

April 27, 2010



## Cummins Reports Strong First Quarter Profits; Increases Financial Guidance for 2010

- Strength in emerging markets, operational improvements more than offset weakness in U.S. on-highway engine markets
- Company expects to earn 10 percent EBIT margin on \$12 billion in sales in 2010

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported higher sales and significantly improved profits in the first quarter compared to the same period in 2009. The gains came on the strength of the Company's performance in key international markets, and cost reductions and productivity gains in manufacturing facilities across the Company.

Sales of \$2.48 billion rose 2 percent from \$2.44 billion in the first quarter in 2009, as growth in the Company's Components and Distribution segments slightly more than offset declines in the Engine and Power Generation segments.

Net income attributable to Cummins Inc. increased to \$149 million, or \$0.75 a share, from \$7 million, or \$0.04 a share, during the same period in 2009. Earnings Before Interest and Taxes (EBIT) rose to \$266 million, or 10.7 percent of sales, compared to the \$94 million, or 3.9 percent of sales a year ago, which excluded restructuring charges.

Compared to the fourth quarter of 2009, sales were down 27 percent due to lower demand in North America, but EBIT remained strong at 10.7 percent of sales, compared to the 11.4 percent reported last quarter, which excluded restructuring charges.

Three of the Company's four business segments reported improved profits compared to the first quarter of 2009, with only the later-cycle Power Generation business reporting a decline.

The Company's operational improvements were most evident in the Engine and Components segments, where gross margins and EBIT improved significantly, while the Distribution segment continued its strong performance.

"Our strength in large developing markets such as China, India and Brazil has given us a

significant boost as those economies have continued to recover from the recession more quickly than other regions," said Cummins Chairman and Chief Executive Officer Tim Solso.

"In addition, while demand in the North American on-highway truck markets was very low as we expected due to the implementation of new emissions standards in the U.S. in January 2010, our work during the downturn to reduce costs and improve productivity, largely through our well-established Six Sigma quality program, has allowed us to be much more efficient and to respond quickly to the volatility in demand," Solso added.

Based on the first quarter results and its forecast for the remainder of the year, the Company today increased its sales and EBIT guidance for 2010. The Company now expects sales to be \$12 billion and to earn an EBIT margin of 10 percent of sales.

The Company benefited from stronger demand in China, India and Brazil as those countries continue their recovery from the recession in 2009. Demand for trucks, construction, mining and distributed power generation equipment strengthened in all three countries - as well as with European OEM customers that export to China, India and the Middle East, and is expected to continue through 2010.

The Company reported weaker demand in North America with medium-duty truck and bus, and heavy-duty engine shipments declining 80 percent from the same period a year ago - and by approximately 90 percent from the fourth quarter of last year. Demand in the North American on-highway engine markets is expected to remain weak through the end of the second quarter, before gradually improving in the second half of the year.

Joint venture income more than doubled year-over-year to \$76 million in the first quarter, largely on increased volume at the Company's engine joint ventures in China and India.

The Company also expects to generate positive cash flow in 2010 and is forecasting capital spending of approximately \$400 million for the year, an increase of nearly 30 percent from 2009, to fund projects critical to the Company's long-term growth.

"Our employees worldwide have done outstanding work, which is reflected in our strong first quarter results, but our priorities for the year have not changed," said Tom Linebarger, Cummins President and Chief Operating Officer.

"We remain focused on managing the business conservatively so that we can earn a solid profit for the duration of the global downturn and position the Company for strong profitable growth in all markets as the economy recovers," Linebarger said.

First quarter details (all comparisons are to same period in 2009)

## Engine Segment

- Sales - \$1.42 billion, down 5 percent
- Segment EBIT - \$133 million (9.3 percent of sales), compared to a loss of \$16 million
- Total on-highway sales decreased 13 percent
  - o Revenues in worldwide heavy-duty truck fell 36 percent; worldwide medium-duty truck and bus revenues decreased 5 percent; sales to the light-duty automotive market increased 33 percent on the launch of 2010 model year Dodge Ram pickup

- Industrial sales increased 24 percent
  - o Construction sales increased 62 percent; marine engine sales increased 13 percent; mining sales increased 28 percent; oil and gas sales fell 80 percent

## Power Generation

- Sales - \$517 million, down 21 percent
- Segment EBIT - \$34 million (6.6 percent of sales), down 51 percent from \$69 million (10.5 percent of sales)
- Commercial Product sales down 27 percent; Commercial Projects down 21 percent; Generator Technologies down 21 percent; Power Electronics down 13 percent. Consumer sales rose 43 percent.
- Markets with the largest declines were Western Europe, Middle East, Africa and North America. The segment saw sales gains in India, China and Eastern Europe.

