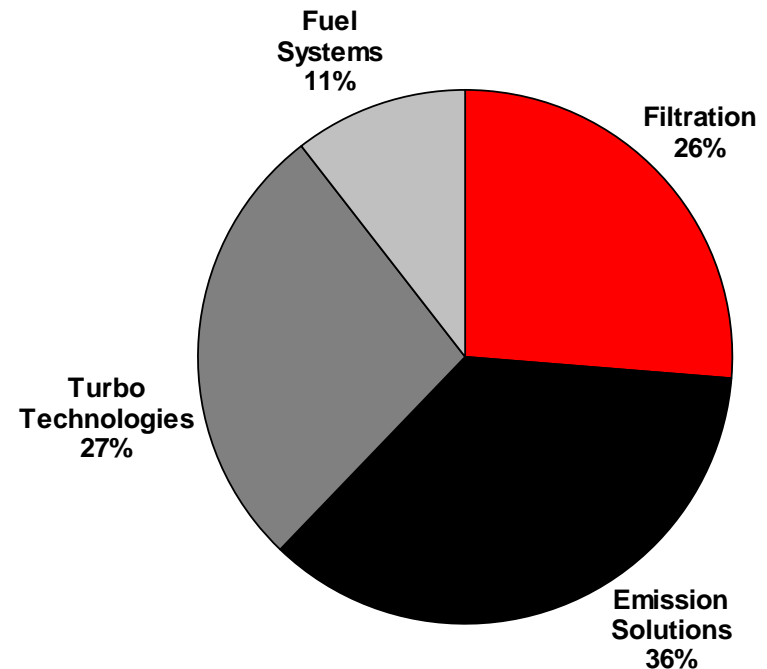
## Q1'13 LTM Segment Data

Sales: \$3.9 billion

EBIT<sup>1</sup>: \$408 million

EBIT Margin: 10.4%

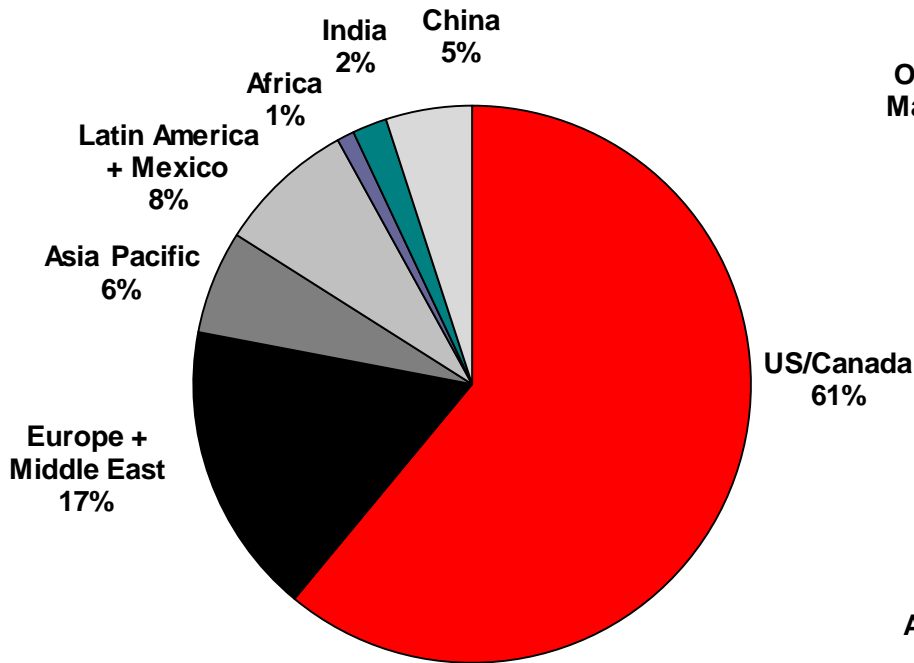
## Q1'13 LTM Revenue by Business



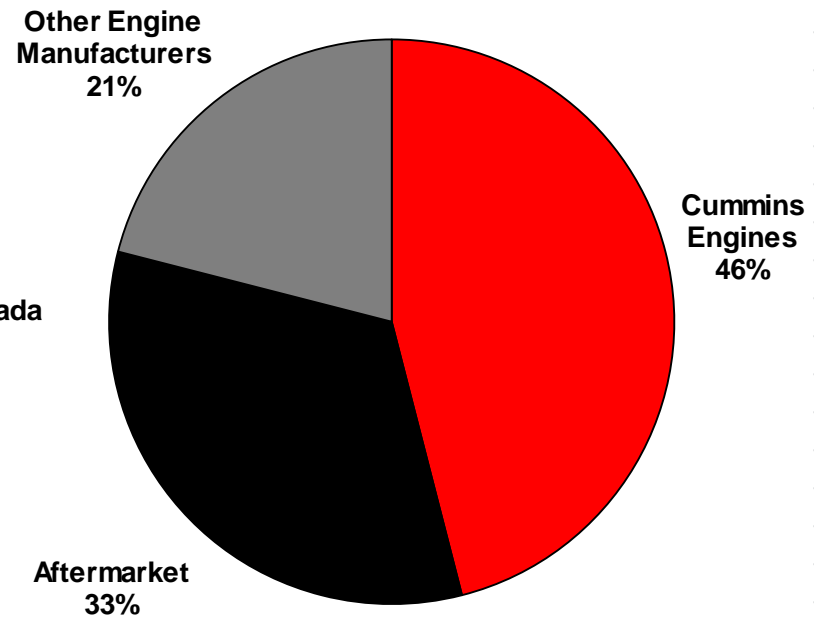
<sup>1</sup> Q2'12 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011, and Q4'12 EBIT excludes \$6 million in restructuring charges.

