



Third Quarter 2012 Earnings Teleconference

October 31, 2012



Participants

Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Rich Freeland President – Engine Business

Mark Smith Executive Director – Investor Relations



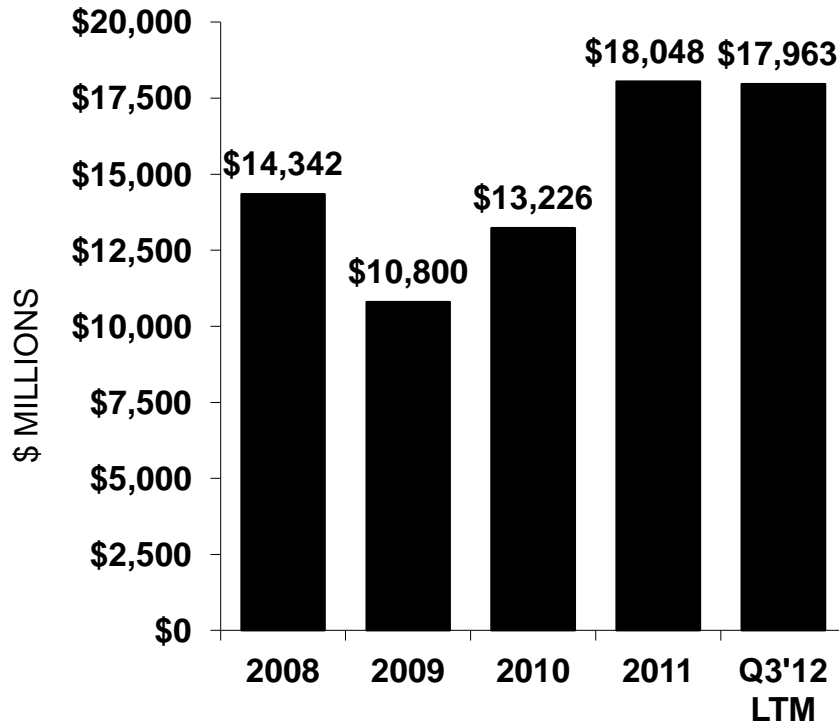
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Information provided in this presentation that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our forecasts, expectations, hopes, beliefs and intentions on strategies regarding the future. Our actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to: the adoption and implementation of global emission standards; the price and availability of energy; the pace of infrastructure development; increasing global competition among our customers; general economic, business and financing conditions; governmental action; changes in our customers' business strategies; competitor pricing activity; expense volatility; labor relations; and other risks detailed from time to time in our Securities and Exchange Commission filings, including particularly in the Risk Factors section of our 2011 Annual Report on Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this presentation and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://www.cummins.com> in the Investor Relations section of our website.

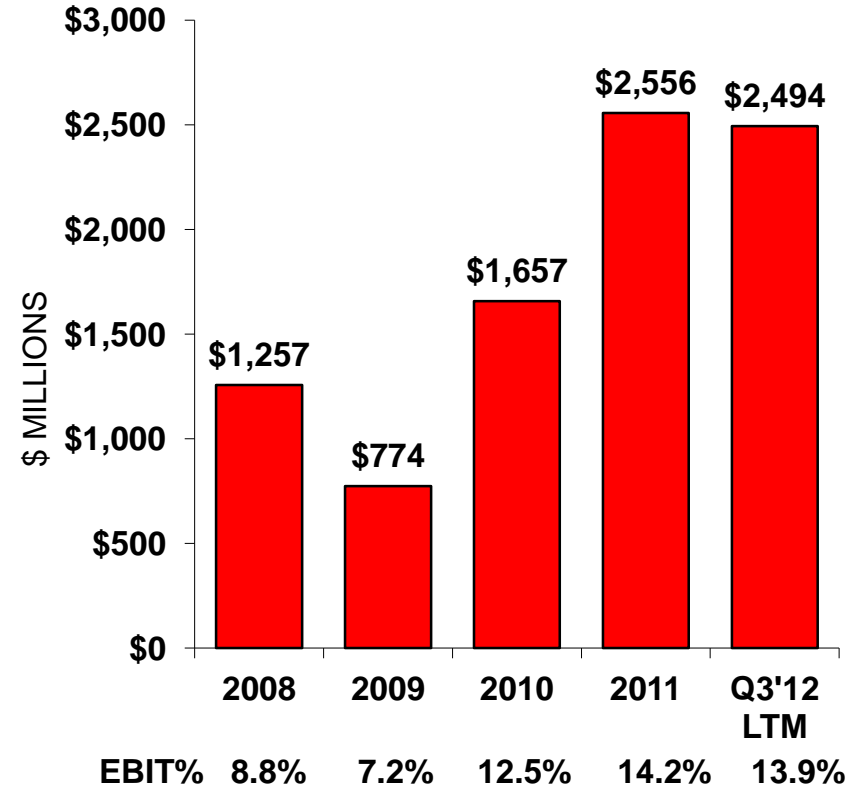


Cummins Inc.