## Components

- Sales - \$630 million, up 19 percent
- Segment EBIT - \$57 million (9.0 percent of sales), up from \$1 million (0.2 percent of sales)
- Emission Solutions sales up 30 percent; Turbo Technologies sales up 28 percent; Filtration up 13 percent; Fuel Systems down 4 percent
- Fuel systems sales decreased mainly as result of demand decline in North American truck and bus engine markets.
- Turbo Technologies sales growth led by large increases in volumes in China and recovery in aftermarket sales.
- Emission Solutions sales gain driven by higher volumes in North America as a result of the transition to the EPA 2010 emissions standards.

## Distribution

- Sales - \$476 million, up 15 percent
- Segment EBIT - \$72 million (15.1 percent of sales), up 24 percent from \$58 million (14.0 percent of sales). Gain of \$12 million on the acquisition of the Cummins Western Canada distributor contributed to improved segment EBIT margin.
- Cummins Western Canada consolidation contributed \$54 million in sales. Largest sales declines by region were in Europe and North and Central America, excluding Western Canada. Asia Pacific posted largest revenue gain. Aftermarket growth in most regions more than offset decline in power generation and engine sales.

## Joint Ventures

- Total income - \$76 million, up 130 percent from \$33 million
- Engine JVs accounted for nearly all of the gain from previous year, led by China and India JVs.

## Presentation of Non-GAAP Financial Information

EBIT and EBIT excluding restructuring and other charges and net income attributable to Cummins Inc. are non-GAAP measures used in this release. Each is defined and reconciled

to what management believes to be the most comparable GAAP measure in a schedule attached to this release. Cummins presents this information as it believes it is useful to understanding the Company's operating performance, and because EBIT is a measure used internally to assess the performance of the operating units.

#### Webcast information

Cummins management will host a teleconference to discuss these results today at 10 a.m. EDT. This teleconference will be webcast and available on the Investor Relations section of the Cummins website at [www.cummins.com](http://www.cummins.com). Participants wishing to view the visuals available with the audio are encouraged to sign-in a few minutes prior to the start of the teleconference.

#### About Cummins

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins serves customers in approximately 190 countries and territories through a network of more than 500 company-owned and independent distributor locations and approximately 5,200 dealer locations. The Company reported net income attributable to Cummins Inc. of \$428 million on sales of \$10.8 billion in 2009. Press releases can be found on the Web at [www.cummins.com](http://www.cummins.com).

#### Forward-looking disclosure statement

Information provided in this release that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the company's expectations, hopes, beliefs and intentions on strategies regarding the future. It is important to note that the company's 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, general economic, business and financing conditions, labor relations, governmental action, competitor pricing activity, expense volatility and other risks detailed from time to time in Cummins Securities and Exchange Commission filings.

#### CUMMINS INC. AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

	Three months ended		
	March 28, 2010	December 31, 2009	March 29, 2009
In millions, except per share amounts			
NET SALES	\$ 2,478	\$ 3,400	\$ 2,439
Cost of sales	1,877	2,627	1,994
GROSS MARGIN	601	773	445

OPERATING EXPENSES AND INCOME

Selling, general and administrative expenses	335	348	300
Research, development and engineering expenses	92	108	85
Equity, royalty and interest income from investees (Note 1)	76	67	33
Restructuring and other charges		4	66
Other operating (expense) income, net	(4	) 5	2
OPERATING INCOME	246	385	29
Interest income	3	3	2
Interest expense	9	9	7
Other income (expense), net (Note 2)	17	(5	) (3
INCOME BEFORE INCOME TAXES	257	374	21
Income tax expense (Note 3)	87	84	7
CONSOLIDATED NET INCOME	170	290	14
Less: net income attributable to noncontrolling interests	21	20	7
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 149	\$ 270	\$ 7
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 0.75	\$ 1.36	\$ 0.04
Diluted	\$ 0.75	\$ 1.36	\$ 0.04
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	198.4	198.4	196.8
Diluted	198.7	198.7	197.0
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.175	\$ 0.175	\$ 0.175

