

July 30, 2009



Cummins Reports Solid Profit and Strong Cash Flow in Second Quarter Despite Continued Global Recession

-- Company Reaffirms Its Sales and Profit Guidance for 2009 --

COLUMBUS, Ind.--(BUSINESS WIRE)-- Cummins Inc. (NYSE: CMI) today reported lower sales and profit in the second quarter 2009 compared to its record performance during the same period in 2008 as the global recession continued to dampen demand around the world. Compared to the first quarter, the Company increased its profit and improved cash flow on essentially flat sales, as a result of its ongoing efforts to reduce costs and align manufacturing capacity to the lower demand.

Sales for the quarter were \$2.43 billion, 37 percent lower than \$3.89 billion in the second quarter of 2008. Earnings Before Interest and Taxes were \$109 million, or 4.5 percent of sales, compared to \$469 million, or 12.1 percent of sales, in the second quarter 2008. Net income attributable to Cummins Inc. was \$56 million, or \$0.28 a share, down from \$293 million, or \$1.49 a share, a year ago.

The second quarter results include a \$7 million charge associated with the cost of job-reduction actions taken at several Company manufacturing facilities during the quarter. Excluding the charge, EBIT was \$116 million, or 4.8 percent of sales, and net income attributable to Cummins Inc. was \$60 million, or \$0.30 a share.

"The economic climate continues to be extremely challenging, and we are managing our business under the assumption that we won't see any recovery in our markets in 2009," said Cummins Chairman and Chief Executive Officer Tim Solso. "Still, our aggressive efforts to reduce costs and align manufacturing capacity with demand have allowed us to perform well under the circumstances and to position ourselves to emerge from the downturn an even stronger company."

The decline in profitability was primarily due to the sharply lower volumes. The Engine and Components segments continue to see the most severe reductions in demand, while the pace of the sales decline in the Power Generation segment increased rapidly in the quarter. Profitability in all three segments was significantly affected by the lower volumes.

Despite significant weakness in almost all end-markets and geographic regions, the Company improved its profitability from the first quarter, which - along with a significant reduction in inventory - contributed to the positive cash flow of \$181 million in the quarter.

The Company continued to make capital expenditures on the most critical projects, especially those associated with the launch of new emission-compliant products in 2010 and with fuel economy improvements.

"Cash management remains a top priority for the Company this year," said Pat Ward, Chief Financial Officer. "And, despite the challenging economic conditions, the Company generated significant positive cash flow and did not need to use any of its \$1.1 billion credit facility."

At the end of the second quarter the Company had \$534 million in available cash and cash equivalents, compared to \$353 million at the end of the first quarter and \$426 million at the beginning of 2009.

Based on the second quarter results and Company forecasts for the remainder of the year, Cummins today reaffirmed its sales and profit guidance for 2009. The Company still expects 2009 sales to be slightly more than 30 percent lower than 2008 and anticipates EBIT of 5 percent of sales for the year, excluding the restructuring charges.

Second quarter details (all comparisons are to same period in 2008)

Engine Segment

- Sales - \$1.31 billion, down 45 percent
- Segment EBIT - \$4 million loss (negative 0.3 percent of sales), compared to a \$221 million profit (9.3 percent of sales)
- Heavy-duty sales down 41 percent; medium-duty down 43 percent; light-duty/RV down 54 percent; industrial down 45 percent
- Sales declined sharply in nearly every geographic market due to the global recession

Power Generation

- Sales - \$610 million, down 35 percent
- Segment EBIT - \$41 million (6.7 percent of sales), down 64 percent from \$115 million (12.3 percent of sales)
- Commercial product sales down 35 percent; commercial projects down 59 percent; Consumer products down 48 percent; Alternators down 24 percent
- Commercial markets most affected by economic slowdown in Europe, Middle East and Latin America; Consumer decline led by continued weakness in the North American marine and RV markets

