



Third Quarter 2011 Earnings Teleconference

October 25, 2011



Participants

Tim Solso Chairman and Chief Executive Officer

Tom Linebarger President and Chief Operating Officer

Pat Ward Chief Financial Officer

Mark Smith Executive Director – Investor Relations



Disclosure Regarding Forward-Looking Statements & non-GAAP Financial Measures

This presentation contains certain forward-looking information.

Any forward-looking statement involves risk and uncertainty.

The Company's future results may be affected by changes in general economic conditions and by the actions of customers and competitors. Actual outcomes may differ materially from what is expressed in any forward-looking statement.

A more complete disclosure about forward-looking statements begins on page 3 of our 2010 Form 10-K, and it applies to this presentation.

This presentation contains certain non-GAAP financial measures such as earnings before interest and taxes (EBIT) and net income and diluted earnings per share (EPS) attributable to Cummins Inc. Please refer to our website (www.cummins.com) for the reconciliation of those measures to GAAP financial measures.



Cummins Inc.

Selected Financial Data

\$M	Q3-11	Q2-11	Growth	Q3-10	Growth
Sales	4,626	4,641	0%	3,401	+36%
EBIT Excluding Gain on Sale of Business ¹	640	707	-9%	449	+43%
% of Sales	13.8%	15.2%		13.2%	
ROANA (LTM) ²	38%	36%			
ROE (LTM) ²	30%	28%			

- Year-over-year revenue growth was driven by global mining and oil & gas markets, on-highway markets in North America and Brazil, and construction demand in China.
- Sequentially, strong demand from on-highway markets in North America and Brazil was offset by lower construction demand in China and lower power generation demand in India and Latin America.



¹ Q211 EBIT excludes \$68 million pre-tax gain from the exhaust business transaction.

² ROANA and ROE calculations exclude \$68 million per-tax gain from the exhaust business transaction.

Joint Venture Income

\$M	Q3-11	Q2-11	Q3-10
Engine	35	49	37
<i>On-highway</i>	20	31	23
<i>Off-highway</i>	15	18	14
Power Generation	16	13	12
Distribution	44	46	33
Components	7	9	6
Total JV Income	102	117	88

- Year-over-year improvement was driven by strong mining and oil & gas markets in North America and industrial and power generation demand in China.
- Sequentially, lower demand for truck engines in China led to a decrease in contribution from DongFeng Cummins.



Cummins Inc.

Selected Income Statement Data

\$M	Q3-11	Q2-11	Q3-10
Net Income Attributable to CMI Excluding Gain on Sale of Business ¹	452	468	283
Diluted EPS ¹	2.35	2.41	1.44
Gross Margin (% of Sales)	25.7%	25.9%	24.4%
SAR (% of Sales)	14.1%	13.4%	14.1%

- Year-over-year earnings improvement was driven by stronger volumes, improved price realization, and lower warranty as percent of sales. These benefits were offset by additional SAR spending to support growth.
- Sequentially, benefits from warranty expense were more than offset by lower JV contribution, particularly in China, and higher SAR spending to support growth.



¹ Q211 earnings excludes \$68 million gain, \$37 million after tax or \$0.19 per share, from the exhaust business transaction

Engine Segment

Selected Financial Data

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Sales	2,955	2,900	+2%	2,069	+43%
EBIT	349	377	-7%	223	+57%
% of Sales	11.8%	13.0%		10.8%	

- Year-over-year revenue growth was driven by on-highway markets in North America and Brazil, worldwide oil & gas activity, and industrial engine demand ahead of Tier4 emission change.
- EBIT, compared to the prior year, improved higher volumes, better operating leverage and lower warranty expense offset partially by an increase in commodity costs and higher SAR spending to support growth.



Engine Segment

Sales by Market – On-highway

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Heavy-Duty Truck	748	693	+8%	395	+89%
Medium-Duty Truck & Bus	640	608	+5%	430	+49%
Light-Duty Auto & RV	271	310	-13%	239	+13%

- **Heavy Duty Truck:** Shipments up 154% Y-o-Y and 6% sequentially.
- **Medium-Duty Truck & Bus:** Shipments up 71% Y-o-Y and 7% sequentially.
- **Light-Duty & RV:** Shipments up 17% Y-o-Y, but down 12% sequentially.



Engine Segment

Sales by Market – Off-highway

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Industrial	977	988	-1%	700	+40%
Stationary Power	319	301	+6%	305	+5%

- **Industrial:** Shipments up 29% Y-o-Y, but down 4% sequentially, both driven by construction demand in China.
- **Stationary Power:** Shipments down 8% Y-o-Y, but up 14% sequentially.



Guidance for 2011 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 86%. Increase in global unit shipments of 133%. NAFTA Class 8 heavy-duty truck build expected to be 228K units – up 65%.
- Medium-duty truck & bus revenue up 62%. North America truck shipments up 128%. Brazil truck shipments up 30% ahead of Euro V.
- Light duty auto & RV revenue up 13%. Shipments to Chrysler up 12%.
- Industrial revenue up 27% driven by growth in Construction, Mining, and Oil & Gas markets.



Power Generation Segment

Selected Financial Data

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Sales	874	909	-4%	791	+10%
EBIT	92	105	-12%	97	-5%
% of Sales	10.5%	11.6%		12.3%	

- Year-over-year revenue growth was driven by China, North America, Europe, and the Middle East.
- EBIT, compared to the prior year, benefits from improved volumes and higher joint venture contribution were offset by investments in SAR to support growth.



Components Segment

Selected Financial Data

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Sales	1,015	1,032	-2%	769	+32%
EBIT ¹	113	120	-6%	63	+79%
% of Sales	11.1%	11.6%		8.2%	

- Year-over-year revenue growth was driven primarily by higher demand in on-highway markets in the US and in the emerging markets.
- EBIT improvement, compared to the prior year, was driven by higher volumes and operational improvements, partially offset by R&E spending to support future growth.

¹ Q211 EBIT excludes \$68 million pre-tax gain from the exhaust business transaction.



Distribution Segment

Selected Financial Data

\$ M	Q3-11	Q2-11	Growth	Q3-10	Growth
Sales	783	785	0%	573	+37%
EBIT	104	106	-2%	74	+41%
% of Sales	13.3%	13.5%		12.9%	

- Year-over-year revenue growth was driven by mining and oil & gas markets in North America, power generation demand in Asia, and industrial demand ahead of the Tier 4 emission change in North America and Europe.
- EBIT improvement, compared to the prior year, was driven by higher sales and increased joint venture income.



Guidance for 2011 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	17.5 - 18 Billion
Earnings from Joint Ventures	Up 19%
EBIT Margin (%)	14 - 14.5%
Effective Tax Rate	29.5% ¹
Capital Expenditures (\$M)	600-650M
Global Pension Funding (\$M)	130M

¹Excluding discrete items



Guidance for 2011 Segment Results

<u>Item</u>	<u>Engine</u>	<u>Components</u>	<u>Power Generation</u>	<u>Distribution</u>
Consolidated Revenue Growth	Up 40%	Up 30%	Up 18%	Up 30%
EBIT Margins (% of Revenue)	11.5-12.5%	11-12%	10.5-11.5%	13-14%



Cash Flow

\$ M	Q3-11	Q2-11	Q3-10
Operating Cash Inflow (\$M)	624	656	192
Capital Expenditures (\$M)	162	124	79
Working Capital Measure (\$M)	3,302	3,369	2,806
Working Capital Measure (% of Annualized Net Sales)	17.7%	18.2%	20.6%
Debt to Capital %	12.6%	13.3%	16.0%

- Operating cash flow was driven sequentially by improvements in working capital offset by lower margins and timing of dividends from joint ventures.



Thank You for Your Interest in



We Will Now Take Your Questions

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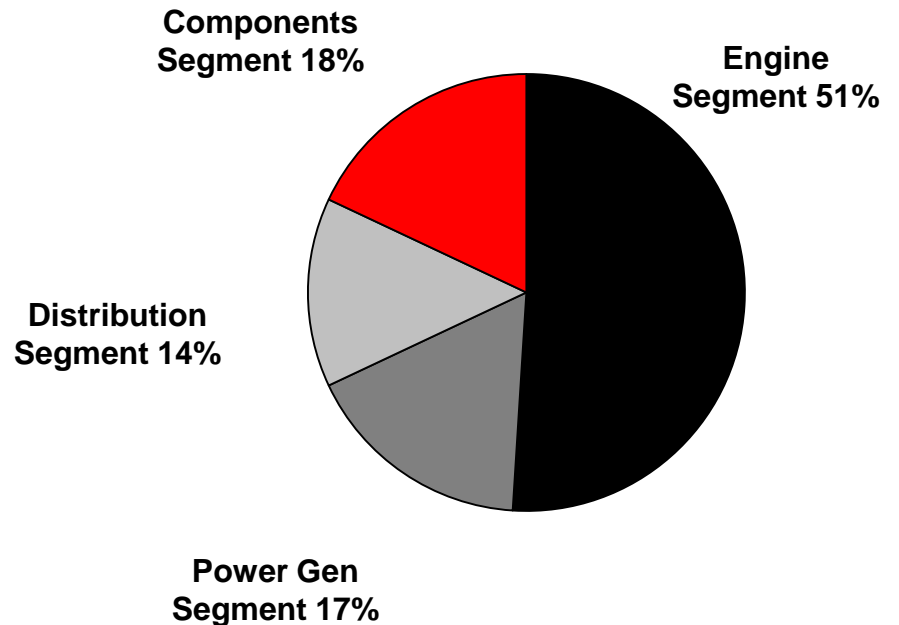
Appendix



Cummins Inc.

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

Q3'11 LTM Revenue by Segment



Q3'11 LTM Data

Sales: \$17.3 billion

EBIT : \$2.4 billion

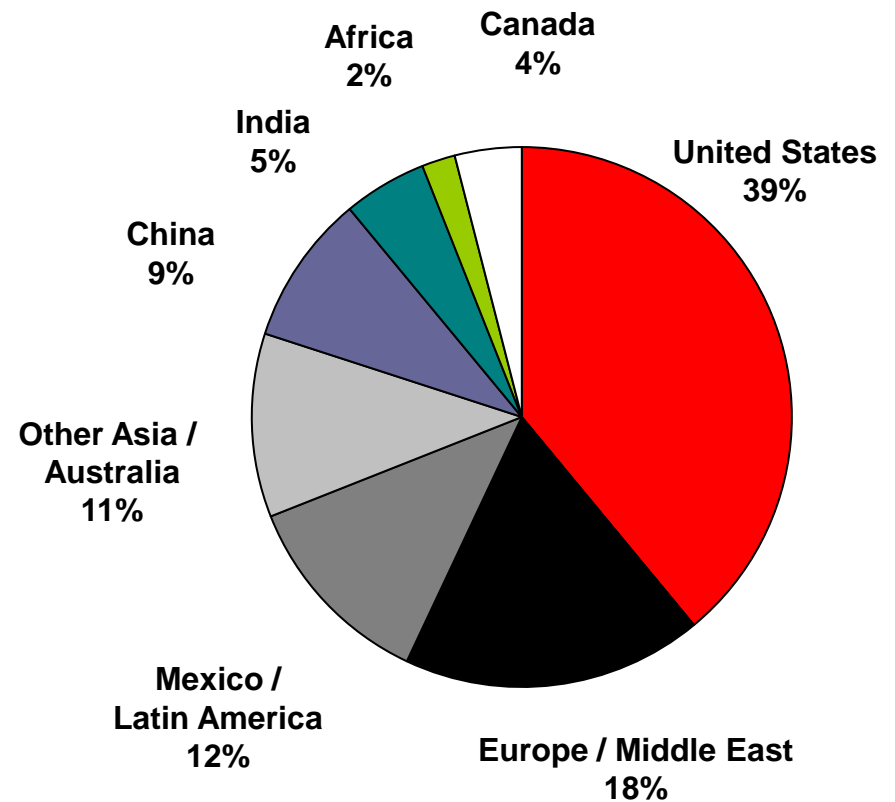
EBIT margin: 13.9%



Cummins Inc.