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (a)

	March 28, 2010	December 31, 2009
In millions, except par value		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 885	\$ 930
Marketable securities	217	190
Accounts and notes receivable, net	1,727	2,004
Inventories	1,549	1,341
Deferred income taxes	302	295
Prepaid expenses and other current assets	240	243
Total current assets	4,920	5,003
Long-term assets		
Property, plant and equipment	4,696	4,765
Accumulated depreciation	(2,834 )	(2,879 )
Property, plant and equipment, net	1,862	1,886
Investments and advances related to equity method investees	638	574
Goodwill	365	364
Other intangible assets, net	239	228
Deferred income taxes	413	436
Other assets	332	325
Total assets	\$ 8,769	\$ 8,816
LIABILITIES		
Current liabilities		
Loans payable	\$ 95	\$ 37
Accounts payable (principally trade)	1,030	957
Current portion of accrued product warranty	387	426
Accrued compensation, benefits and retirement costs	308	366
Deferred revenue	144	128
Other accrued expenses	522	518

Total current liabilities	2,486	2,432
Long-term liabilities		
Long-term debt	640	637
Pensions	406	514
Postretirement benefits other than pensions	466	453
Other liabilities and deferred revenue	719	760
Total liabilities	4,717	4,796
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 221.9 and 222.0 shares issued	1,862	1,860
Retained earnings	3,689	3,575
Treasury stock, at cost, 21.3 and 20.7 shares	(769 )	(731 )
Common stock held by employee benefits trust, at cost, 3.0 and 3.0 shares	(36 )	(36 )
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(794 )	(788 )
Other	(161 )	(107 )
Total accumulated other comprehensive loss	(955 )	(895 )
Total Cummins Inc. shareholders' equity	3,791	3,773
Noncontrolling interests	261	247
Total equity	4,052	4,020
Total liabilities and equity	\$ 8,769	\$ 8,816

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (a)

Three months ended

March 28,      March 29,

In millions	2010	2009		
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	\$ 170	\$ 14		
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Restructuring charges, net of cash payments		48		
Depreciation and amortization	79	76		
Gain on fair value adjustment for consolidated investee	(12	)		
Deferred income tax provision (benefit)	13	(21	)	
Equity in income of investees, net of dividends	(53	)	52	
Pension expense, net of pension contributions	(93	)	15	
Other post-retirement benefits expense, net of cash payments	(1	)	(8	)
Stock-based compensation expense	6	6		
Translation and hedging activities	(9	)	19	
Changes in current assets and liabilities, net of acquisitions and divestitures:				
Accounts and notes receivable	275	49		
Inventories	(189	)	44	
Other current assets	3	9		
Accounts payable	54	(103	)	
Accrued expenses	(154	)	(173	)
Changes in long-term liabilities	29	36		
Other, net	8	13		
Net cash provided by operating activities	126	76		
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	(47	)	(64	)
Investments in internal use software	(17	)	(11	)
Proceeds from disposals of property, plant and equipment	38	6		
Investments in and advances (to) from equity investees	(11	)	5	
Acquisition of businesses, net of cash acquired	(71	)	(2	)



Investments in marketable securities--acquisitions	(133	)	(69	)
Investments in marketable securities--liquidations	108		78	
Cash flows from derivatives not designated as hedges	(11	)	(33	)
Net cash used in investing activities	(144	)	(90	)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	70		7	
Payments on borrowings and capital lease obligations	(20	)	(19	)
Net borrowings under short-term credit agreements	5		4	
Distributions to noncontrolling interests	(1	)	(9	)
Dividend payments on common stock	(35	)	(35	)
Repurchases of common stock	(39	)		
Other, net	13		(1	)
Net cash used in financing activities	(7	)	(53	)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
Net decrease in cash and cash equivalents	(45	)	(73	)
Cash and cash equivalents at beginning of year	930		426	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 885		\$ 353	

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America.