# Components Segment – Sales Mix

Geographic



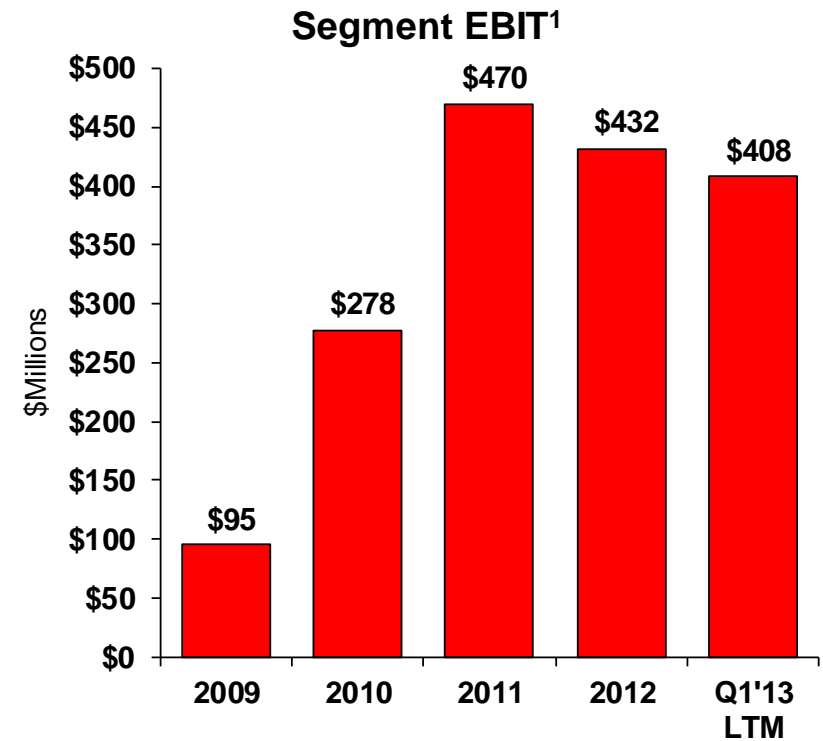
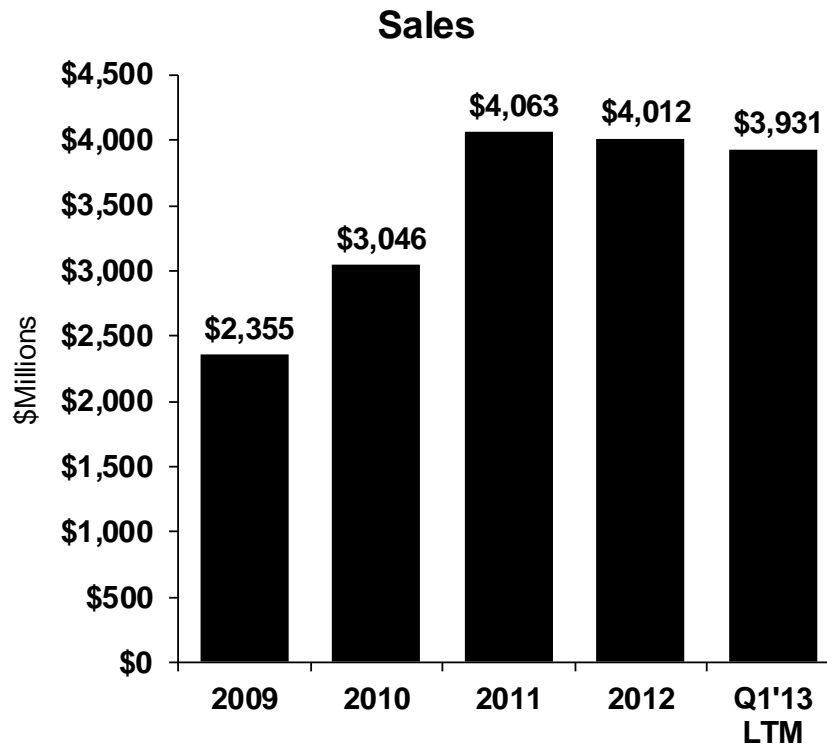
Application



**Q1'13 LTM Revenue: \$3.9 B**



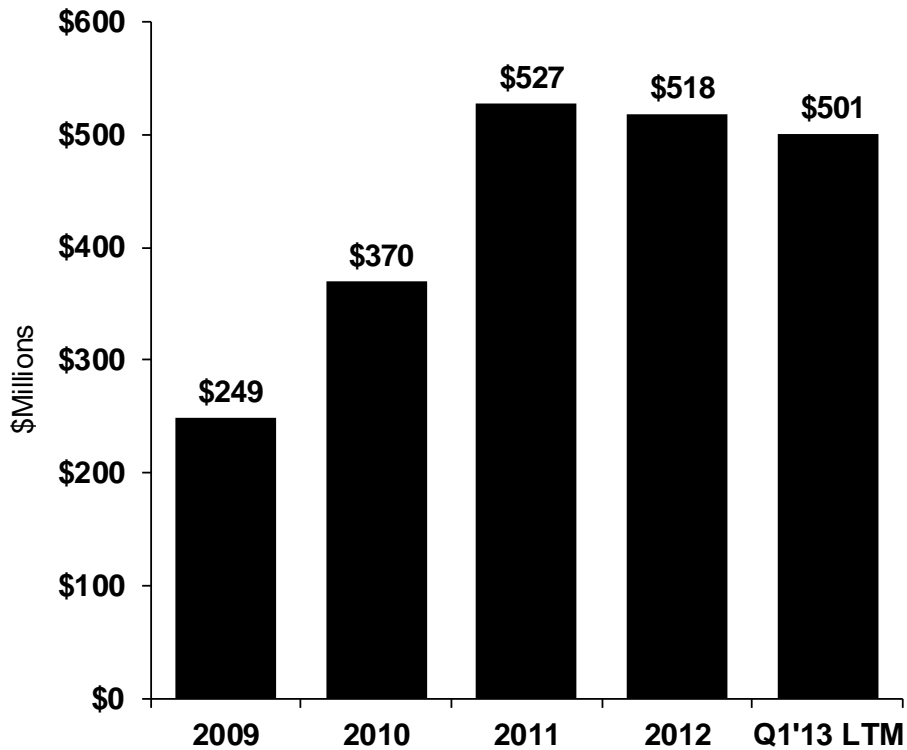
# Components – Historical Performance



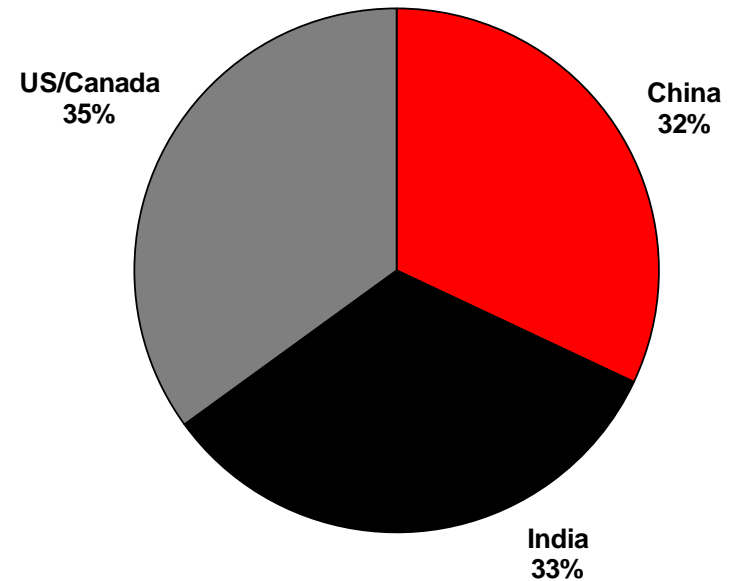
<sup>1</sup> 2011 EBIT excludes \$121 million and Q2'12 EBIT excludes \$6 million, both from the divestiture of two businesses in 2011. Also, Q4'12 EBIT excludes \$6 million in restructuring charges.