Sales



EBIT¹



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



Cummins Inc.

Selected Financial Data

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Sales	4,118	4,626	-11%	4,452	-8%
EBIT Excluding Special Items ¹	496	640	-23%	663	-25%
% of Sales	12.0%	13.8%		14.9%	
ROANA (LTM) ¹	33%	38%		37%	
ROE (LTM) ¹	27%	30%		31%	

- Growth in North America slowed this quarter, and international markets continued to experience weak demand, especially in Brazil, Europe, and China. Excluding acquisitions, divestitures, and currency, revenue declined 9%.



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

Joint Venture Income

\$M	Q3-12	Q3-11	Q2-12
Engine	25	35	37
<i>On-highway</i>	15	20	24
<i>Off-highway</i>	10	15	13
Power Generation	12	16	10
Distribution	50	44	49
Components	7	7	8
Total JV Income	94	102	104

- JV contribution, compared to the prior year and sequentially, was lower due to weaker demand at joint ventures in China and India.



Cummins Inc.

Selected Income Statement Data

\$M	Q3-12	Q3-11	Q2-12
Net Income Attributable to CMI ¹	352	452	465
Diluted EPS ¹	1.86	2.35	2.45
Gross Margin (% of Sales)	25.3%	25.7%	27.2%
SAR (% of Sales)	15.6%	14.1%	15.1%

- EBIT, compared to the prior year, declined due to lower volume, additional spending on research and engineering, and lower international JV contribution, partially offset by improved pricing and lower product coverage costs.
- Gross margin percent declined, compared to the prior year, due to reduction in volume and negative currency impact being offset by lower material cost and improved price realization.



¹ Q2'12 Net Income attributable to CMI and EPS excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011.

Engine Segment

Selected Financial Data

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Sales	2,527	2,955	-14%	2,841	-11%
EBIT	239	349	-32%	376	-36%
% of Sales	9.5%	11.8%		13.2%	

- Year-over-year, weaker demand in on-highway markets in Brazil and North America, industrial markets in China and Europe, and global mining markets were partially offset by strong demand from Chrysler and North American construction markets.
- EBIT margin declined, compared to the prior year, due to lower volume, unfavorable product mix, and lower international JV contribution being partially offset by better price realization, lower product coverage, and lower material costs.



Engine Segment

Sales by Market – On-highway

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Heavy-Duty Truck	656	748	-12%	807	-19%
Medium-Duty Truck & Bus	478	640	-25%	512	-7%
Light-Duty Auto & RV	353	271	+30%	297	+19%

- **Heavy Duty Truck:** Shipments down 21% Y-o-Y and down 24% sequentially.
- **Medium-Duty Truck & Bus:** Shipments down 18% Y-o-Y and down 1% sequentially.
- **Light-Duty & RV:** Shipments up 37% Y-o-Y and up 25% sequentially.



Engine Segment

Sales by Market – Off-highway

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Industrial	766	977	-22%	859	-11%
Stationary Power	274	319	-14%	366	-25%

- **Industrial:** Shipments down 40% YoY and down 12% sequentially.
- **Stationary Power:** Shipments down 1% YoY and down 15% sequentially.



Guidance for 2012 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 9%.
- Medium-duty truck & bus revenue down 10%.
- Light duty auto & RV revenue Up 5%.
- Industrial revenue down 16%.



Key On-Highway Engine Markets - 2012

	Previous	Current
Full Year Market Guidance	Market Size	Market Size
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	260K units	245K units
Medium Duty Truck – NAFTA	104K units	104K units
Heavy & Medium Truck – China	980K units	862K units
Heavy & Medium Truck – India	345K units	345K units
Medium Duty Truck – Brazil	145K units	137K units



Components Segment

Selected Financial Data

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Sales	938	1,015	-8%	1,036	-9%
EBIT ¹	89	113	-21%	116	-23%
% of Sales	9.5%	11.1%		11.2%	

- Compared to the prior year, revenue declined due to lower demand from the North American heavy- and medium-duty truck markets, along with weaker turbocharger demand in Europe partially offset by additional content in Brazil.
- EBIT margin percent, compared to last year, declined due to lower volume, unfavorable currency movement, and continued spending on research and engineering for future growth.