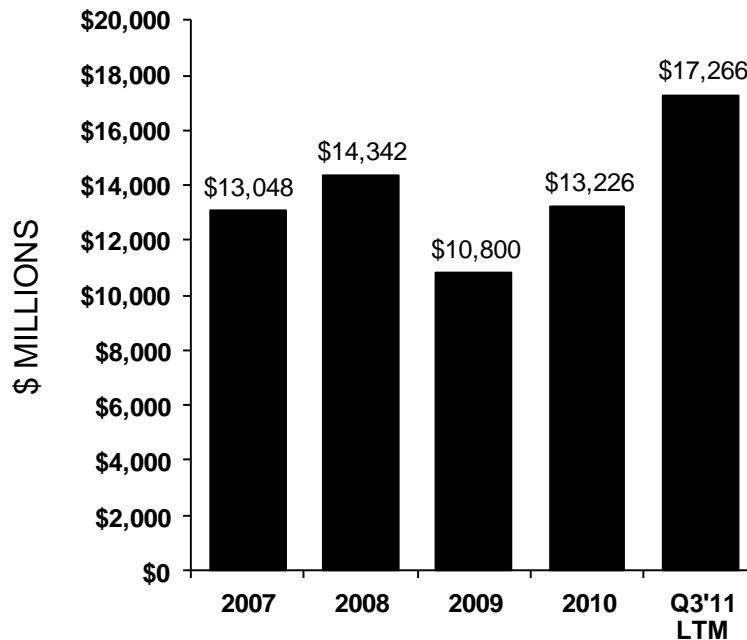
- China, India, and Brazil had record revenue during the quarter. Demand continues to strengthen in North America and Europe.

Q3'11 LTM Revenue by Marketing Territory

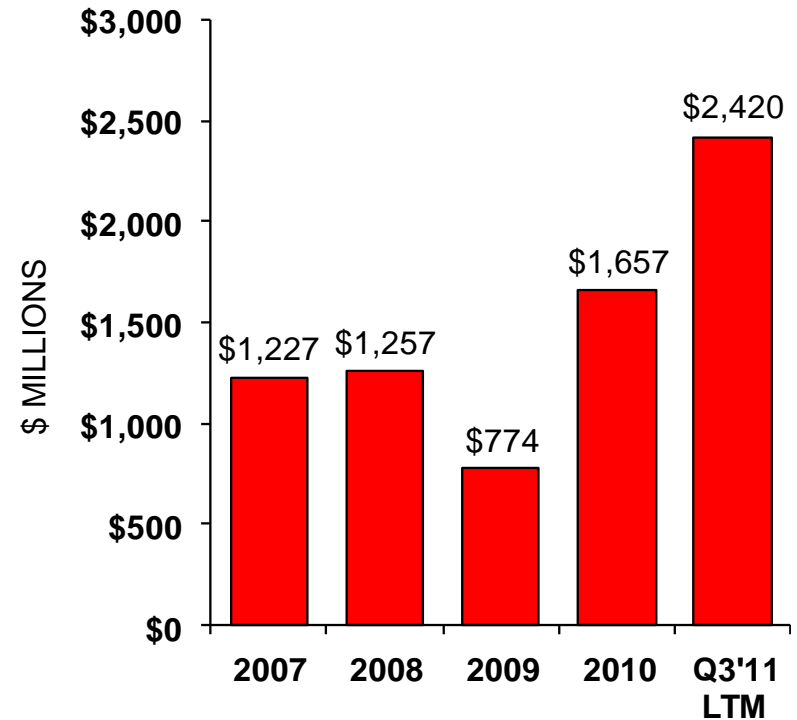


Cummins – Historical Performance

Sales



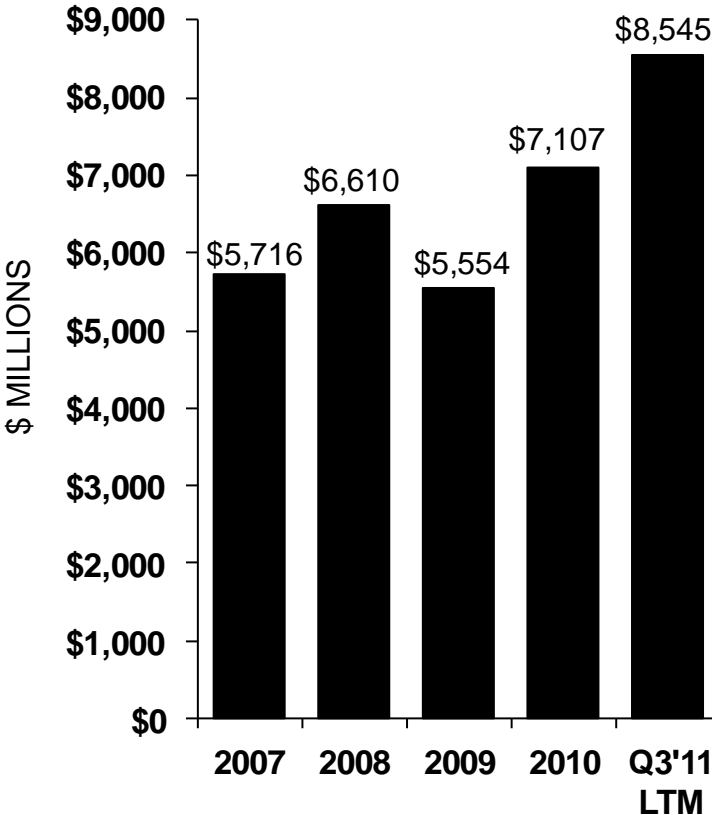
EBIT¹



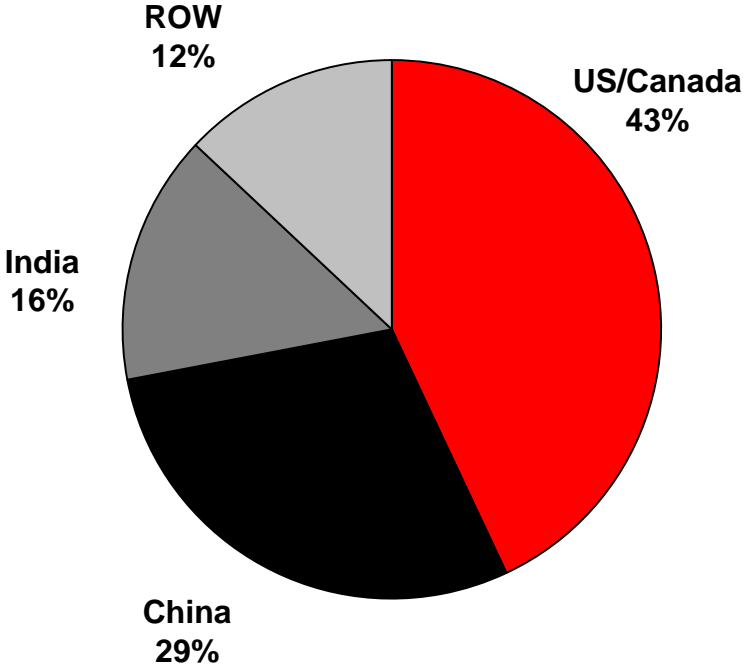
¹ EBIT excludes restructuring charges of 37M and 99M in 2008 and 2009, respectively. Also, the gain from exhaust business transaction of 68M is excluded from Q3-11 LTM.



Cummins – Joint Venture Sales Unconsolidated



Q3'11 LTM Revenues



Engine Segment – Overview

- Diesel and natural gas engines from 2.8L to 91L and 60 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