# Components Segment – Joint Venture Sales Unconsolidated



### Q1'13 LTM Revenues



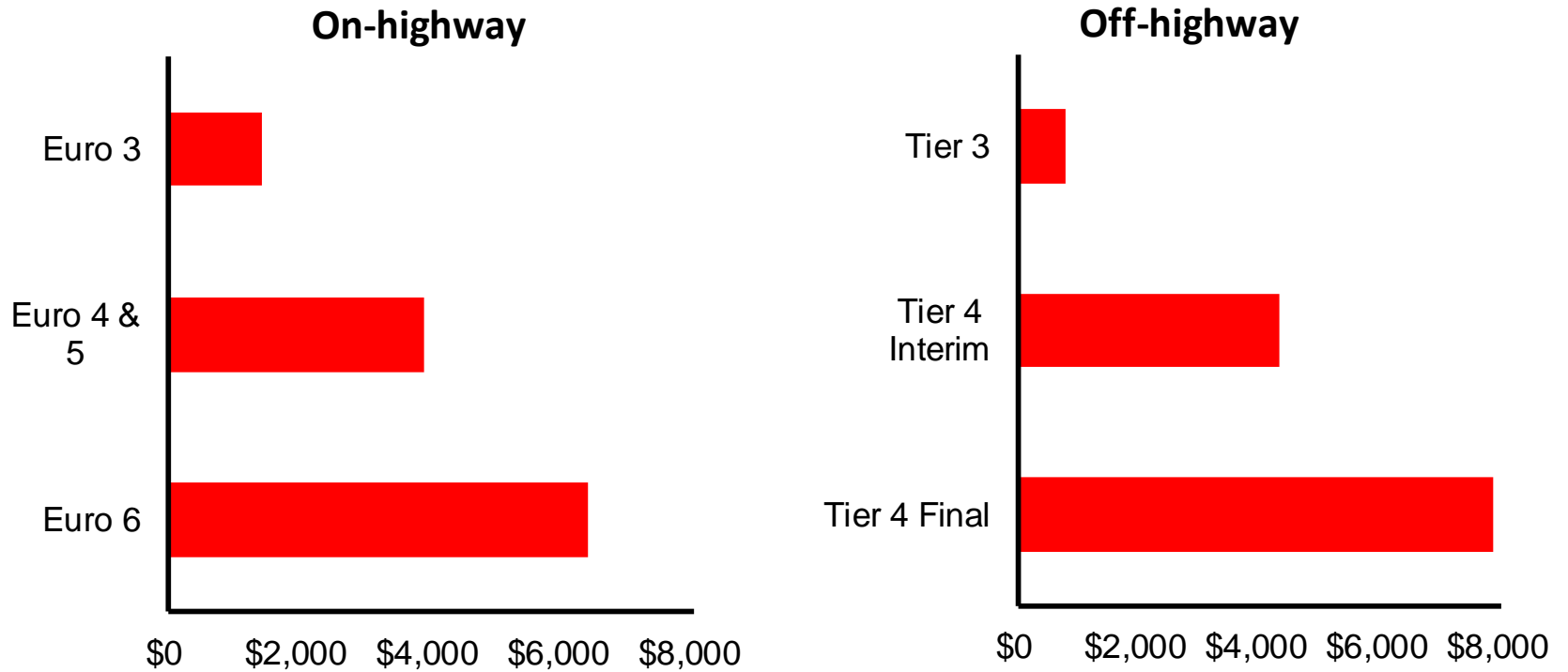


# Global Emissions Regulations - Driving Growth

Market/Application	2010	2011	2012	2013	2014	2015	2016+
U.S. on-highway	EPA10			EPA13	CO <sub>2</sub>		EPA16
Europe on-highway					Euro VI		CO <sub>2</sub>
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



# 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

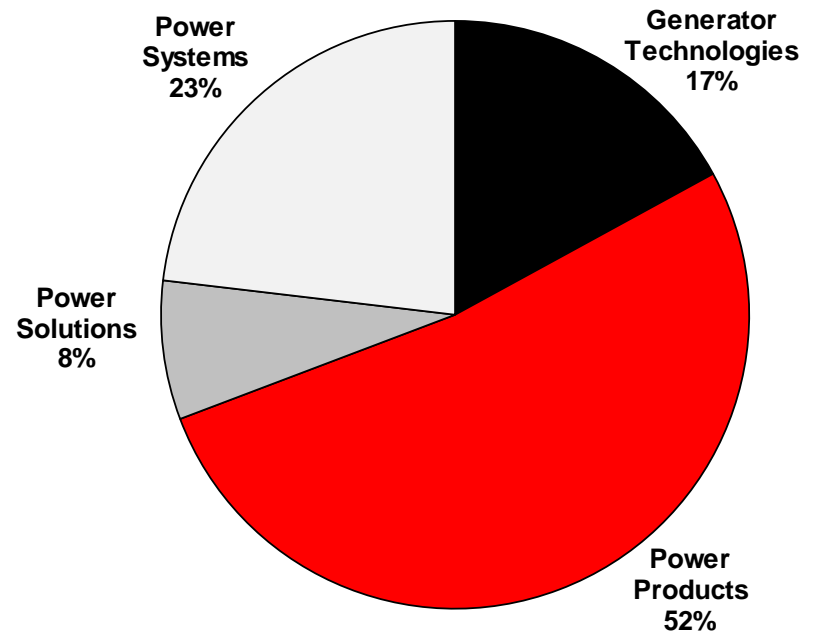
## Q1'13 LTM Segment Data

**Sales: \$3.2 billion**

**EBIT<sup>1</sup>: \$272 million**

**EBIT Margin: 8.4%**

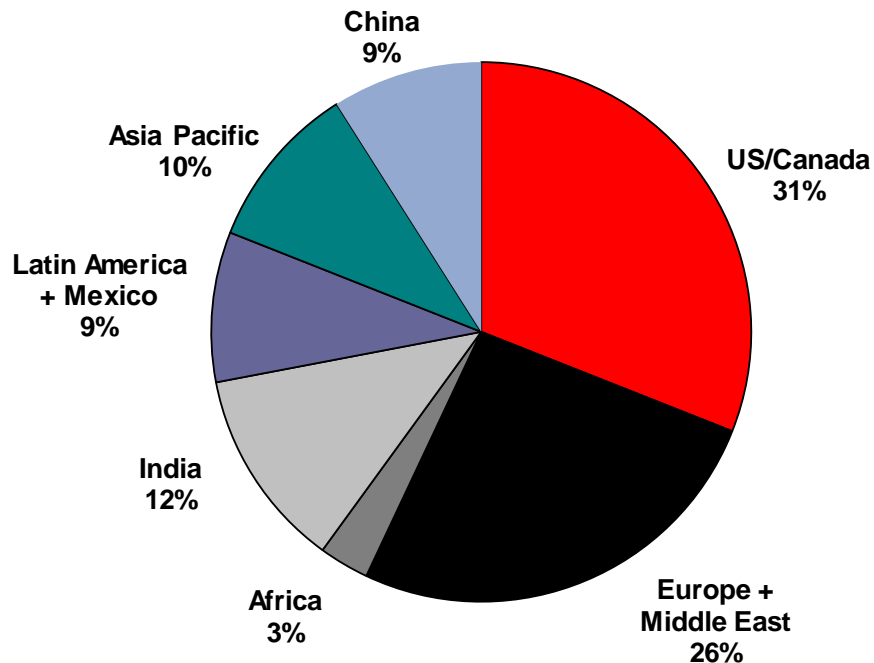
## Q1'13 LTM Revenue by Product



<sup>1</sup> Q4'12 EBIT excludes \$12 million in restructuring charges.