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

Power Generation Segment

Selected Financial Data

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Sales	814	874	-7%	909	-10%
EBIT	73	92	-21%	94	-22%
% of Sales	9.0%	10.5%		10.3%	

- Revenue, compared to the prior year, declined due to weaker demand in most international markets, particularly Europe and China. Revenue in North America grew over the prior year due to new products.
- EBIT margin percent, compared to the prior year, declined due to lower volume being offset by improved pricing and lower material costs.



Distribution Segment

Selected Financial Data

\$M	Q3-12	Q3-11	Change	Q2-12	Change
Sales	801	783	+2%	794	+1%
EBIT	99	104	-5%	92	+8%
% of Sales	12.4%	13.3%		11.6%	

- Organic revenue, compared to the prior year, was lower due to weaker power generation demand in Europe and Africa, along with mining markets in the United States and Australia.
- EBIT margin, compared to the prior year, was lower due to unfavorable currency movements, ongoing investment in our distribution capabilities, and expansion of our global footprint.



Guidance Change

\$	Engines	Power Generation	Distribution	Components	Eliminations
North America Truck	(200M)			(130M)	200M
Brazil	(100M)	(30M)			
Europe	(60M)	(40M)	(20M)	(10M)	
China	(50M)	(30M)		(20M)	
Mining Engines	(100M)		(50M)		
Oil & Gas	(20M)				
Other Markets	(150M)	(70M)	(80M)	(40M)	
Total	(680)	(170M)	(150M)	(200M)	200M
CMI Guidance Reduction: (\$1B)					

Guidance for 2012 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	\$17B
Earnings from Joint Ventures	Down 8%
EBIT Margin	13.5%
Effective Tax Rate	26.5% ¹
Capital Expenditures	\$650-700M
Global Pension Funding	\$130M

¹Excluding discrete income tax items



Guidance for 2012 Segment Results

<u>Item</u>	<u>Engine</u>	<u>Components</u>	<u>Power Generation</u>	<u>Distribution</u>
Consolidated Revenue Growth	Down 6%	Flat	Down 5%	Up 5%
EBIT Margins (% of Revenue)	11-11.5%	10.5-11%	9-9.5%	11.5-12%



Cash Flow

\$M	Q3-12	Q3-11	Q2-12
Operating Cash Inflow	390	624	376
Capital Expenditures	158	162	140
Working Capital Measure	3,613	3,302	3,567
Working Capital Measure (% of Annualized Net Sales)	21.9%	17.8%	20.0%
Debt to Capital %	10.5%	12.6%	11.0%

- Operating cash flow decreased, compared to the prior year, driven by lower accrued expenses and weaker earnings, partially offset by lower investment in working capital.



Thank You for Your Interest in



We Will Now Take Your Questions

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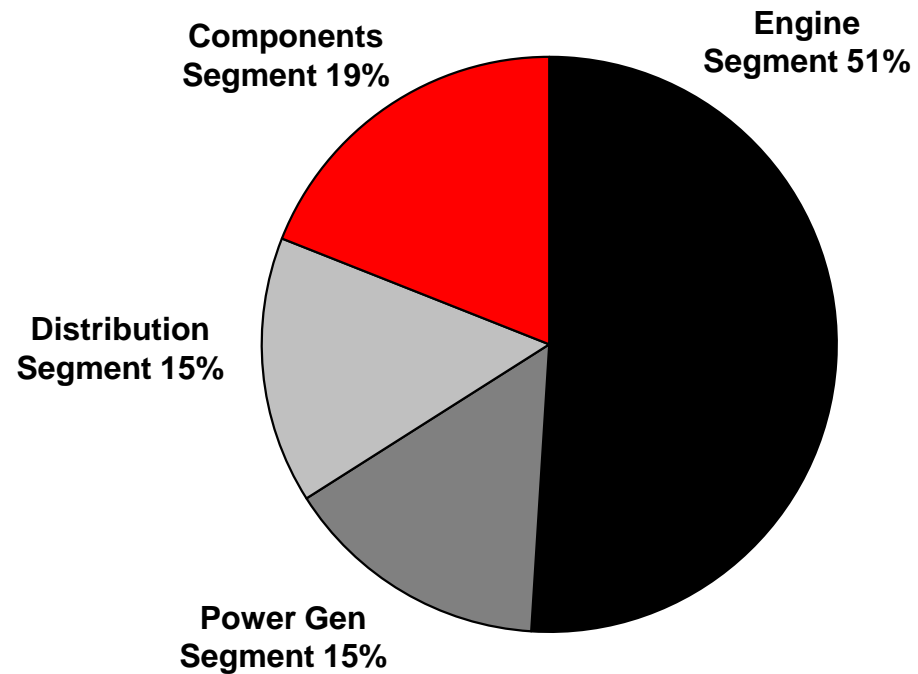
Appendix