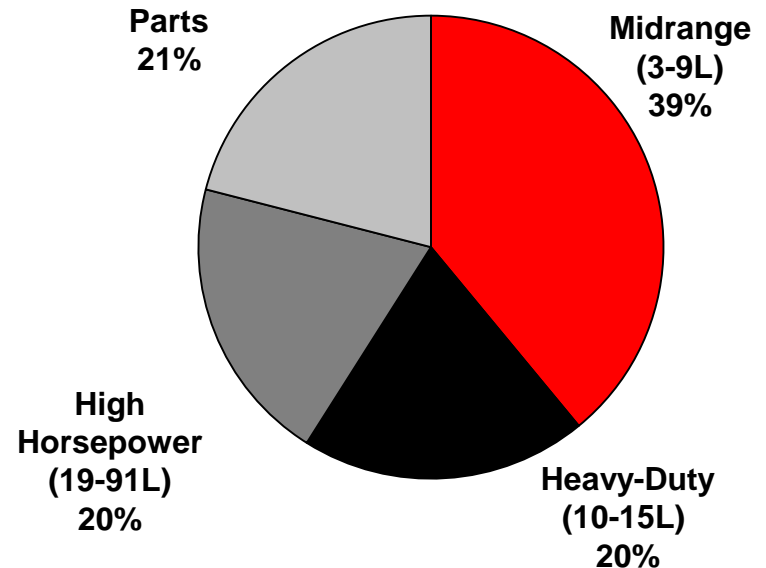
Q3'11 LTM Segment Data

Sales: \$10.7 billion

EBIT: \$1.3 billion

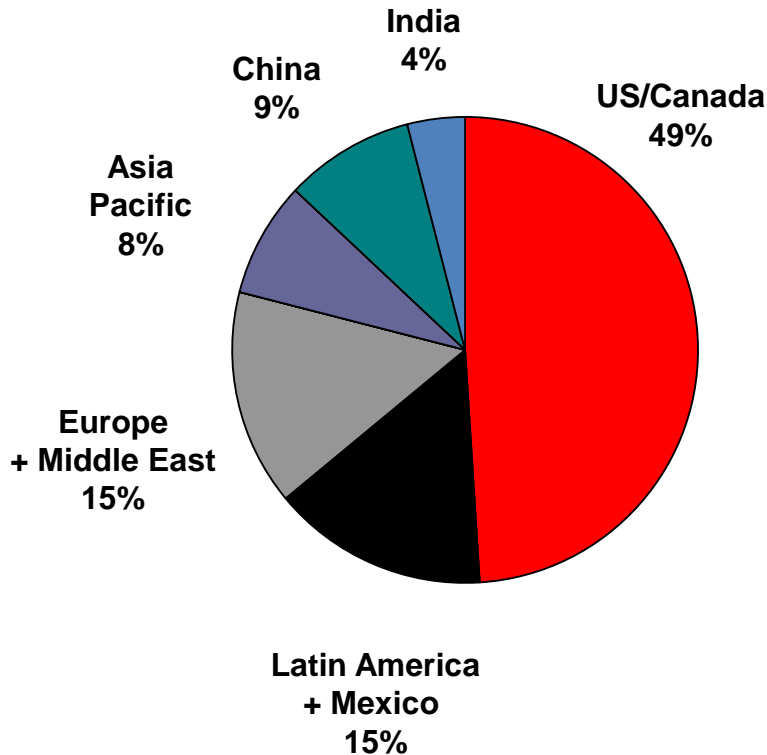
EBIT Margin: 12.2%

Q3'11 LTM Revenue by Product

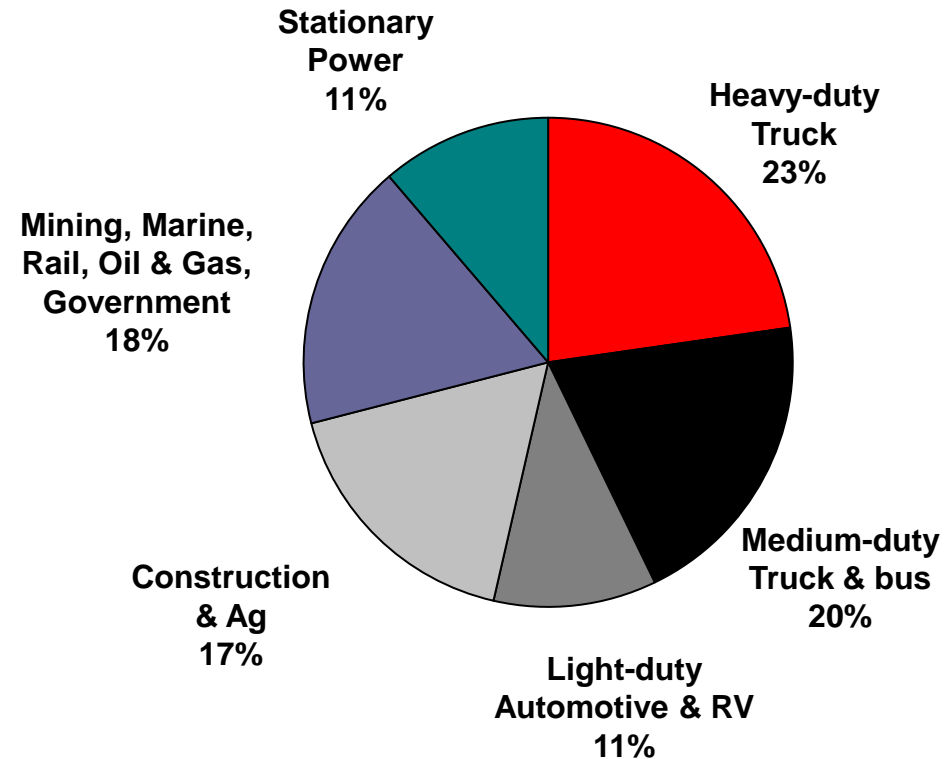


Engine Segment – Sales Mix

Geographic



Application

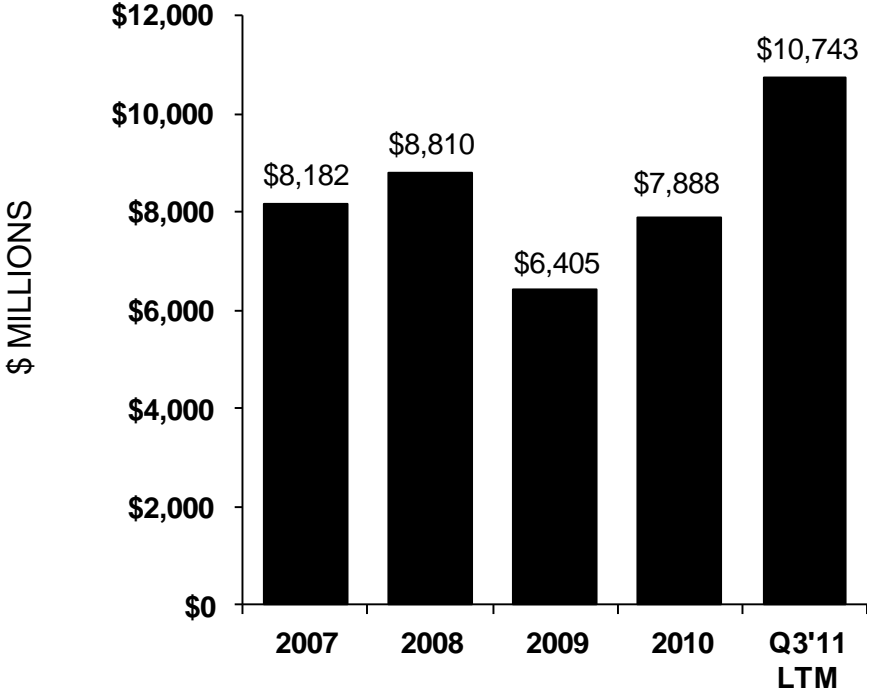


Q3'11 LTM Revenue: \$10.7B

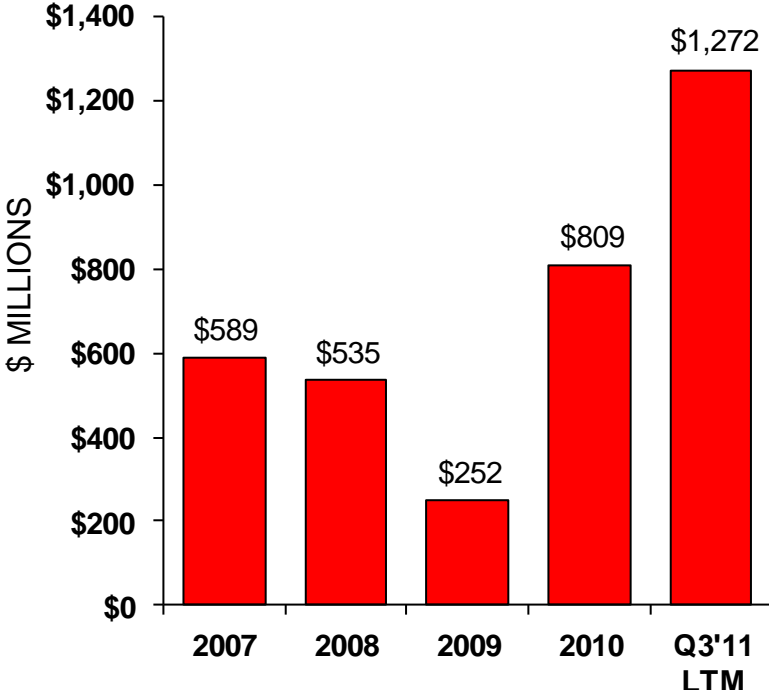


Engine Segment – Historical Performance

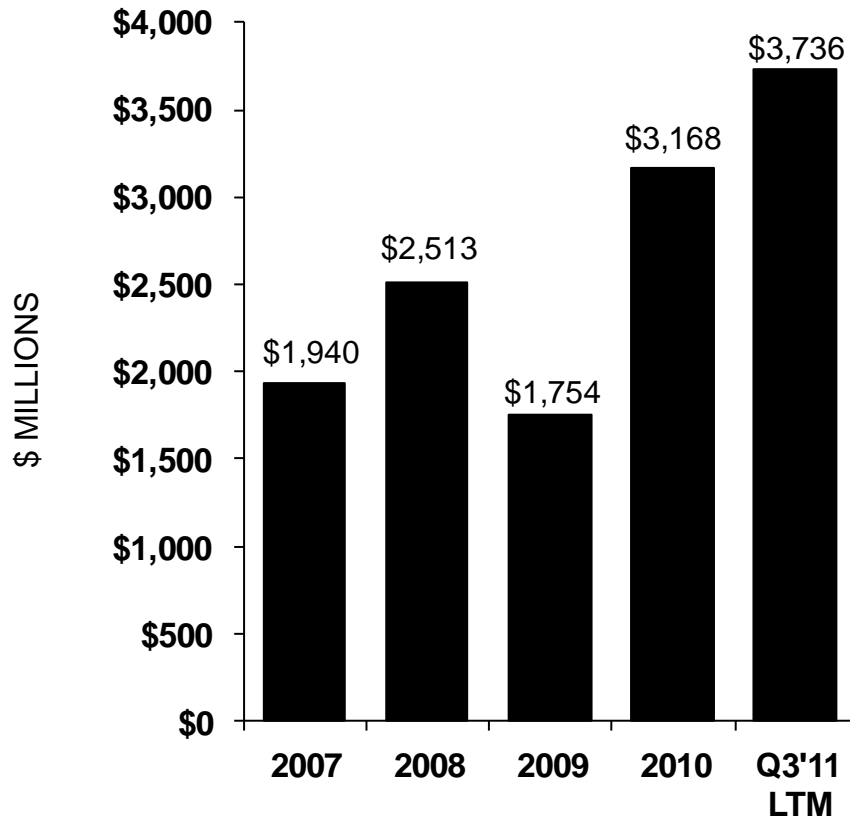
Sales



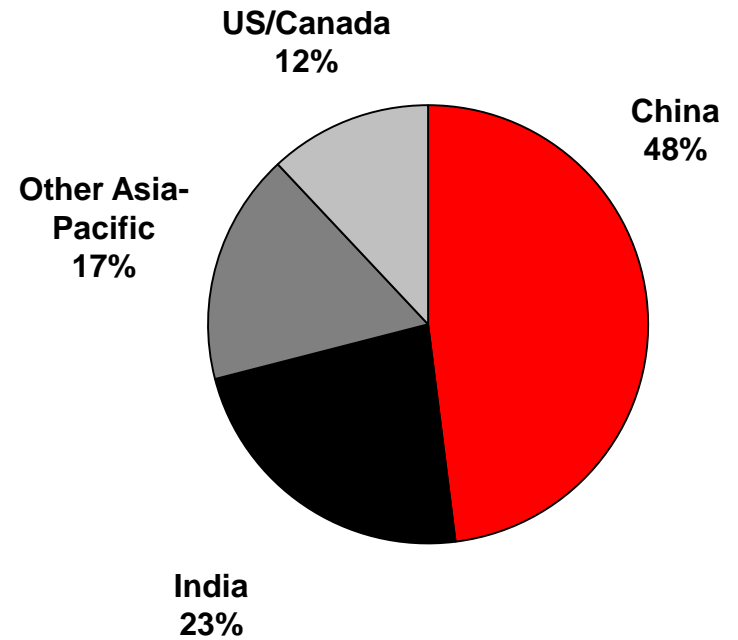
Segment EBIT



Engine Segment – Joint Venture Sales Unconsolidated



Q3'11 LTM Revenues



Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 5 kW to 2700 kW
- Leading supplier of alternators from 0.6kVA to 30,000 kVA
- Leading market share in multiple geographies