# Power Generation Segment – Sales Mix

## Geographic

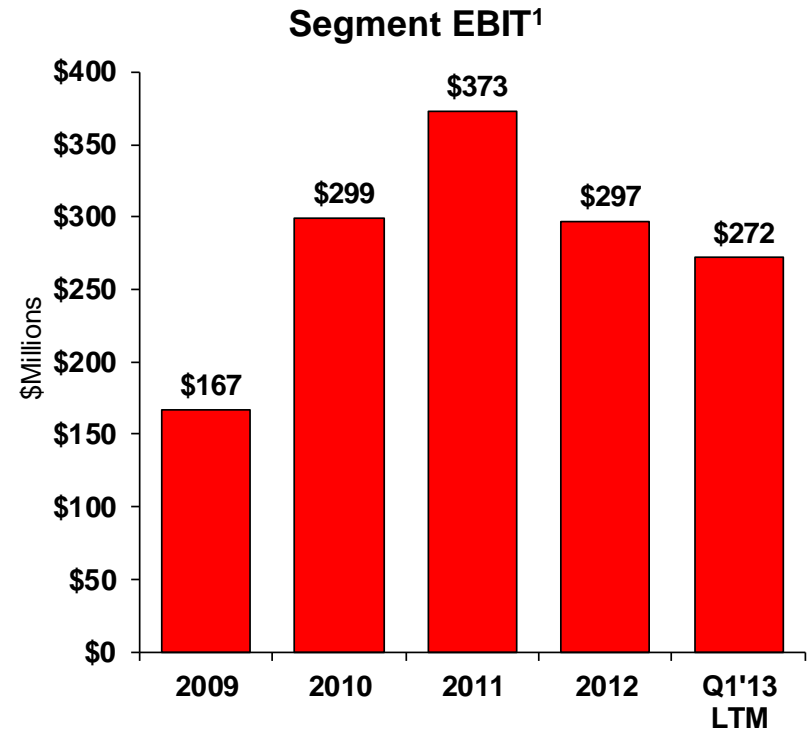
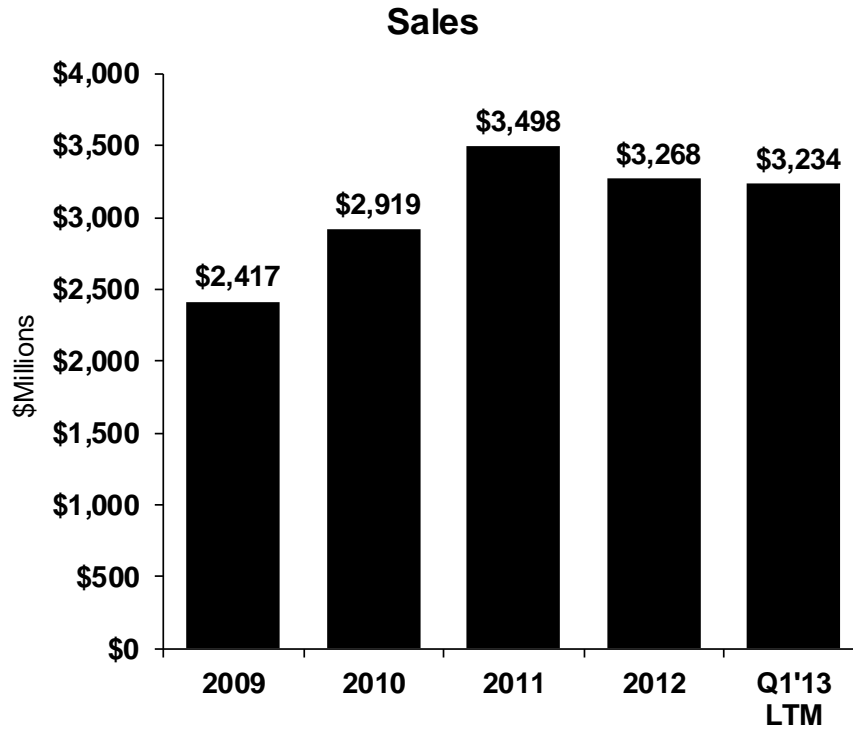


- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

**Q1'13 LTM Revenue: \$3.2 B**



# Power Generation – Historical Performance

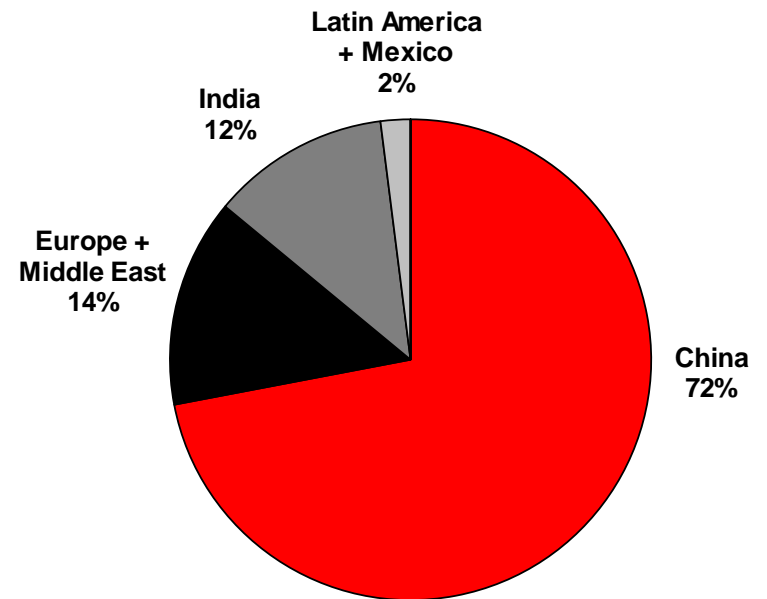
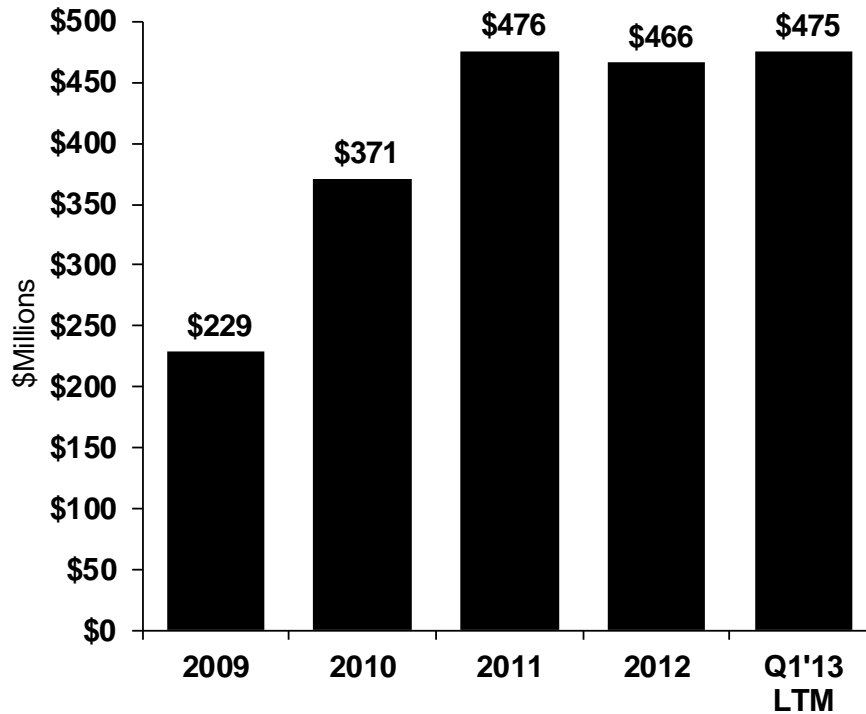