Cummins Inc.

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

Q3'12 LTM Revenue by Segment



Q3'12 LTM Data

Sales: \$18.0 billion

EBIT¹: \$2.5 billion

EBIT margin: 13.9%

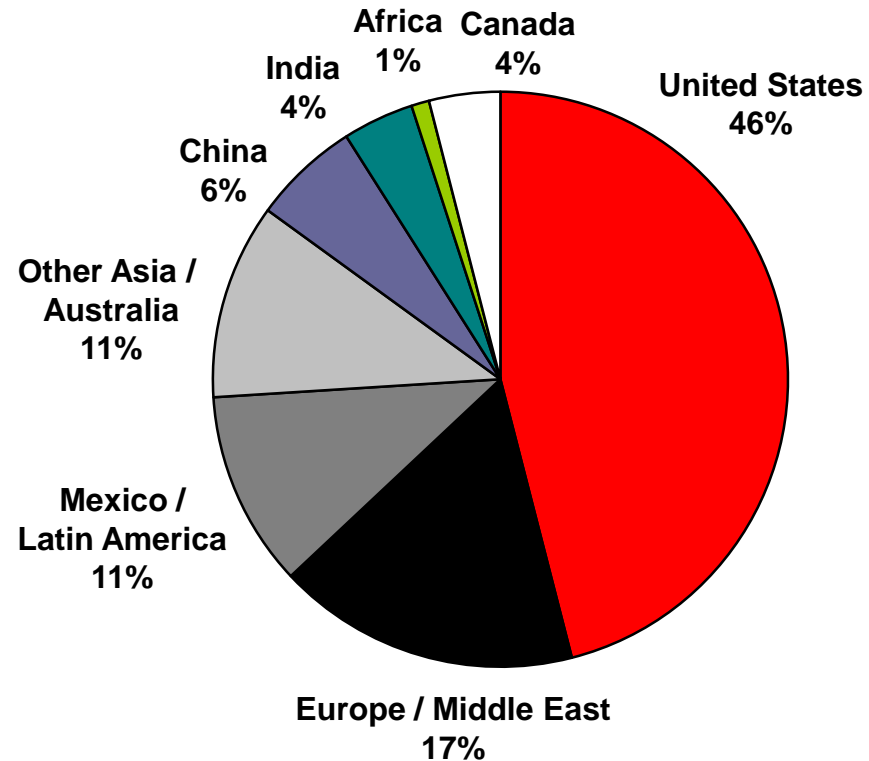
¹ EBIT excludes gains from the divestiture of two businesses and flood insurance recovery from 2011. Also, Q2'12 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011.



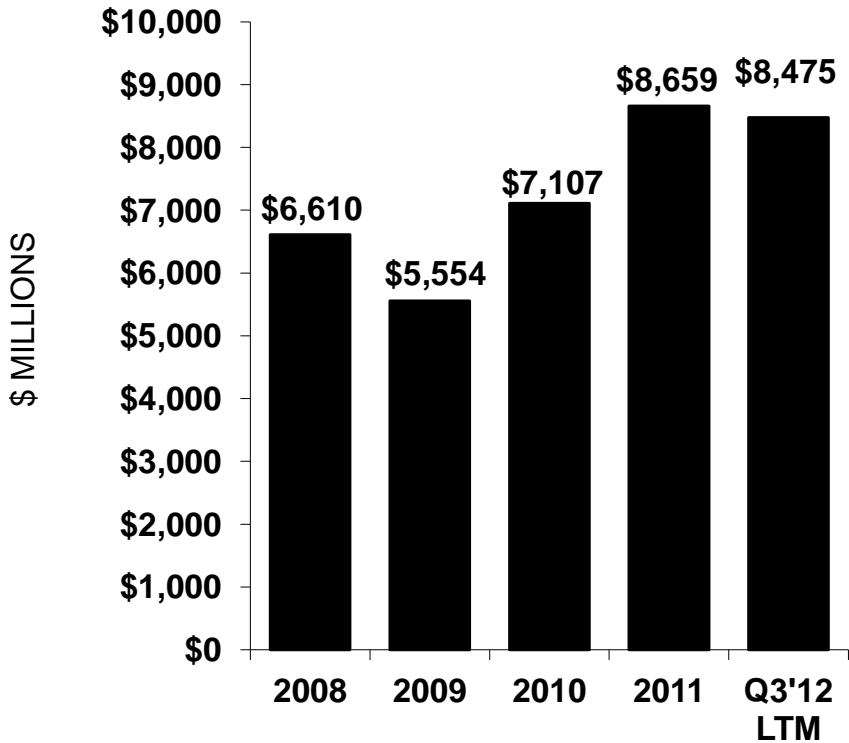
Cummins Inc.