Components

- Sales - \$502 million, down 41 percent
- Segment EBIT - \$10 million loss (negative 2.0 percent of sales), compared to a \$77 million profit (9.0 percent of sales)
- Turbochargers down 50 percent; Filtration down 37 percent; Emission Solutions down 22 percent; Fuel Systems down 54 percent
- Sales and profit decline driven primarily by large volume drop from OEM customers in North America and Europe

Distribution

- Sales - \$463 million, down 20 percent
- Segment EBIT - \$55 million (11.9 percent of sales), down 19 percent from \$68 million (11.7 percent of sales)
- Unfavorable foreign currency movements had a significant impact on sales - 9 percentage points
- Improved Segment EBIT margin from 7 percent increase in joint venture earnings

Joint Ventures

- Total income - \$57 million, down 17 percent from second quarter 2008, but up \$24 million (73 percent) from the first quarter 2009
- Engine JV income down \$15 million (47 percent) primarily as a result of large demand declines in on-highway markets in China
- All other segment JVs reported flat or modestly higher profits compared to second quarter 2008

Presentation of Non-GAAP Financial Information

EBIT and Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring charges are non-GAAP measure 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. 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. Cummins reported net income of \$755 million on sales of \$14.3 billion in 2008. Press releases can be found on the Web at 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		
	June 28,	March 29,	June 29,
In millions (except per share amounts)	2009	2009	2008
NET SALES	\$ 2,431	\$ 2,439	\$ 3,887
Cost of sales	1,983	1,994	3,008
GROSS MARGIN	448	445	879
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	287	300	370
Research, development and engineering expenses	79	85	104
Equity, royalty and interest income from investees	57	33	69
Restructuring charges	7	66	
Other operating (expense) income, net	(11	) 2	(6)
OPERATING INCOME	121	29	468
Interest income	1	2	4
Interest expense	10	7	12
Other (expense) income, net	(13	) (3	) (3)
INCOME BEFORE INCOME TAXES	99	21	457
Income tax expense	29	7	147
NET INCOME	70	14	310
Less: net income attributable to noncontrolling interests	14	7	17
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 56	\$ 7	\$ 293

EARNINGS PER COMMON SHARE ATTRIBUTABLE TO
CUMMINS INC.

Basic	\$ 0.28	\$ 0.04	\$ 1.50
Diluted	\$ 0.28	\$ 0.04	\$ 1.49
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	197.1	196.8	195.2
Diluted	197.4	197.0	196.6
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.175	\$ 0.175	\$ 0.125

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

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited) (a)

	Six months ended	
	June 28,	June 29,
In millions (except per share amounts)	2009	2008
NET SALES	\$ 4,870	\$ 7,361
Cost of sales	3,977	5,775
GROSS MARGIN	893	1,586
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	587	721
Research, development and engineering expenses	164	207
Equity, royalty and interest income from investees	90	136
Restructuring charges	73	
Other operating (expense) income, net	(9	) (7
OPERATING INCOME	150	787
Interest income	3	10
Interest expense	17	23

Other (expense) income, net	(16	) (13)
INCOME BEFORE INCOME TAXES	120	761	
Income tax expense	36	249	
NET INCOME	84	512	
Less: net income attributable to noncontrolling interests	21	29	
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 63	\$ 483	
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 0.32	\$ 2.47	
Diluted	\$ 0.32	\$ 2.46	
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	197.0	195.1	
Diluted	197.2	196.5	
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.35	\$ 0.25	

(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 BALANCE SHEETS

(Unaudited) (a)

	June 28,	December 31,
In millions (except par value)	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 534	\$ 426
Marketable securities	17	77
Accounts and notes receivable, net	1,725	1,782
Inventories	1,535	1,783
Deferred income taxes	364	347