<sup>1</sup> Q4'12 EBIT excludes \$12 million in restructuring charges.



# Power Generation Segment – Joint Venture Sales Unconsolidated

## Q1'13 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

## Q1'13 LTM Segment Data

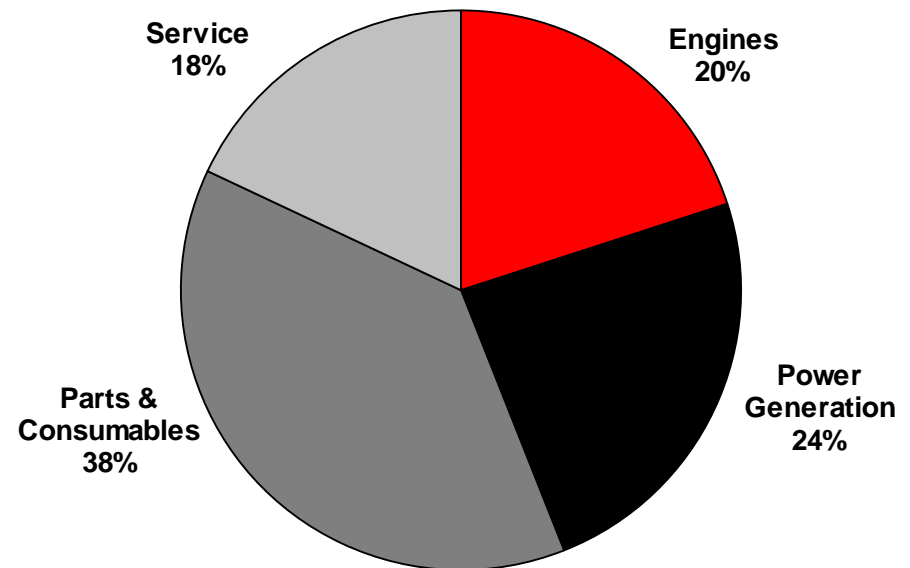
Sales: \$3.3 billion

EBIT<sup>1</sup>: \$384 million

EBIT Margin: 11.7%

## Q1'13 LTM Revenues

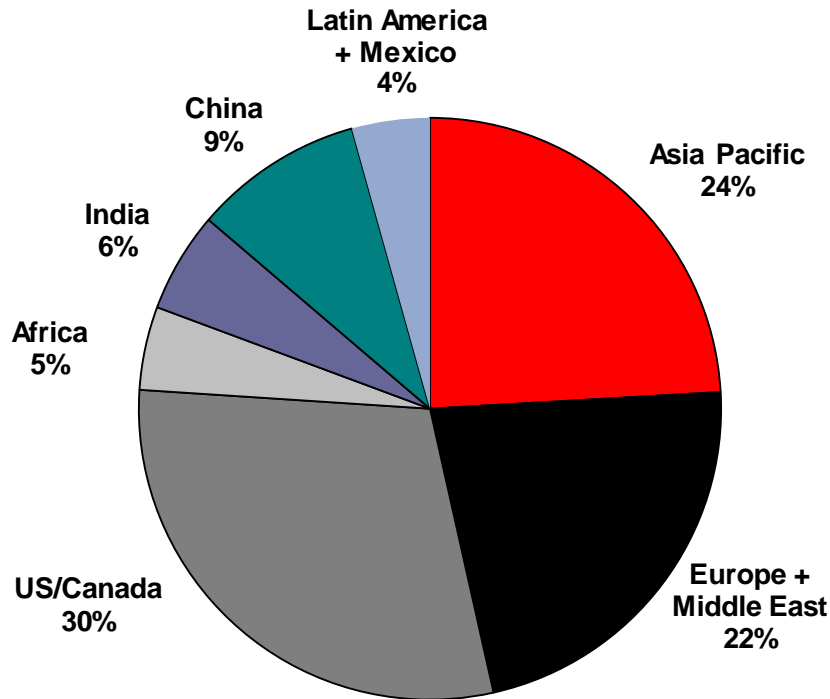
### Application



<sup>1</sup> Q4'12 EBIT excludes \$14 million in restructuring charges.