- Strong geographic diversification and leadership across multiple end-markets

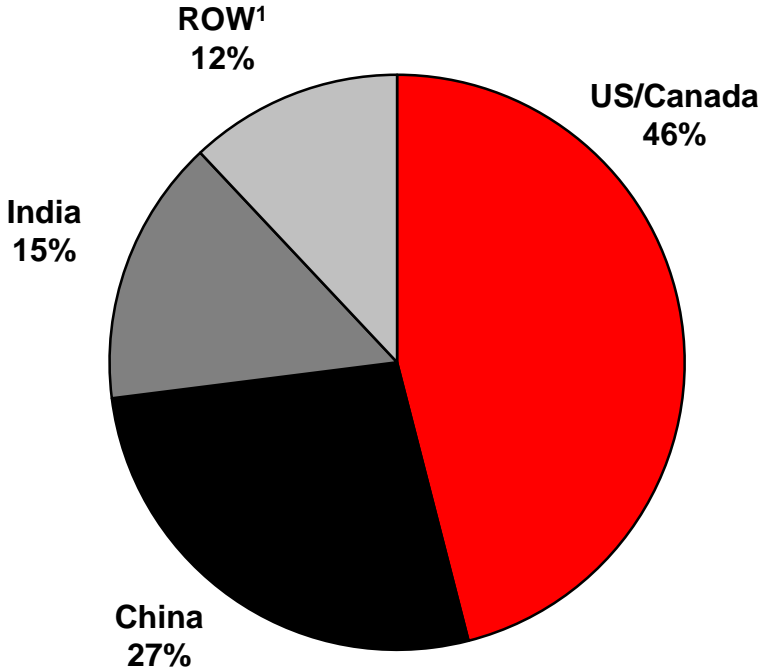
Q3'12 LTM Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