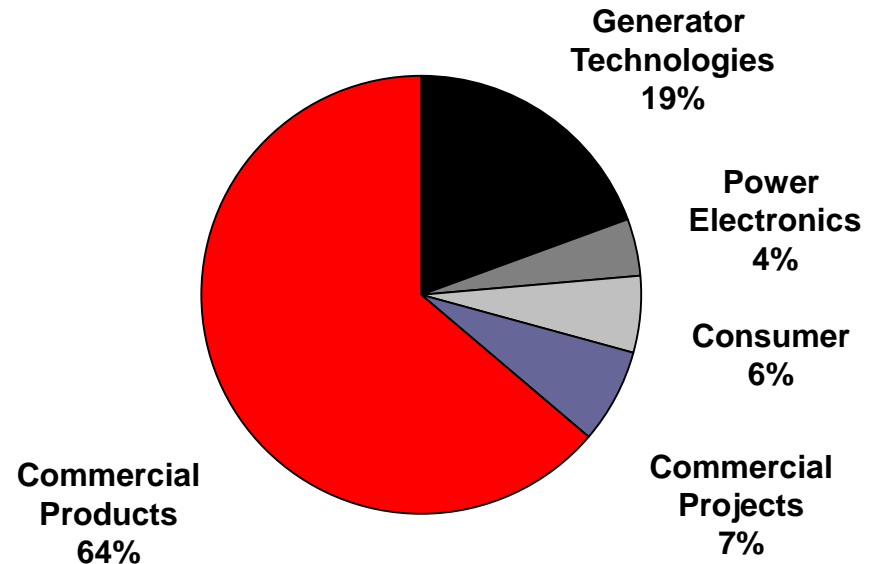
Q3'11 LTM Segment Data

Sales: \$3.5 billion

EBIT: \$378 million

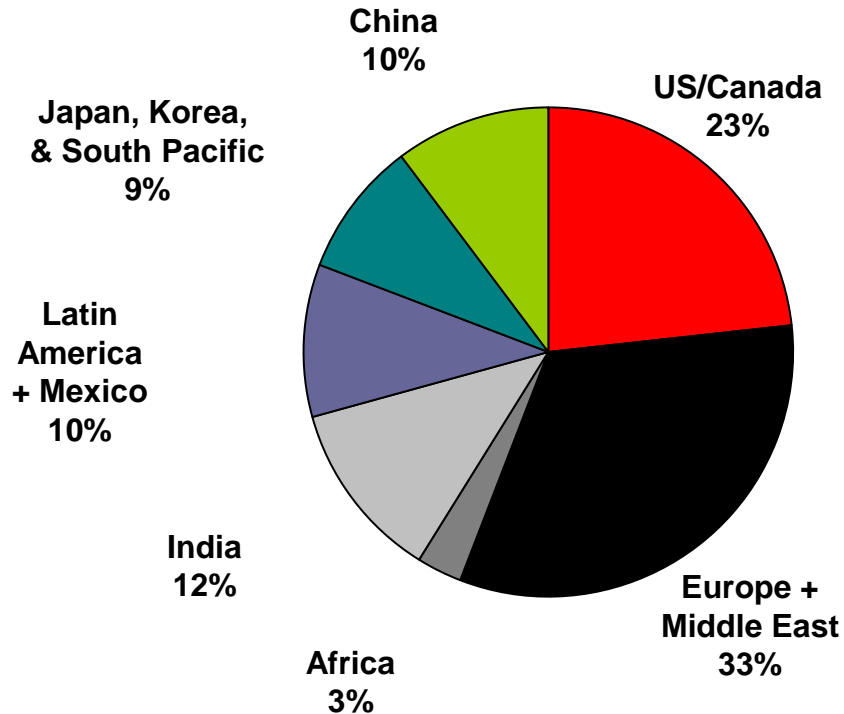
EBIT Margin: 10.8%

Q3'11 LTM Revenue by Product

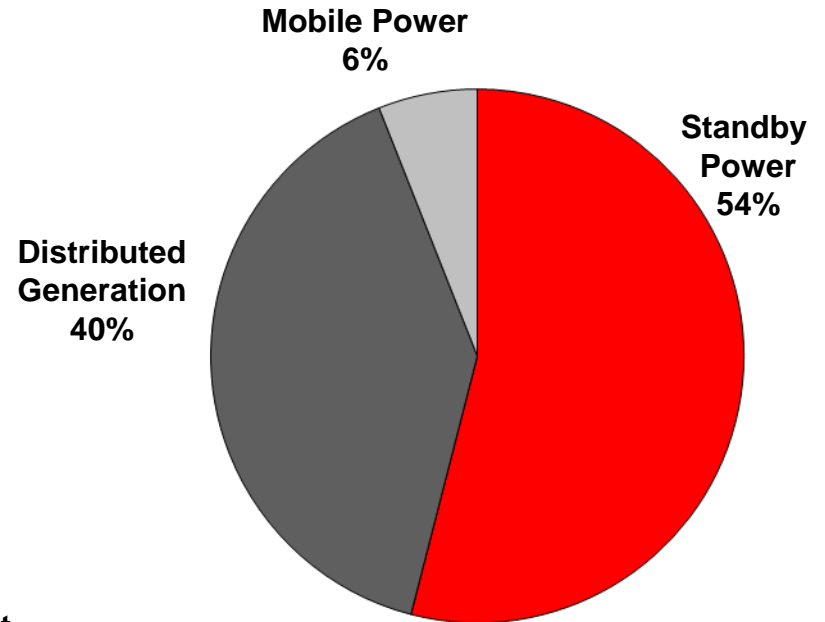


Power Generation Segment – Sales Mix

Geographic



Application

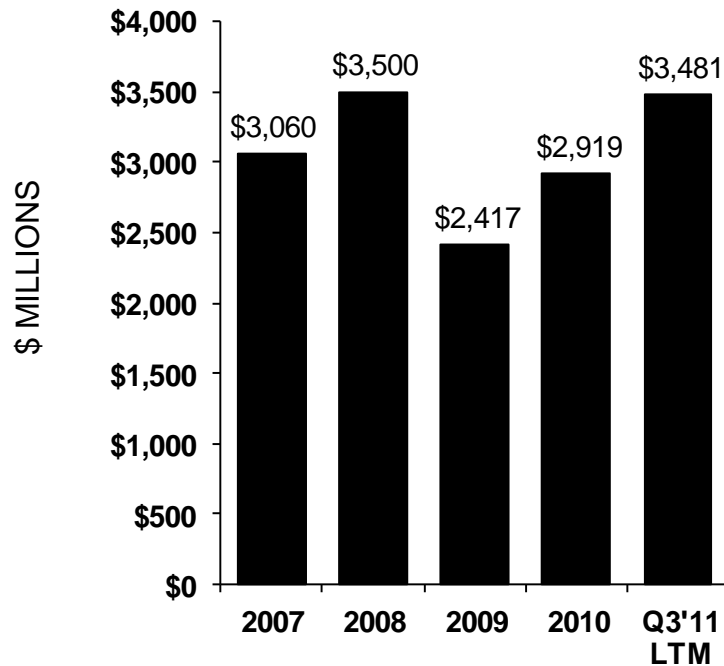


Q3'11 LTM Revenue: \$3.5B



Power Generation – Historical Performance

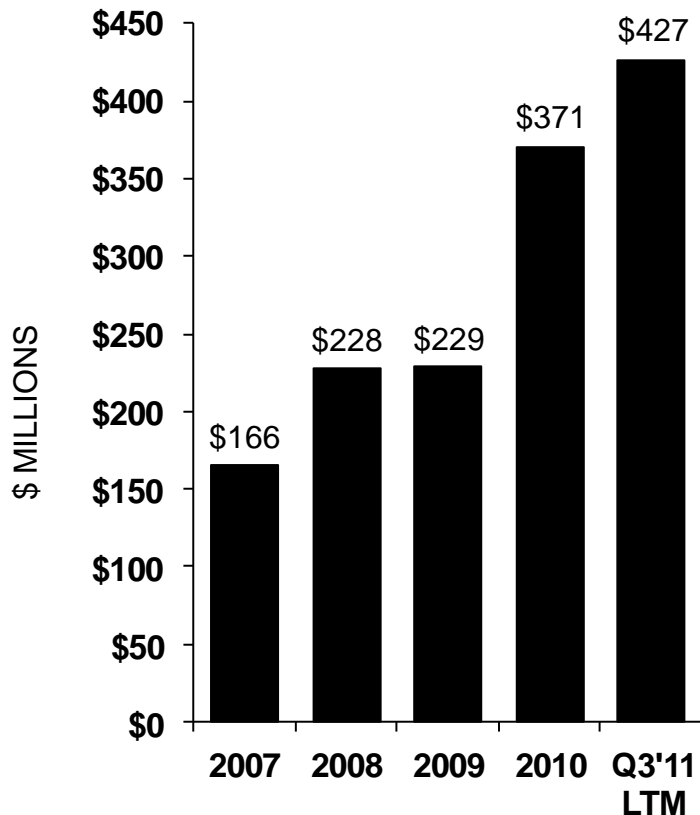
Sales



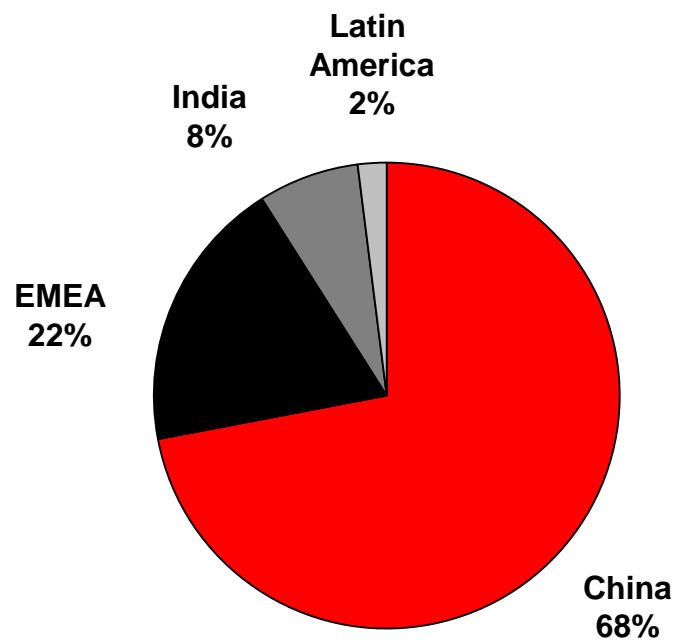
Segment EBIT



Power Generation Segment – Joint Venture Sales Unconsolidated



Q3'11 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