# Distribution Segment – Sales Mix

## Geographic



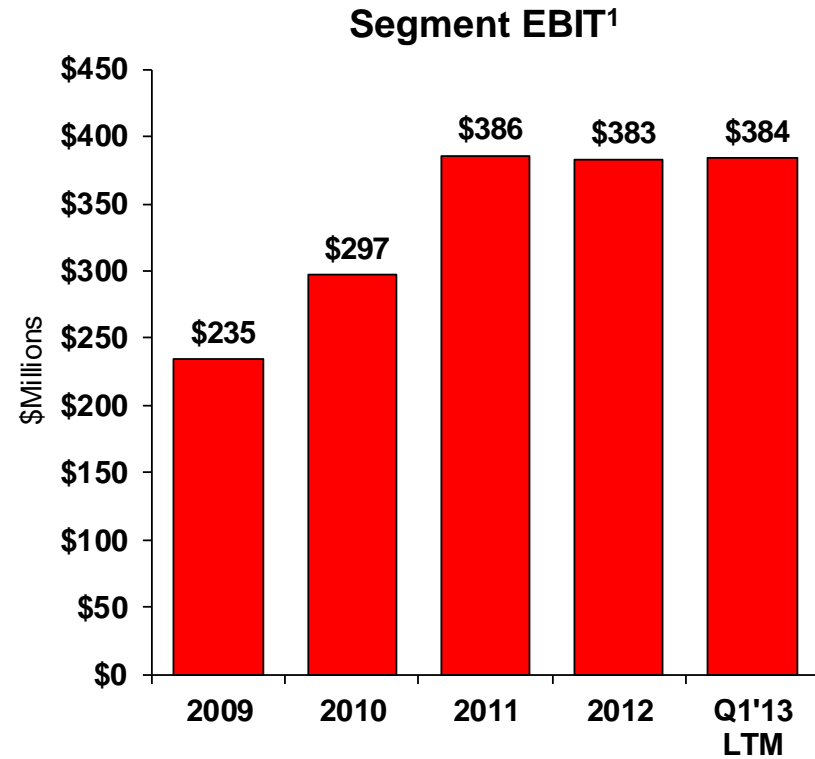
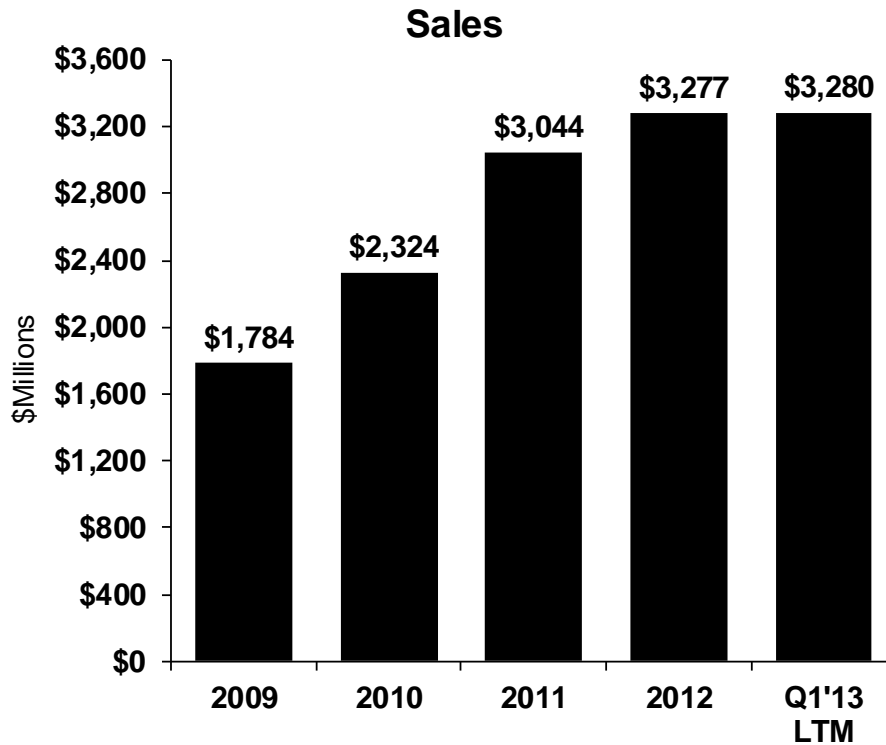
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

**Q1'13 LTM Revenue: \$3.3 B**





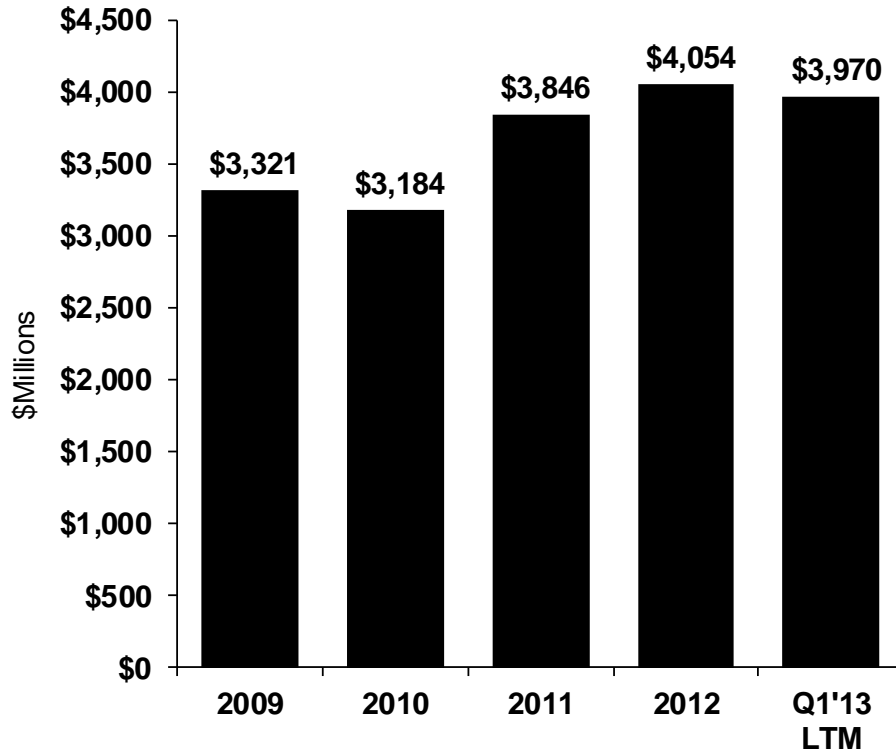
# Distribution – Historical Performance



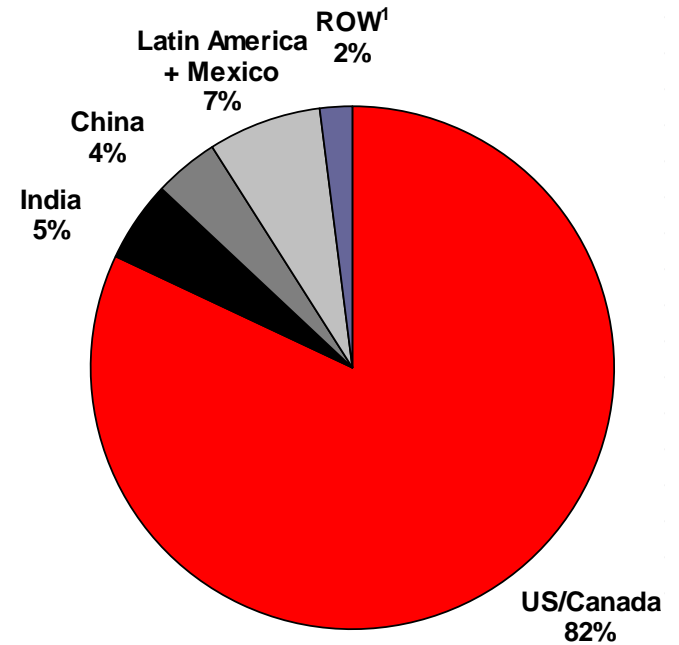
<sup>1</sup> Q4'12 EBIT excludes \$14 million in restructuring charges.