CUMMINS INC. AND SUBSIDIARIES

SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Power Generation	Components	Distribution	Non-segment items (1)	Total
Three months ended March 28, 2010						
External sales	\$ 1,173	\$ 378	\$ 453	\$ 474	\$ --	\$ 2,478
Intersegment sales	250	139	177	2	(568 )	

Total sales	1,423	517	630	476	(568 )	2,478
Depreciation and amortization (2)	41	10	20	7		78
Research, development and engineering expense	60	7	25			92
Equity, royalty and interest income from investees	35	6	5	30		76
Interest income	2	1				3
Segment EBIT	133	34	57	72	(30 )	266
Three months ended December 31, 2009						
External sales	\$ 1,974	\$ 477	\$ 466	\$ 483	\$ --	\$ 3,400
Intersegment sales	194	124	266	3	(587 )	
Total sales	2,168	601	732	486	(587 )	3,400
Depreciation and amortization (2)	50	14	20	3		87
Research, development and engineering expense	73	8	27			108
Equity, royalty and interest income from investees	24	6	4	33		67
Restructuring and other charges					4	4
Interest income	1	2				3

Segment EBIT	211	34	73	67	(2 )	383
Three months ended March 29, 2009						
External sales	\$ 1,205	\$ 477	\$ 346	\$ 411	\$ --	\$ 2,439
Intersegment sales	287	180	184	2	(653 )	
Total sales	1,492	657	530	413	(653 )	2,439
Depreciation and amortization (2)	41	11	18	5		75
Research, development and engineering expense	58	8	19			85
Equity, royalty and interest income from investees	(3 )	5	1	30		33
Restructuring and other charges					66	66
Interest income	1	1				2
Segment EBIT	(16 )	69	1	58	(84 )	28

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended March 28, 2010. For the three months ended December 31, 2009, unallocated corporate expenses included \$4 million of restructuring and other charges and a gain of \$7 million related to flood damage recoveries. For the three months ended March 29, 2009, unallocated corporate expenses included \$66 million of restructuring charges and a \$6 million gain related to flood damage recoveries.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the Condensed Consolidated Statements of Income as "Interest expense."

CUMMINS INC. AND SUBSIDIARIES

RECONCILIATION OF SEGMENT INFORMATION

(Unaudited)

A reconciliation of our segment information to the corresponding amounts in the Condensed Consolidated Statements of Income is shown in the table below:

	Three months ended		
	March 28, 2010	December 31, 2009	March 29, 2009
In millions			
Segment EBIT	\$ 266	\$ 383	\$ 28
Less:			
Interest expense	9	9	7
Income before income taxes	\$ 257	\$ 374	\$ 21

#### FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes, noncontrolling interests and restructuring and other charges

We define EBIT as earnings or loss before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (EBIT). We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. Below is a reconciliation of EBIT, a non-GAAP financial measure, to "Net income attributable to Cummins Inc.", for each of the applicable periods:

	Three months ended		
	March 28, 2010	December 31, 2009	March 29, 2009
In millions			
Earnings before interest expense, income taxes and restructuring and other charges	\$ 266	\$ 387	\$ 94
Earnings before interest expense, income taxes and restructuring and other charges as a percentage of sales	10.7	% 11.4	% 3.9
Less:			
Restructuring and other charges		4	66
Earnings before interest and income taxes	\$ 266	\$ 383	\$ 28
EBIT as a percentage of net sales	10.7	% 11.3	% 1.1
Less:			

Interest expense	9	9	7	
Income tax expense	87	84	7	
Consolidated net income	170	290	14	
Less:				
Net income attributable to noncontrolling interests	21	20	7	
Net income attributable to Cummins Inc.	\$ 149	\$ 270	\$ 7	
Net income attributable to Cummins Inc. as a percentage of net sales	6.0	% 7.9	% 0.3	%

#### CUMMINS INC. AND SUBSIDIARIES

#### FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring and other charges

We believe this is a useful measure of our operating performance for the period presented as it illustrates our operating performance without regard to restructuring. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. excluding restructuring and other charges to "Net income attributable to Cummins Inc." for the three months ended December 31, 2009, and the three months ended March 29, 2009. There were no restructuring actions taken in the three months ended March 28, 2010.