Q3'12 LTM Revenues



¹ ROW = Rest of World

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

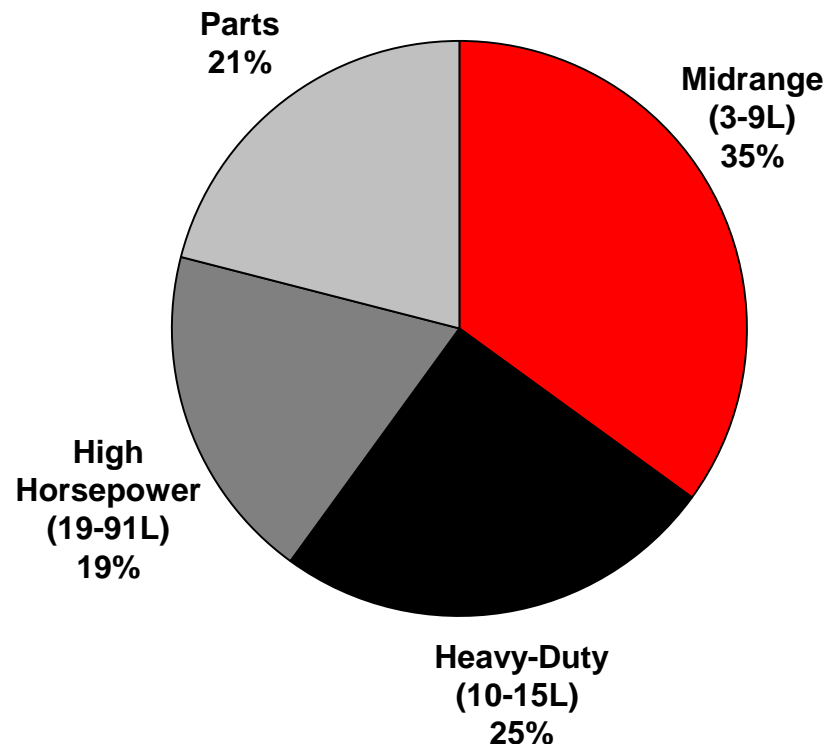
Q3'12 LTM Segment Data

Sales: \$11.3 billion

EBIT: \$1.4 billion

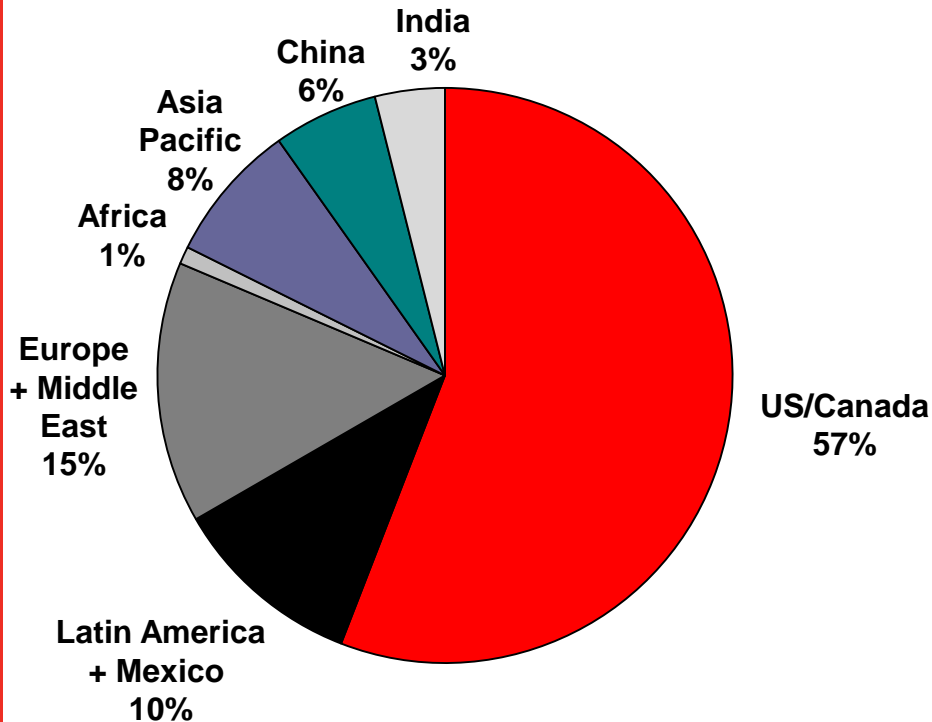