# Distribution Segment – Joint Venture Sales Unconsolidated



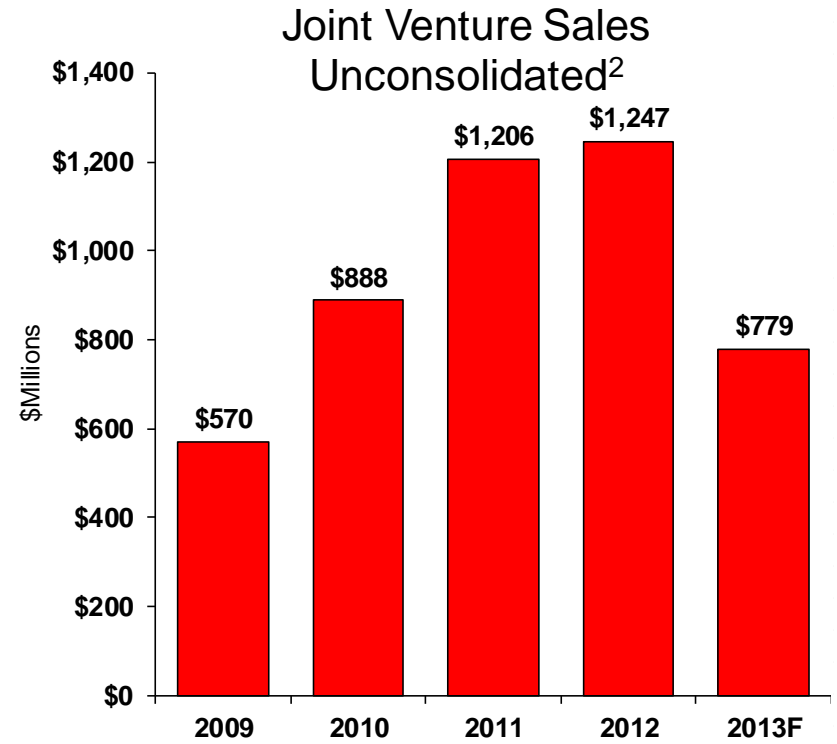
## Q1'13 LTM Revenues



<sup>1</sup> ROW = Rest of World



# India – Historical Performance

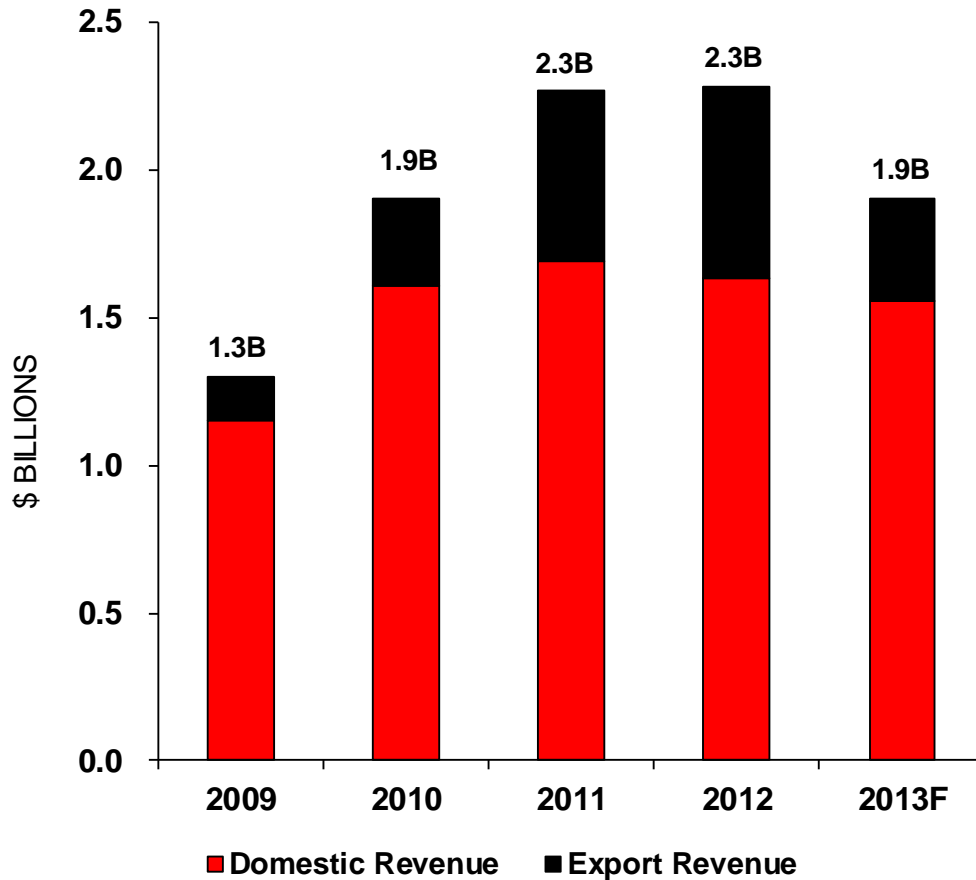


<sup>1</sup> Before intercompany eliminations. Figures also include exports.

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



# Emerging Markets – India<sup>1</sup>

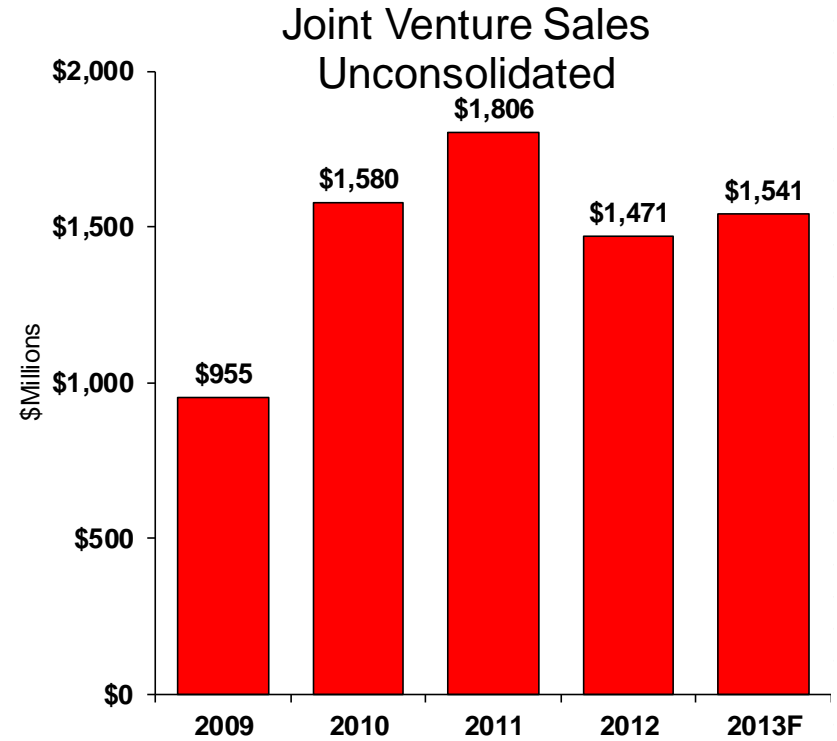
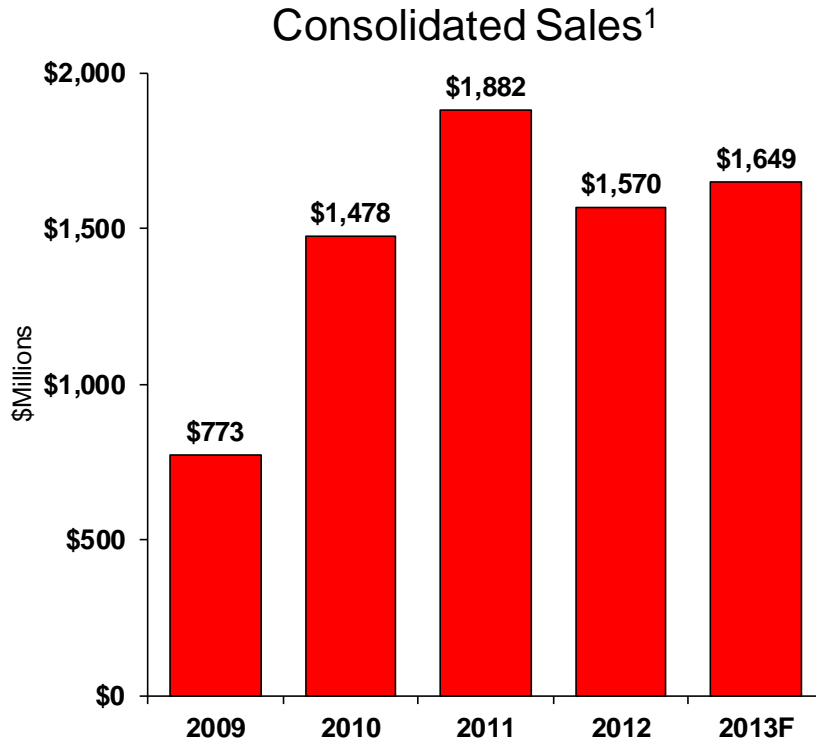