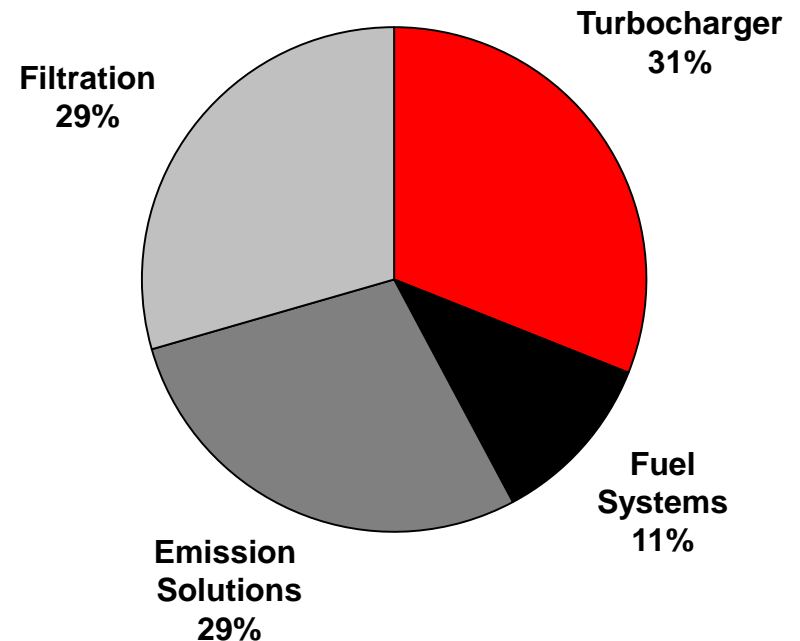
Q3'11 LTM Segment Data

Sales: \$3.9 billion

EBIT: \$421 million

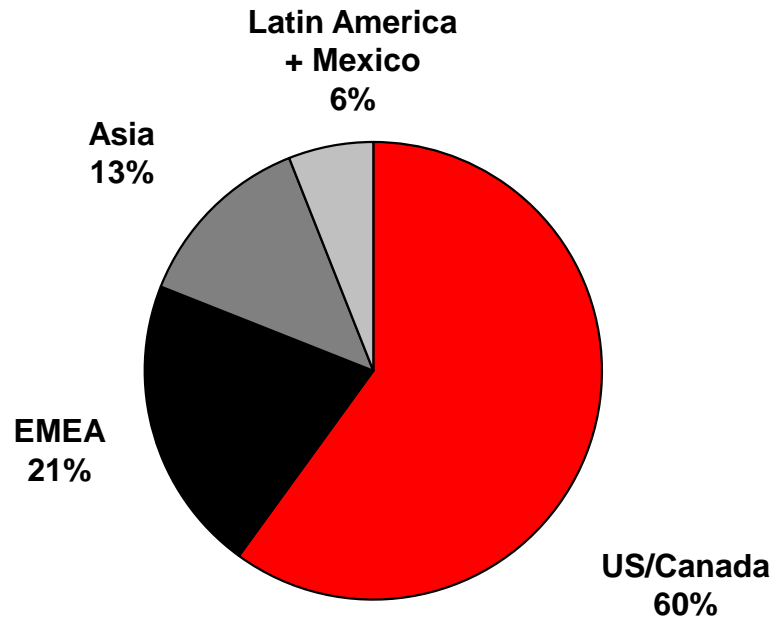
EBIT Margin: 10.8%

Q3'11 LTM Revenue by Business

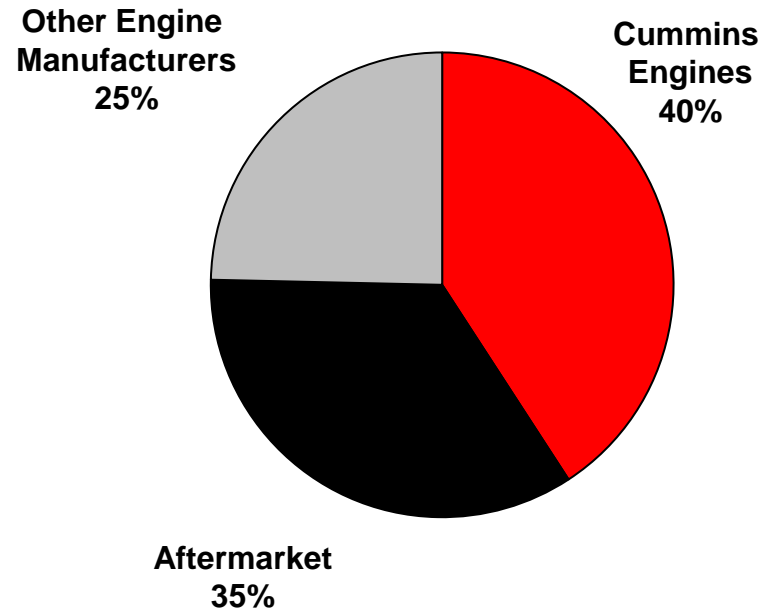


Components Segment – Sales Mix

Geographic



Application

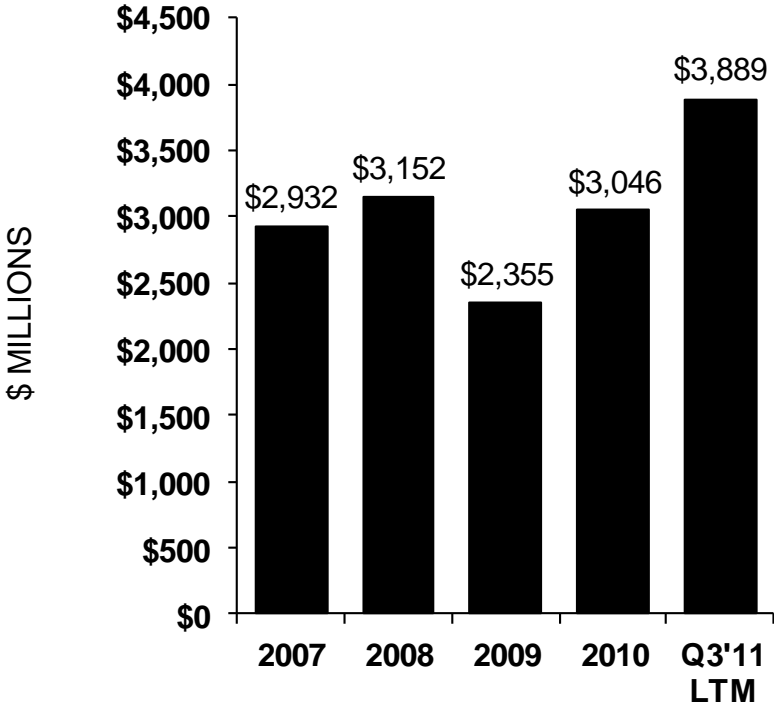


Q3'11 LTM Revenue: \$3.9B

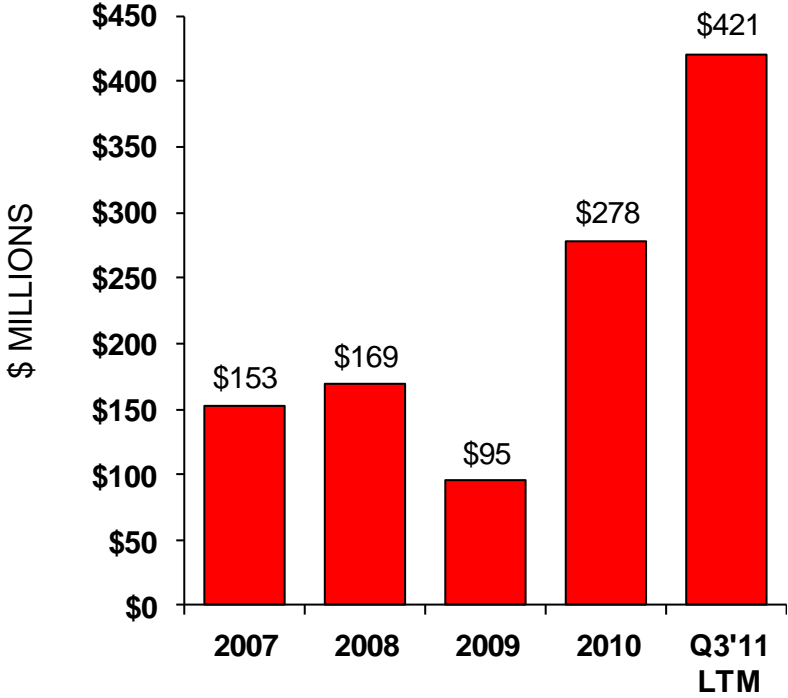


Components – Historical Performance

Sales



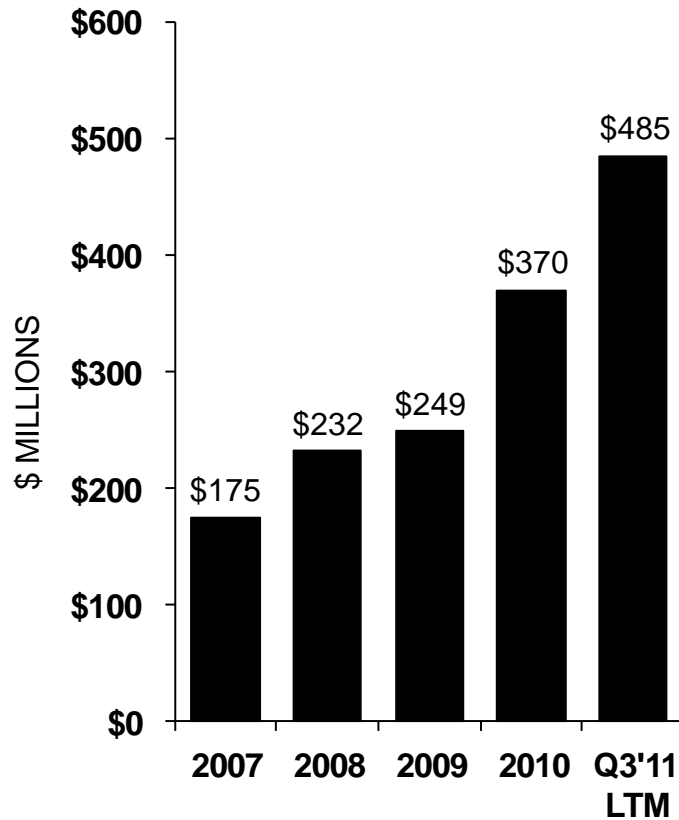
Segment EBIT¹



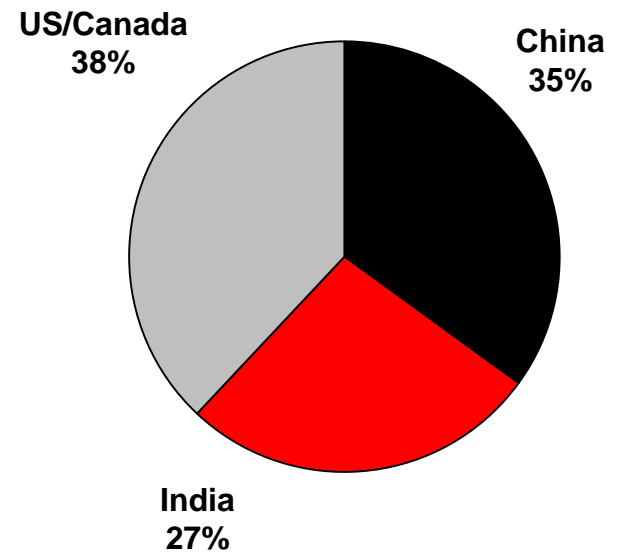
¹ Q3'11 LTM EBIT excludes \$68 million pre-tax gain from the exhaust business transaction.