Prepaid expenses and other current assets	198	298
Total current assets	4,373	4,713
Long-term assets		
Property, plant and equipment	4,681	4,539
Accumulated depreciation	(2,821)	(2,698)
Property, plant and equipment, net	1,860	1,841
Investments and advances related to equity method investees	527	588
Goodwill	362	362
Other intangible assets, net	241	223
Deferred income taxes	499	491
Other assets	259	301
Total assets	\$ 8,121	\$ 8,519
LIABILITIES		
Current liabilities		
Current portion of long-term debt and loans payable	\$ 63	\$ 69
Accounts payable (principally trade)	773	1,009
Current portion of accrued product warranty	373	434
Accrued compensation, benefits and retirement costs	283	364
Other accrued expenses	622	763
Total current liabilities	2,114	2,639
Long-term liabilities		
Long-term debt	617	629
Pensions	561	574
Postretirement benefits other than pensions	442	452
Other liabilities and deferred revenue	792	745
Total liabilities	4,526	5,039
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.1 and 221.7 shares issued	1,796	1,793
Retained earnings	3,280	3,288

Treasury stock, at cost, 20.3 and 20.4 shares	(714)	(715)
Common stock held by employee benefits trust, at cost, 4.8 and 5.1 shares	(58)	(61)
Unearned compensation	(1)	(5)
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(794)	(798)
Other	(137)	(268)
Total accumulated other comprehensive loss	(931)	(1,066)
Total Cummins Inc. shareholders' equity	3,372	3,234
Noncontrolling interests	223	246
Total equity	3,595	3,480
Total liabilities and equity	\$ 8,121	\$ 8,519

(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)

	Six months ended	
	June 28,	June 29,
In millions	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 84	\$ 512
Adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring charges, net of cash payments	20	
Depreciation and amortization	154	158
Deferred income taxes	20	14
Equity in income of investees, net of dividends	60	(62)
Pension expense, net of pension contributions	(15)	(3)

Other post-retirement benefits expense, net of cash payments	(16	)	(5)
Stock-based compensation expense	12		17	
Excess tax deficiencies (benefits) on stock-based awards	2		(12)
Translation and hedging activities	51		8	
Changes in current assets and liabilities, net of acquisitions and dispositions:				
Accounts and notes receivable	86		(316)
Inventories	282		(202)
Other current assets	22		(16)
Accounts payable	(253	)	172	
Accrued expenses	(242	)	102	
Changes in long-term liabilities	73		47	
Other, net	(19	)	(8)
Net cash provided by operating activities	321		406	
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	(139	)	(201)
Investments in internal use software	(19	)	(36)
Proceeds from disposals of property, plant and equipment	7		10	
Investments in and advances (to) from equity investees	1		(41)
Acquisition of businesses, net of cash acquired	(2	)	(76)
Investments in marketable securities--acquisitions	(69	)	(158)
Investments in marketable securities--liquidations	133		159	
Cash flows from derivatives not designated as hedges	(21	)	(18)
Other, net			5	
Net cash used in investing activities	(109	)	(356)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	10		77	
Payments on borrowings and capital lease obligations	(44	)	(101)
Net borrowings under short-term credit agreements	(5	)	1	
Distributions to noncontrolling interests	(10	)	(6)
Dividend payments on common stock	(71	)	(51)

Repurchases of common stock		(45)	
Excess tax (deficiencies) benefits on stock-based awards	(2	)	12	
Other, net	3	2		
Net cash used in financing activities	(119	)	(111)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	15	6		
Net increase (decrease) in cash and cash equivalents	108	(55)	
Cash and cash equivalents at beginning of year	426	577		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 534	\$ 522		

(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 June 28, 2009						
External sales	\$ 1,133	\$ 481	\$ 355	\$ 462	\$ --	\$ 2,431
Intersegment sales	173	129	147	1	(450)	
Total sales	1,306	610	502	463	(450)	2,431
Depreciation and amortization (2)	45	11	17	4	--	77
Research, development and engineering expense	51	8	20		--	79