EBIT Margin: 12.1%

Q3'12 LTM Revenue by Product

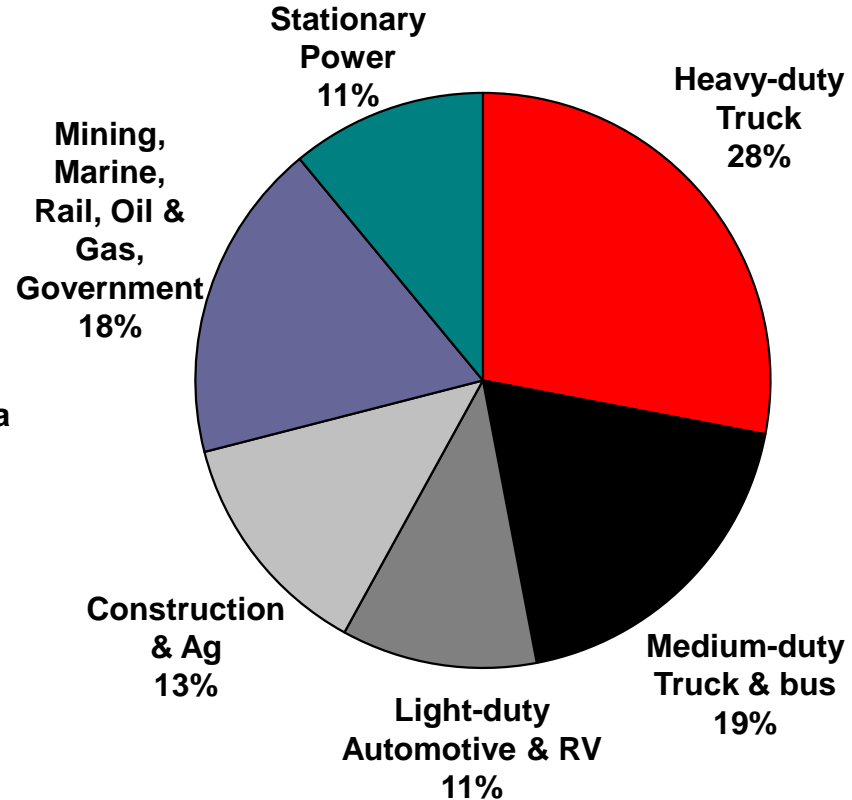


Engine Segment – Sales Mix

Geographic



Application

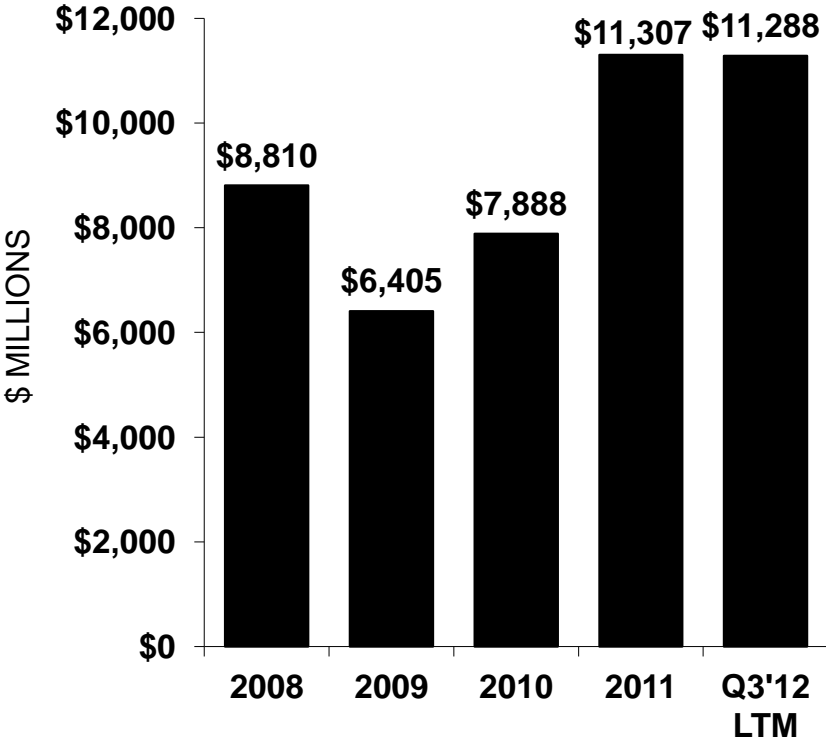


Q3'12 LTM Revenue: \$11.3B

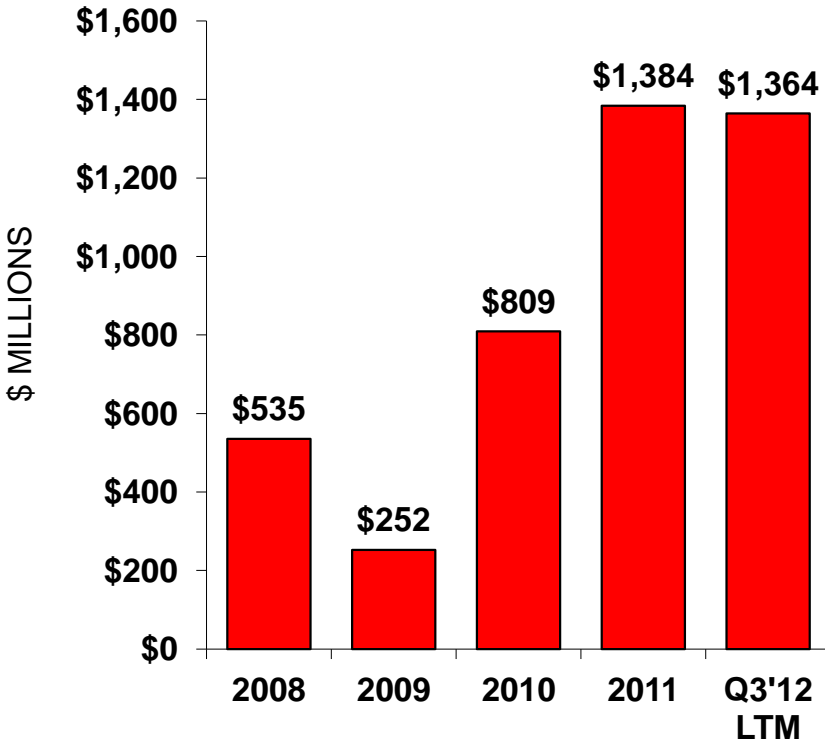