Components Segment – Joint Venture Sales Unconsolidated



Q3'11 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

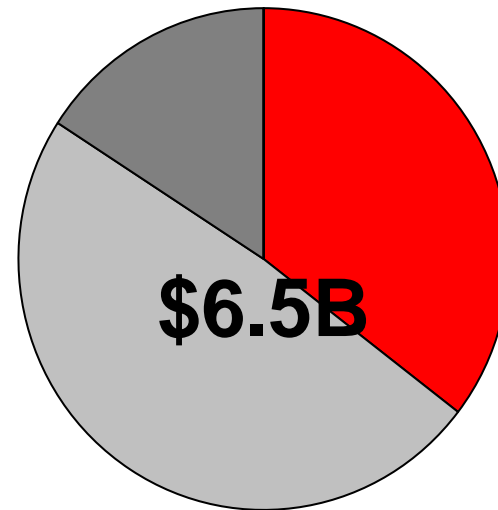
Q3'11 LTM Segment Data

Sales: \$2.9 billion

EBIT: \$381 million

EBIT Margin: 13.1%

2010 Channel Revenue



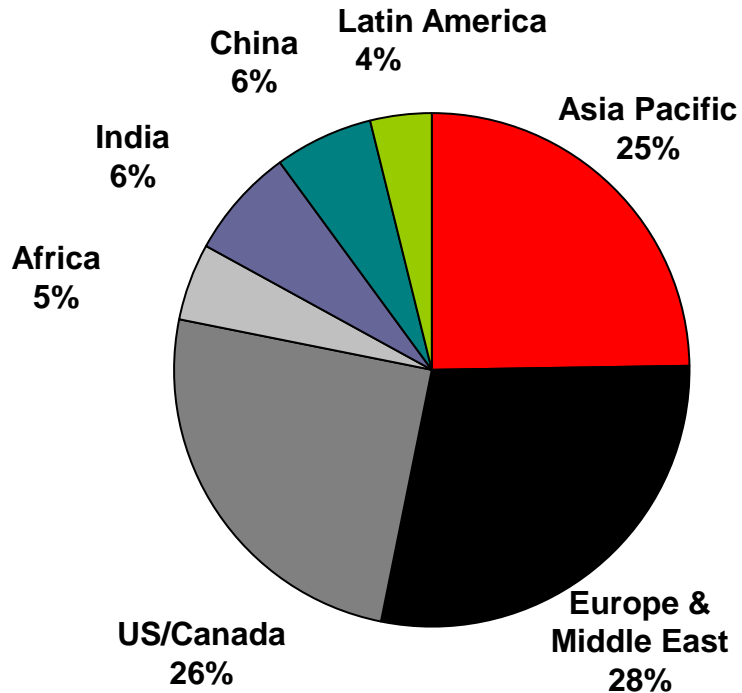
Cummins participation
 $\$6.5\text{B} @ 87\% = \5.6B