Equity, royalty and interest income from investees	17	6	4	30	--	57
Restructuring charges					7	7
Interest income				1		1
Segment EBIT	(4)	41	(10)	55	27	109
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 (loss) income from investees	(3)	5	1	30	--	33
Restructuring charges					66	66
Interest income	1	1				2
Segment EBIT	(16)	69	1	58	(84)	28
Three months ended June 29, 2008						
External sales	\$ 2,030	\$ 692	\$ 584	\$ 581	\$ --	\$ 3,887
Intersegment sales	356	246	271		(873)	

Total sales	2,386	938	855	581	(873)	3,887
Depreciation and amortization (2)	46	11	18	7		82
Research, development and engineering expense	70	10	24			104
Equity, royalty and interest income from investees	32	6	3	28	--	69
Interest income	2	1	1		--	4
Segment EBIT	221	115	77	68	(12)	469
Six months ended June 28, 2009						
External sales	\$ 2,338	\$ 958	\$ 701	\$ 873	\$	\$ 4,870
Intersegment sales	460	309	331	3	(1,103)	
Total sales	2,798	1,267	1,032	876	(1,103)	4,870
Depreciation and amortization (2)	86	22	35	9		152
Research, development and engineering expense	109	16	39			164
Equity, royalty and interest income from investees	14	11	5	60		90
Restructuring charges					73	73
Interest income	1	1		1		3
Segment EBIT	(20)	110	(9)	113	(57)	137
Six months						

ended June
29, 2008

External sales	\$ 3,915	\$ 1,273	\$ 1,151	\$ 1,022	\$ --	\$ 7,361
Intersegment sales	680	452	524	4	(1,660)	
Total sales	4,595	1,725	1,675	1,026	(1,660)	7,361
Depreciation and amortization (2)	90	22	33	11		156
Research, development and engineering expense	140	20	47			207
Equity, royalty and interest income from investees	65	11	7	53		136
Interest income	5	2	2	1		10
Segment EBIT	415	193	114	117	(55)	784

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three and six months ended June 28, 2009, unallocated corporate expenses included restructuring charges of \$7 million and \$73 million and losses of \$9 million and \$3 million related to flood damages. For the three months ended March 29, 2009, unallocated corporate expenses include restructuring charges of \$66 million and a \$6 million gain related to flood damage insurance recoveries. For both the three and six months ended June 29, 2008, unallocated corporate expenses included losses of \$6 million related to flood damages.

(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			Six months ended		
June 28,	March 29,	June 29,	June 28,	June 29,	

In millions	2009	2009	2008	2009	2008
Segment EBIT	\$ 109	\$ 28	\$ 469	\$ 137	\$ 784
Less:					
Interest expense	10	7	12	17	23
Income before income taxes	\$ 99	\$ 21	\$ 457	\$ 120	\$ 761

FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

Earnings before interest, taxes, noncontrolling interests and restructuring 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 consolidated net income attributable to Cummins Inc., for each of the applicable periods:

	Three months ended			Six months ended		
	June 28, 2009	March 29, 2009	June 29, 2008	June 28, 2009	June 29, 2008	
In millions						
Earnings before interest expense, income taxes and restructuring charges	\$ 116	\$ 94	\$ 469	\$ 210	\$ 784	
Earnings before interest expense, income taxes and restructuring charges as a percentage of net sales	4.8	% 3.9	% 12.1	% 4.3	% 10.7	%
Less:						
Restructuring charges	7	66		73		
Earnings before interest and income taxes	\$ 109	\$ 28	\$ 469	\$ 137	\$ 784	
EBIT as a percentage of net sales	4.5	% 1.1	% 12.1	% 2.8	% 10.7	%
Less:						
Interest expense	10	7	12	17	23	