- Growing with Tata
- Leadership in Industrial and Power Gen
- Expanding our markets

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



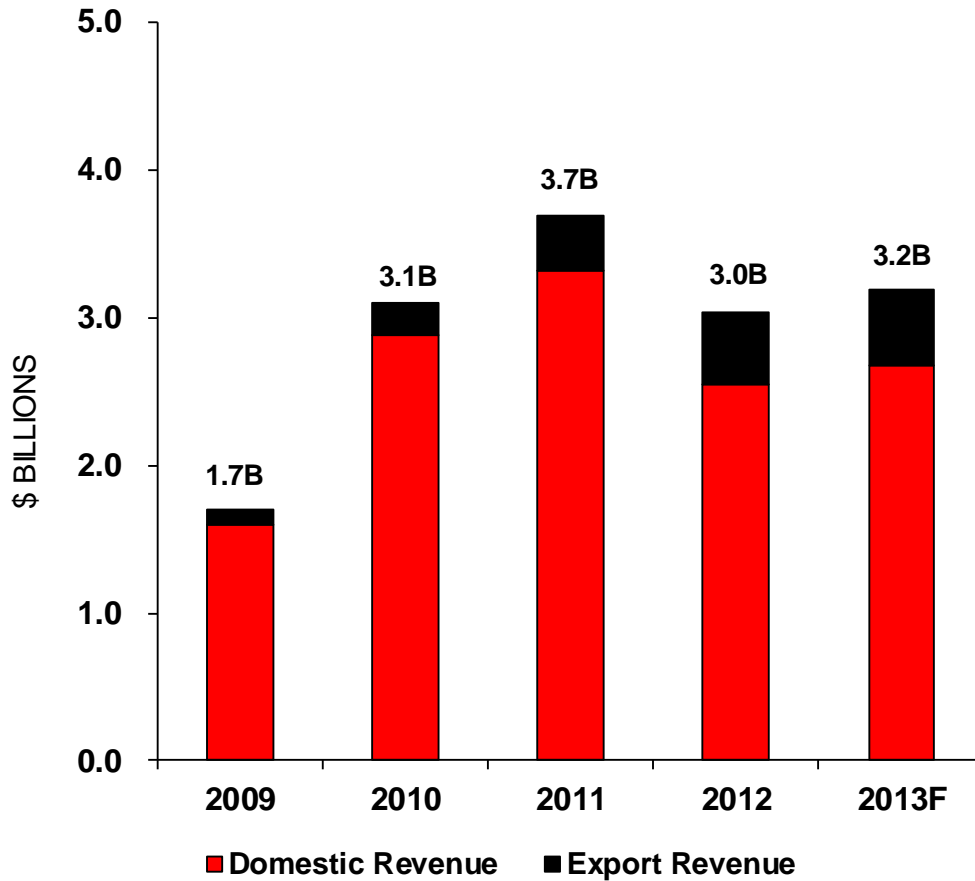
# China – Historical Performance



<sup>1</sup>Before intercompany eliminations. Figures also include exports.



# Emerging Markets – China<sup>1</sup>



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

<sup>1</sup>Consolidated + Unconsolidated Revenue. Before intercompany eliminations.





# Non-GAAP Reconciliations



# Non-GAAP Reconciliation – EBIT

Millions	Three Months Ended		
	March 31, 2013	December 31, 2012	April 1, 2012
EBIT excluding restructuring charges	\$ 437	\$ 532	\$ 658
Add: Special Items	0	0	0
Less: Restructuring charges	0	52	0
Total EBIT	<u>437</u>	<u>480</u>	<u>658</u>
Less: Interest expense	6	7	8
Income before income taxes	<u>431</u>	<u>473</u>	<u>650</u>
Less: Income tax expense	119	75	175
Consolidated net income	<u>312</u>	<u>398</u>	<u>475</u>
Less: Net income attributable to noncontrolling interests	30	29	20
Net Income attributable to Cummins Inc.	<u>282</u>	<u>369</u>	<u>455</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	March 31, 2013	December 31, 2012	April 1, 2012
Accounts and notes receivable, net	\$ 2,496	\$ 2,475	\$ 2,684
Inventories	2,387	2,221	2,382
Less Accounts payable – trade	<u>(1,554)</u>	<u>(1,339)</u>	<u>(1,731)</u>
Working capital measure	<u>\$ 3,329</u>	<u>\$ 3,357</u>	<u>\$ 3,335</u>
Working capital measure (% of Annualized Net Sales)	21.2%	19.6%	18.6%

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	March 31, 2013	April 1, 2012
Net assets for operating segments	<u>\$ 8,424</u>	<u>\$ 7,802</u>
Liabilities deducted in computing net assets	4,620	4,751
Pensions and other post retirement liabilities	(856)	(919)
Deferred tax assets not allocated to segments	543	460
Debt related costs not allocated to segments	<u>25</u>	<u>25</u>
Total assets	<u>\$ 12,756</u>	<u>\$ 12,119</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	March 31, 2013	April 1, 2012
Equity used for return on equity calculation <sup>1</sup>	<u>\$ 7,430</u>	<u>\$ 6,723</u>
Defined benefit post retirement plans	<u>(775)</u>	<u>(713)</u>
Total shareholders equity	6,655	6,010
Noncontrolling interest	<u>390</u>	<u>348</u>
Total Equity	<u>\$ 7,045</u>	<u>\$ 6,358</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.