■ Consolidated ■ Joint Venture ■ Independent

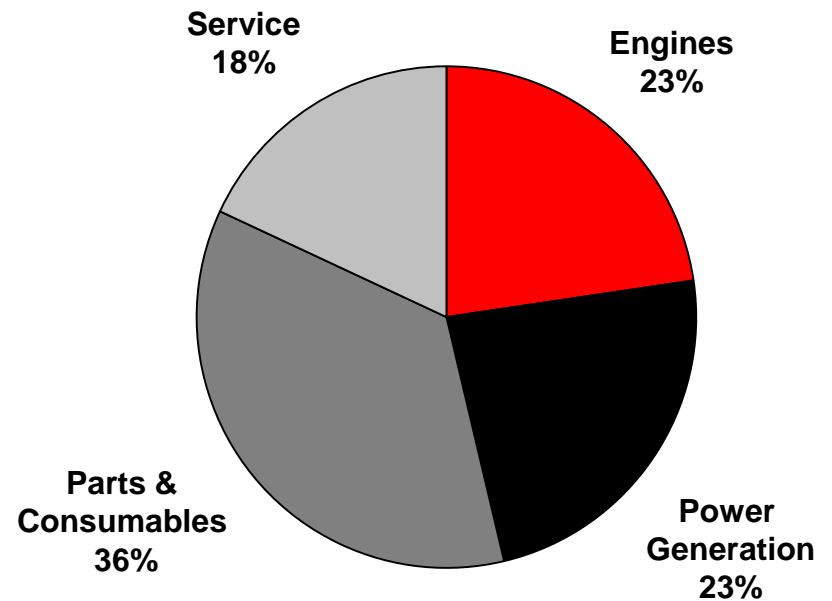


Distribution Segment – Sales Mix

Geographic



Application

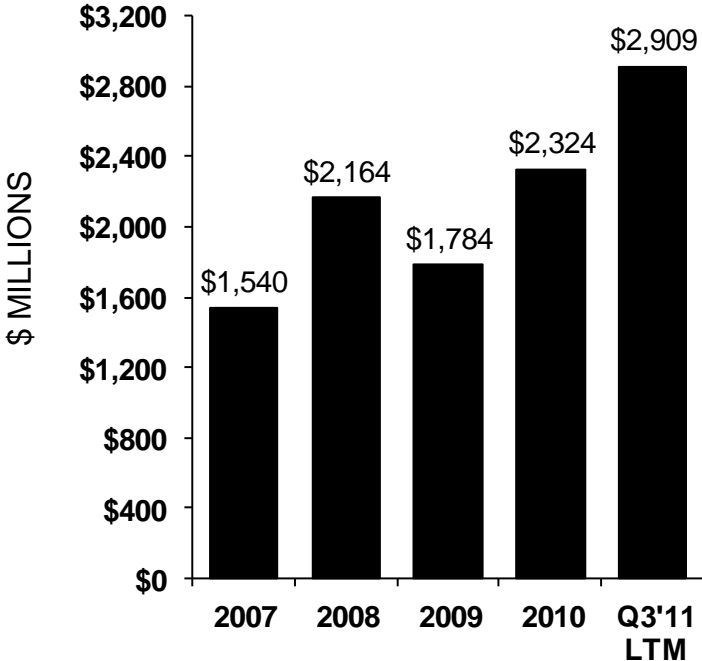


Q3'11 LTM Revenue: \$2.9B

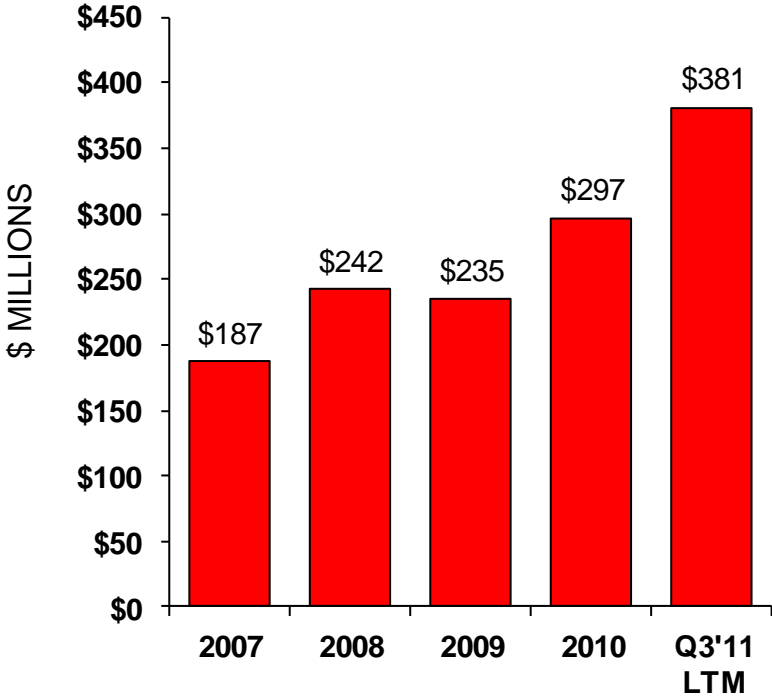


Distribution – Historical Performance

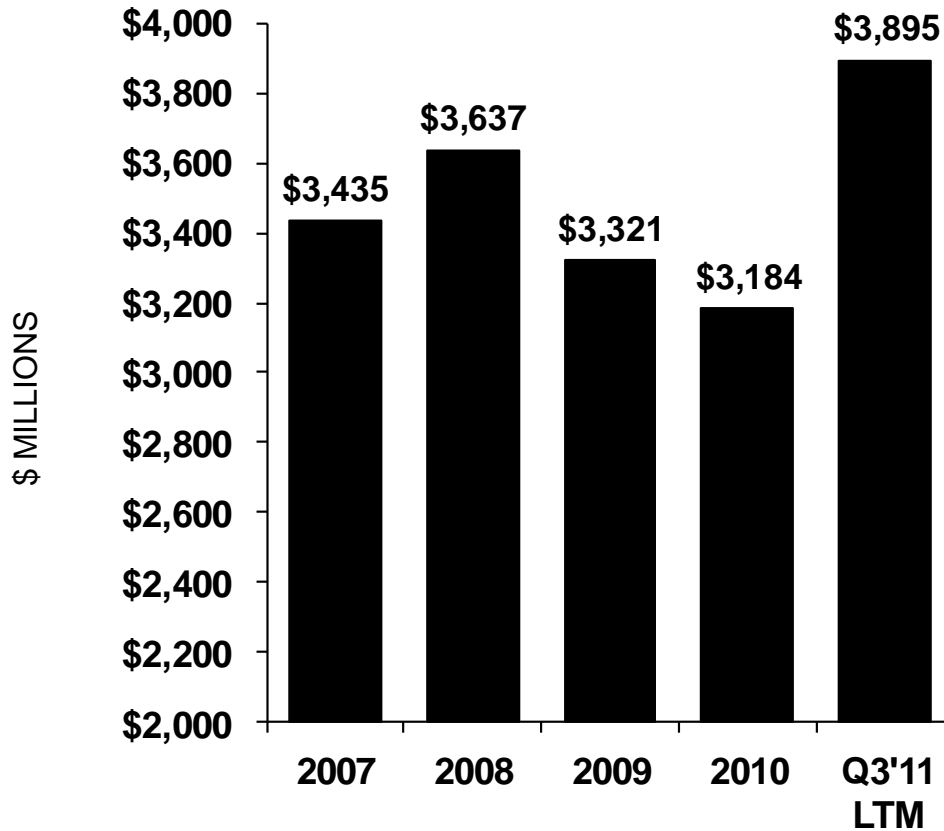
Sales



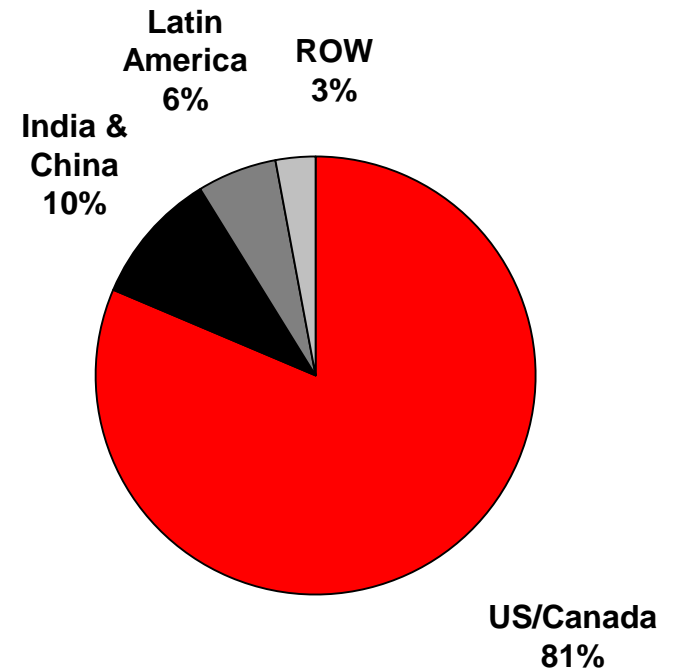
Segment EBIT



Distribution Segment – Joint Venture Sales Unconsolidated



Q3'11 LTM Revenues



Strong Growth in Emerging Markets

- In **India** since 1962
- The largest diesel engine manufacturer
- Over 1 million engines in operation
- Over 10,000 employees in wholly-owned and JV entities
- Combined* sales:
 - 2009: \$1.3 billion
 - 2010: \$1.9 billion
 - 2011: \$2.3 billion forecasted

- In **China** since 1975
- One of the largest diesel engine manufacturers
- Over 1.5 million engines in operation
- Over 7,000 employees in wholly-owned and JV entities
- Combined* sales:
 - 2009: \$1.7 billion
 - 2010: \$3.1 billion
 - 2011: \$3.7 billion forecasted

*Combination of consolidated and joint venture unconsolidated net sales (includes both imports and exports)



Cummins in India

Dewas

- Cummins Turbo Technologies

Daman

- Generators
- Cummins Exhaust

Phaltan (*Megasite*)

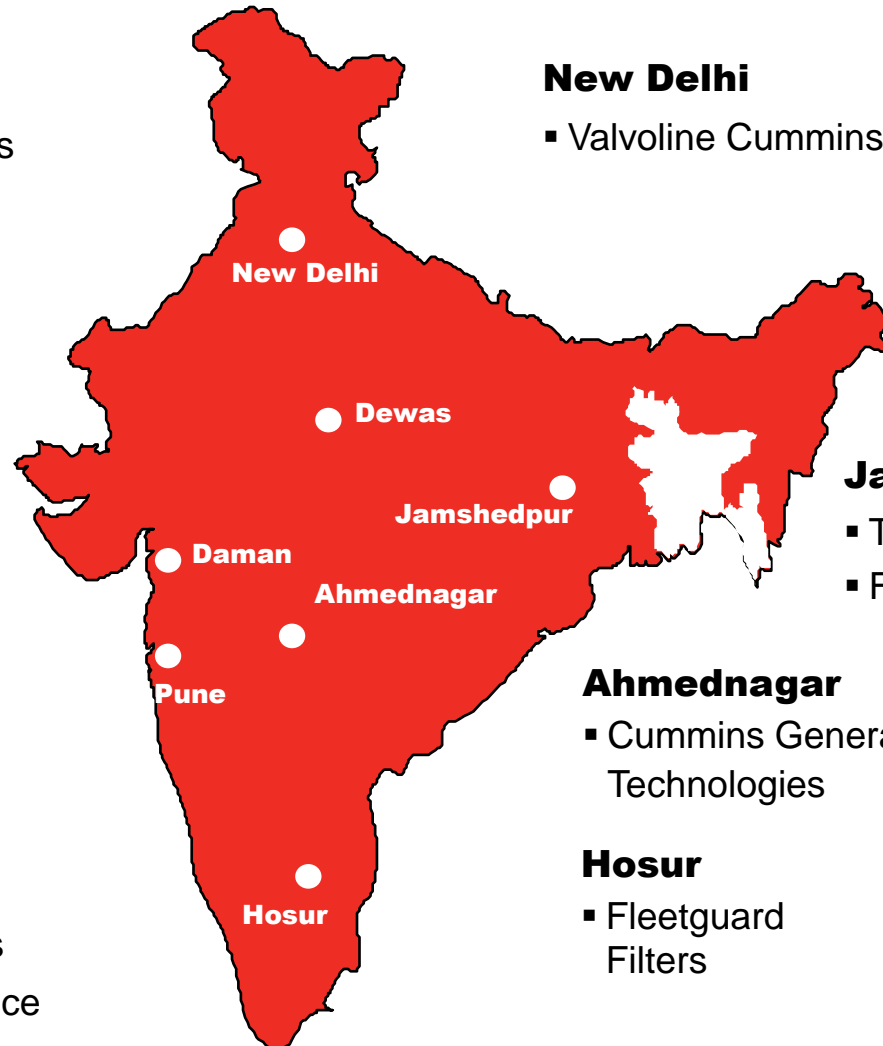
- Tata Cummins II
- HHP Rebuild Center
- Parts Distribution Center

Pune

- Cummins India Ltd.
- Cummins Sales & Service
- KPIT Cummins
- Cummins Business Services
- International Purchasing Office
- Fleetguard Filters
- Cummins Research & Technology India