In millions	Three months ended			
	December 31, 2009		March 29, 2009	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc. excluding restructuring and other charges	\$ 272	\$ 1.37	\$ 51	\$ 0.26
Less:				
Restructuring and other charges, net(1)	2	0.01	44	0.22
Net income attributable to Cummins Inc.	\$ 270	\$ 1.36	\$ 7	\$ 0.04

(1) During the three months ended December 31, 2009, and March 29, 2009, management approved and committed to undertake restructuring actions, which resulted in pretax charges of \$4 million and \$66 million, respectively. These charges included employee-related liabilities for severance and benefits, exit costs and pension and other postretirement benefit curtailment charges.

CUMMINS INC. AND SUBSIDIARIES

SELECTED FOOTNOTE DATA

(Unaudited)

NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

Equity, royalty and interest income from investees included in our Condensed Consolidated Statements of Income for the interim reporting periods was as follows:

	Three months ended		
	March 28, 2010	December 31, 2009	March 29, 2009
In millions			
Distribution Entities			
North American distributors	\$ 23	\$ 26	\$ 26
Komatsu Cummins Chile, Ltda.	3	3	2
All other distributors	1	1	1
Manufacturing Entities			
Dongfeng Cummins Engine Company, Ltd.	18	15	
Chongqing Cummins Engine Company, Ltd.	10	8	8
Tata Cummins Ltd.	4	3	(2 )
All other manufacturers	10	4	(5 )
Cummins share of net income	69	60	30
Royalty and interest income	7	7	3
Equity, royalty and interest income from investees	\$ 76	\$ 67	\$ 33

NOTE 2. OTHER INCOME (EXPENSE)

Other income (expense) included the following:

	Three months ended		
	March 28, 2010	December 31, 2009	March 29, 2009
In millions			

Gain on acquisition of Cummins Western Canada	\$ 12	\$	\$
Foreign currency gains (losses)	7	(2	) (8
Other, net	(2	) (3	) 5
Total other income (expense), net	\$ 17	\$ (5	) \$ (3

### NOTE 3. INCOME TAXES

Our effective tax rate for the year is expected to approximate 31 percent, absent discrete period activity. Our tax rate is generally less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income. The tax rate for the three month period ended March 28, 2010, was 34 percent and includes a discrete tax charge of \$7 million (3 percent) related to the enactment of the "Patient Protection and Affordable Care Act."

Our effective tax rate for March 29, 2009 was 33 percent. This rate is less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income.

#### Sales

\$Millions	Q1	Q2	Q3	Q4	YTD
2010					
Engine Business					
Heavy-Duty Truck	252				252
Medium Duty Truck+Bus	217				217
Light Duty Auto+RV	207				207
Industrial	577				577
Stationary Power	170				170
TOTAL ENGINE BUSINESS	1,423				1,423
Power Generation	517				517
Components	630				630
Distributors	476				476
Eliminations	(568	)			(568
TOTAL	2,478	0	0	0	2,478

2009

Engine Business

Heavy-Duty Truck	394	395	493	714	1,996
Medium Duty Truck+Bus	229	240	294	469	1,232
Light Duty Auto+RV	156	94	120	318	688
Industrial	467	440	407	507	1,821
Stationary Power	246	137	125	160	668
TOTAL ENGINE BUSINESS	1,492	1,306	1,439	2,168	6,405
Power Generation	657	610	549	601	2,417
Components	530	502	591	732	2,355
Distributors	413	463	422	486	1,784
Eliminations	(653 )	(450 )	(471 )	(587 )	(2,161 )
TOTAL	2,439	2,431	2,530	3,400	10,800

Engine Shipments

Units	Q1	Q2	Q3	Q4	YTD
2010					
Midrange	69,100				69,100
Heavy-duty	8,700				8,700
High Horsepower	3,400				3,400
TOTAL	81,200	0	0	0	81,200
2009					
Midrange	60,600	49,200	58,800	100,600	269,200
Heavy-duty	16,600	16,400	20,600	32,300	85,900
High Horsepower	3,900	3,200	2,600	3,700	13,400
TOTAL	81,100	68,800	82,000	136,600	368,500
2008					
Midrange	114,200	114,800	102,400	86,900	418,300
Heavy-duty	24,700	31,700	29,400	22,500	108,300



	High Horsepower	4,600	5,500	5,300	5,200	20,600
TOTAL		143,500	152,000	137,100	114,600	547,200

Source: Cummins Inc.