Income tax expense	29	7	147	36	249	
Net income	70	14	310	84	512	
Less:						
Net income attributable to noncontrolling interests	14	7	17	21	29	
Net income attributable to Cummins Inc.	\$ 56	\$ 7	\$ 293	\$ 63	\$ 483	
Net income attributable to Cummins Inc. as a percentage of net sales	2.3	% 0.3	% 7.5	% 1.3	% 6.6	%

CUMMINS INC. AND SUBSIDIARIES

FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

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

	Three months ended		Six months ended	
	June 28, 2009		June 28, 2009	
In millions	Net Income	Diluted EPS	Net Income	Diluted EPS
Net income attributable to Cummins Inc. excluding restructuring charges	\$ 60	\$ 0.30	\$ 111	\$ 0.56
Less:				
Restructuring charges, net(1)	4	0.02	48	0.24
Net income attributable to Cummins Inc.	\$ 56	\$ 0.28	\$ 63	\$ 0.32

(1) During the three and six months ended June 28, 2009, management approved and committed to undertake certain restructuring actions, which resulted in a pretax charge of \$7 and \$73 million, respectively. These charges included employee-related liabilities for severance and benefits of approximately \$8 million and \$68 million and exit costs of approximately zero and \$6 million, respectively.

SUPPLEMENTAL INFORMATION

In 2009, the Power Generation segment reorganized its reporting structure to include the following businesses: Commercial Products, Alternators, Commercial Projects, Power Electronics and Consumer. Sales by quarter for our Power Generation segment by business for the years 2008 and 2007 were as follows:

2008	Three months ended				Year ended
In millions	March 30, 2008	June 29, 2008	September 28, 2008	December 31, 2008	December 31, 2008
Commercial Products	\$ 444	\$ 555	\$ 559	\$ 558	\$ 2,116
Alternator	156	178	174	178	686
Commercial Projects	86	111	63	68	328
Power Electronics	27	31	35	39	132
Consumer	74	63	57	44	238
Total sales	\$ 787	\$ 938	\$ 888	\$ 887	\$ 3,500

2007	Three months ended				Year ended
In millions	April 1, 2007	July 1, 2007	September 30, 2007	December 31, 2007	December 31, 2007
Commercial Products	\$ 383	\$ 448	\$ 449	\$ 481	\$ 1,761
Alternator	132	156	163	172	623
Commercial Projects	45	44	49	81	219
Power Electronics	26	26	28	28	108
Consumer	89	95	87	78	349
Total sales	\$ 675	\$ 769	\$ 776	\$ 840	\$ 3,060

Sales

In millions	Q1	Q2	Q3	Q4	YTD
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2009

Engine Business

Heavy-Duty Truck	394	395			789
Medium Duty Truck+Bus	229	240			469
Light Duty Auto+RV	156	94			250
Industrial	467	440			907
Stationary Power	246	137			383
TOTAL ENGINE BUSINESS	1,492	1,306			2,798
Power Generation	657	610			1,267
Components	530	502			1,032
Distributors	413	463			876
Eliminations	(653)	(450)	)		(1,103)
TOTAL	2,439	2,431			4,870

2008

Engine Business

Heavy-Duty Truck	536	672	630	470	2,308
Medium Duty Truck+Bus	397	422	406	325	1,550
Light Duty Auto+RV	275	205	170	154	804
Industrial	733	804	788	704	3,029
Stationary Power	268	283	285	283	1,119
TOTAL ENGINE BUSINESS	2,209	2,386	2,279	1,936	8,810
Power Generation	787	938	888	887	3,500
Components	820	855	801	676	3,152
Distributors	445	581	581	557	2,164
Eliminations	(787)	(873)	(856)	(768)	(3,284)
TOTAL	3,474	3,887	3,693	3,288	14,342

Engine
Shipments

Units	Q1	Q2	Q3	Q4	YTD
2009					
Midrange	60,600	49,200			109,800
Heavy-duty	16,600	16,400			33,000
High Horsepower	3,900	3,200			7,100
TOTAL	81,100	68,800			149,900
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.