New Delhi

- Valvoline Cummins



Jamshedpur

- Tata Cummins I
- Fleetguard Filters

Ahmednagar

- Cummins Generator Technologies

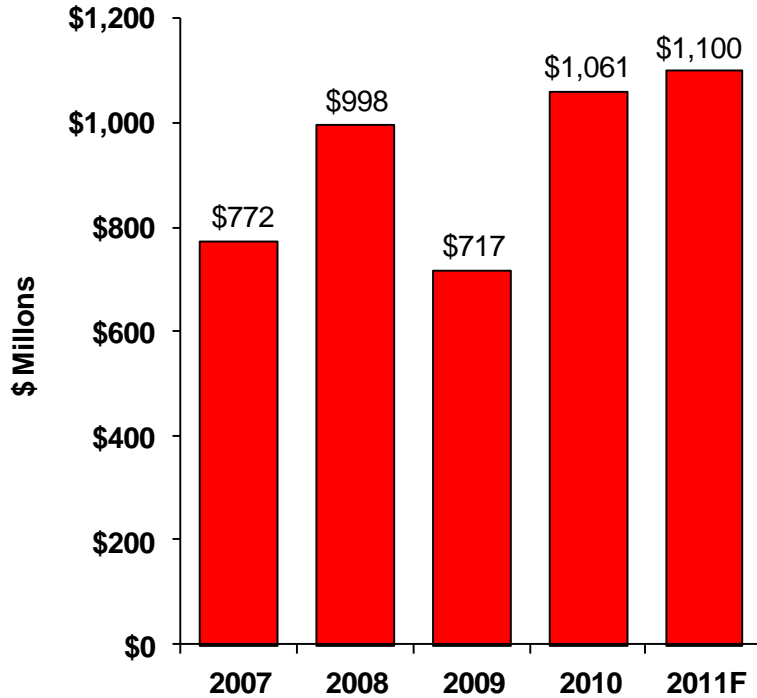
Hosur

- Fleetguard Filters

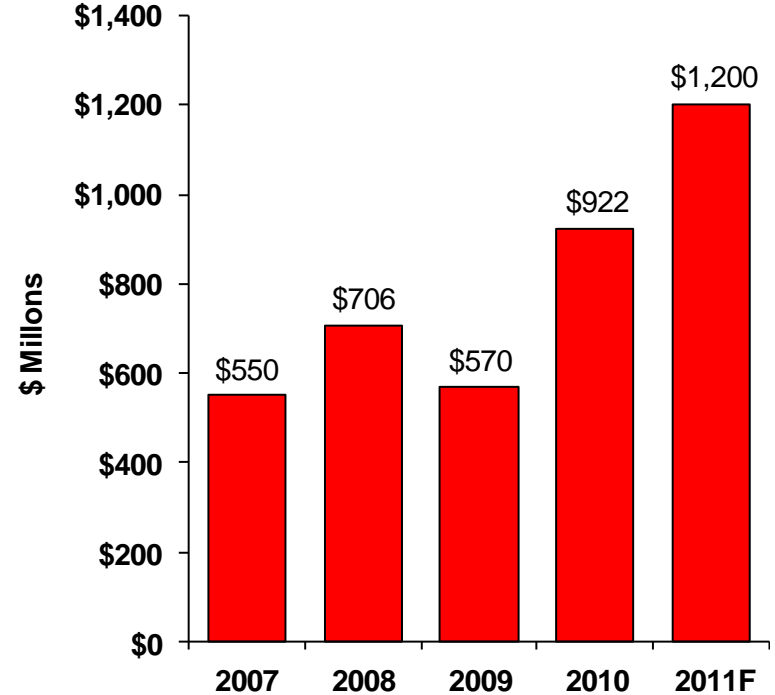


India – Historical Performance

Consolidated Sales*



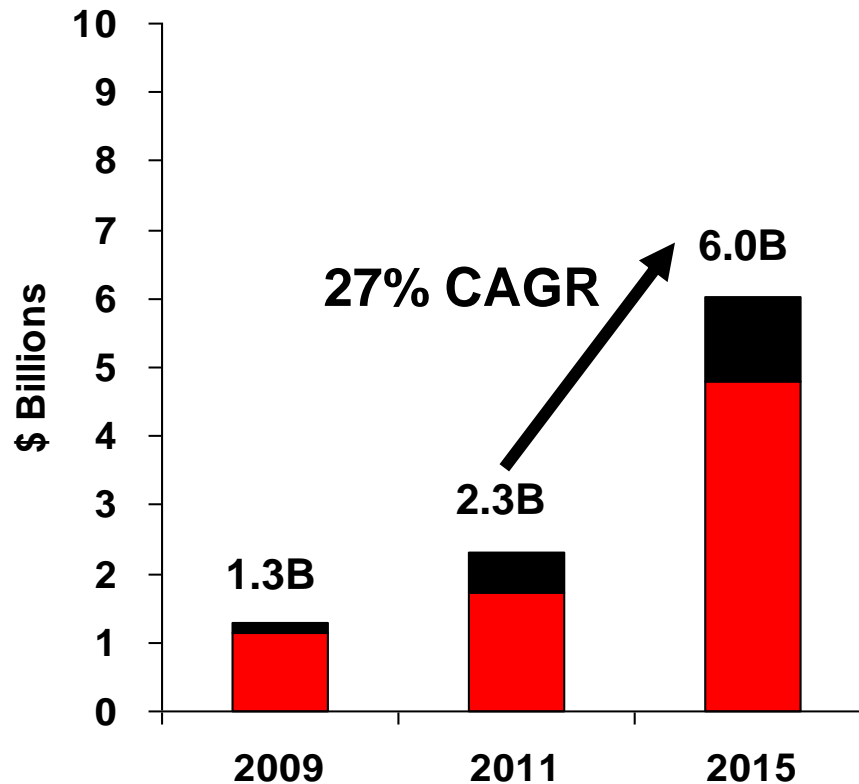
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports.



Strong Growth in Emerging Markets: India*



■ Export Revenue
■ Domestic Revenue

*Consolidated + Unconsolidated Revenue

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



Cummins in China

Beijing

- China Headquarters
- Genset Assembly Plant
- BFCEC JV Engine Plant
- Beijing Distributor
- Emissions Solutions Plant

Wuxi

- CTT JV Plant
- Vanewheel JV Plant
- CGT Plant

Shanghai

- Filtration Campus
- Filtration JV Plant
- IPO & Marine Offices
- China PDC
- Valvoline JV
- Shanghai Distributor

Wuhan

- DCEC JV Engine Plant
- Nelson Exhaust JV Plant
- Fuel Systems Plant
- EA R&D Center
- Wuhan Distributor
- Genset Assembly Plant

Taiwan

- Taiwan Distributor

Xi'an

- XCEC JV Engine Plant
- Xi'an Distributor

Shenyang

- Shenyang Distributor

Chongqing

- CCEC JV Engine Plant

Urumqi

- Urumqi Distributor

Chengdu

- Chengdu Distributor

Kunming

- Kunming Distributor

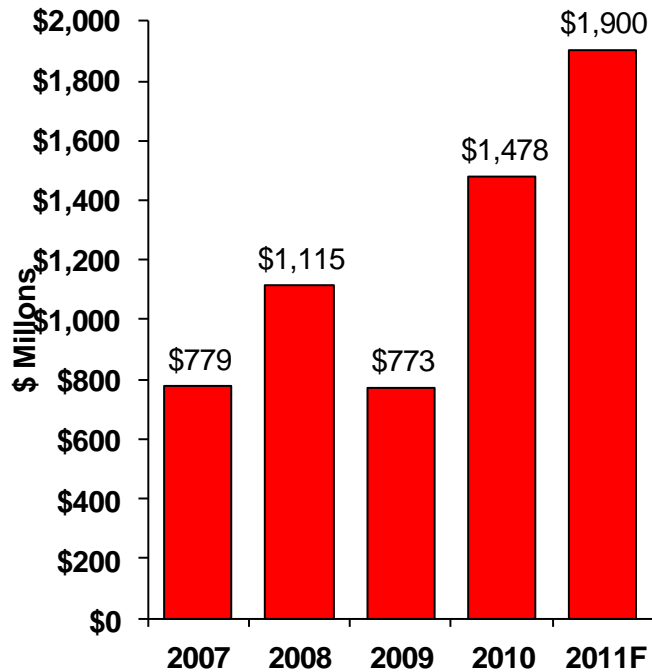
Guangdong area

- Hong Kong Distributor
- Guangzhou Distributor
- Shenzhen JV Distributor

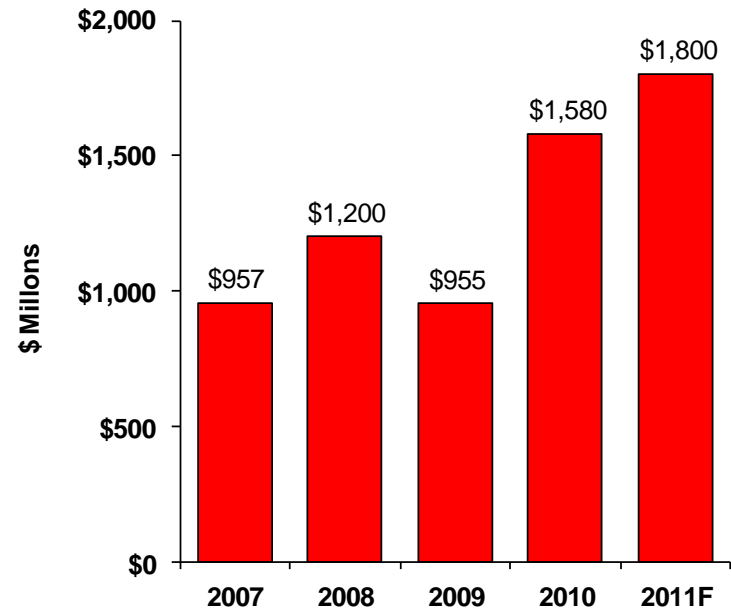


China – Historical Performance

Consolidated Sales*



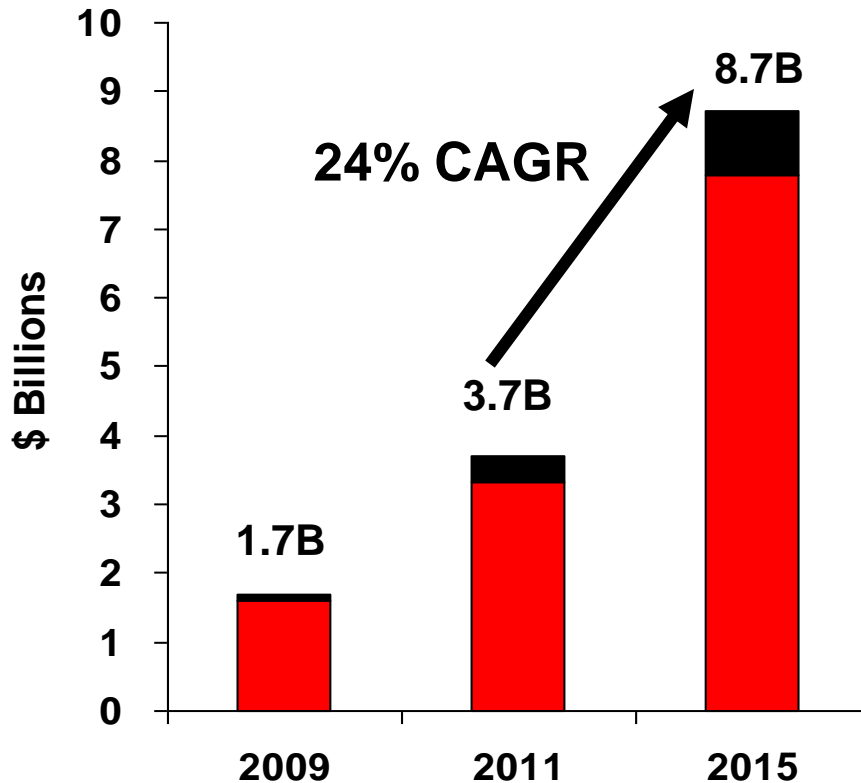
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports



Strong Growth in Emerging Markets: China*



■ Export Revenue
■ Domestic Revenue

- Truck market growth
- Emissions content
- New engine platform expanding our market
- Power generation

*Consolidated + Unconsolidated Revenue





Non-GAAP Reconciliations



Non-GAAP Reconciliation – EBIT

Millions	<u>Three Months Ended</u>		
	Sep 25, 2011	June 26, 2011	Sep 26, 2010
EBIT excluding gain on sale of business	\$ 640	\$ 707	449
Add: gain on sale of business	0	68	0
Total EBIT	<u>640</u>	<u>775</u>	<u>449</u>
Less: interest expense	11	13	11
Income before income taxes	629	762	438
Consolidated net income	<u>472</u>	<u>537</u>	<u>309</u>
Less: Net income attributable to noncontrolling interests	20	32	26
Net Income attributable to Cummins Inc.	<u>452</u>	<u>505</u>	<u>283</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 – Net Assets

Millions	September 25th 2011	September 26th 2010
Net assets for operating segments	<u>\$ 6,918</u>	<u>\$ 5,973</u>
Liabilities deducted in computing net assets	4,798	4,393
Pension and other postretirement liabilities	(805)	(1,160)
Deferred tax assets not allocated to segments	402	640
Debt-related costs not allocated to segments	<u>25</u>	<u>26</u>
Total Assets	<u><u>\$ 11,338</u></u>	<u><u>\$ 9,872</u></u>

A reconciliation of net assets for operating segments to total assets in our Consolidated Financial Statements is shown in the table above.



Non-GAAP Reconciliation – Equity Used for Return on Equity Calculation

Millions	September 25th 2011	September 26th 2010
Equity used for return on equity calculation	\$ 5,817 *	\$ 4,979
Defined benefit postretirement plans	(606)	(780)
Total shareholders equity	\$ 5,211	\$ 4,199
plus Noncontrolling Interest	333	295
Total Equity	\$ 5,544	\$ 4,494

* Equity includes \$37M of Gain on Exhaust Sale (net of tax)

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.



Non-GAAP Reconciliation – Working Capital Measure

Three Months Ended

Millions	Sep 25, 2011	June 26, 2011	Sep 26, 2010
Accounts and notes receivable, net	\$ 2,441	\$ 2,780	\$ 2,235
Inventories	\$ 2,059	\$ 2,275	\$ 1,910
Less Accounts payable – trade	<u>\$ (1,659)</u>	<u>\$ (1,686)</u>	<u>\$ (1,339)</u>
Working capital measure	\$ 2,841	\$ 3,369	\$ 2,806
Working capital measure (% of Annualized Net Sales)	17.8%	18.2%	20.6%

A reconciliation of calculation of working capital measure as % of annualized net sales to our Consolidated Financial Statements is shown in the table above.