Engine Segment – Historical Performance

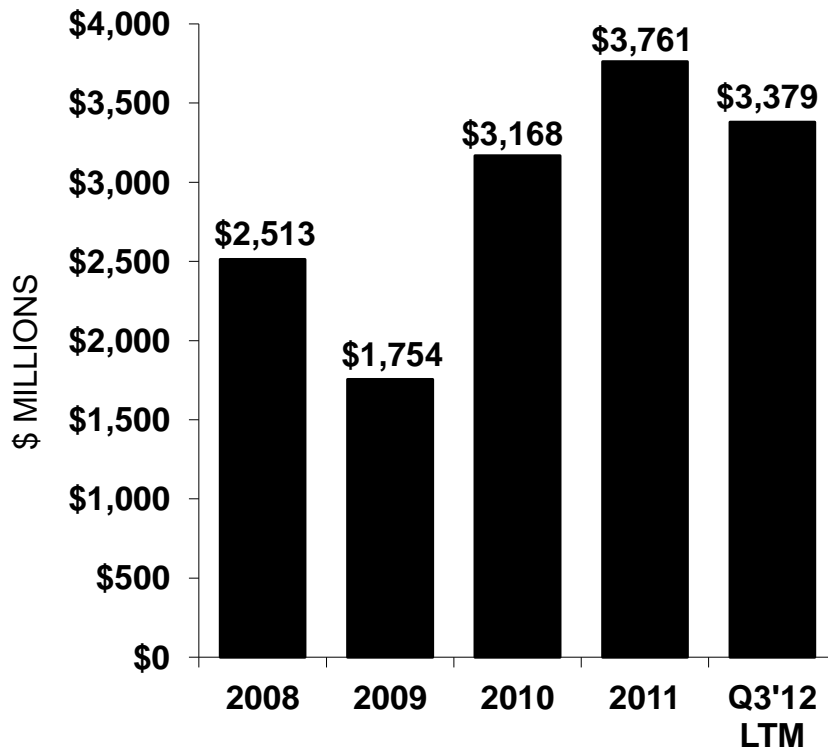
Sales



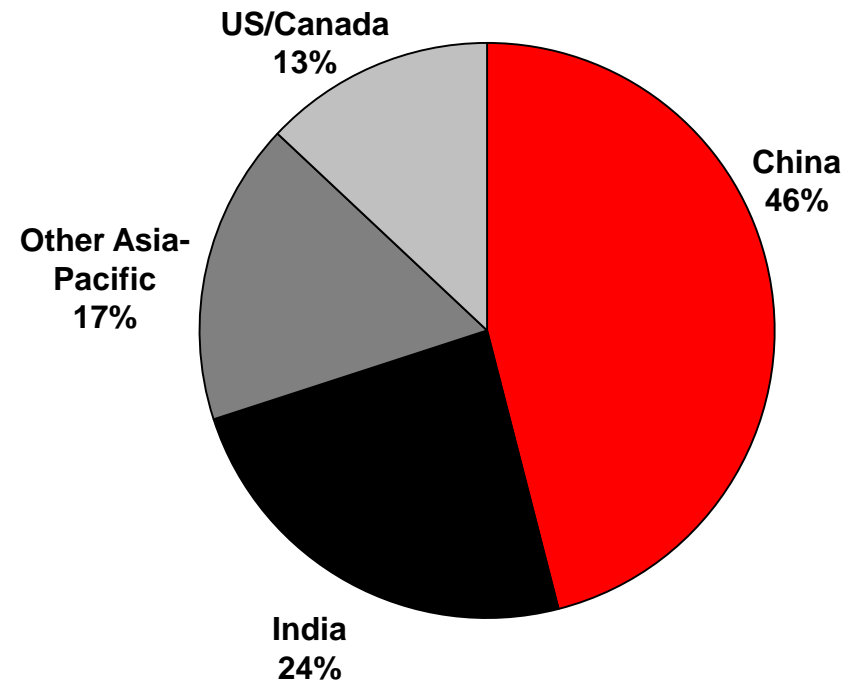
Segment EBIT



Engine Segment – Joint Venture Sales Unconsolidated



Q3'12 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

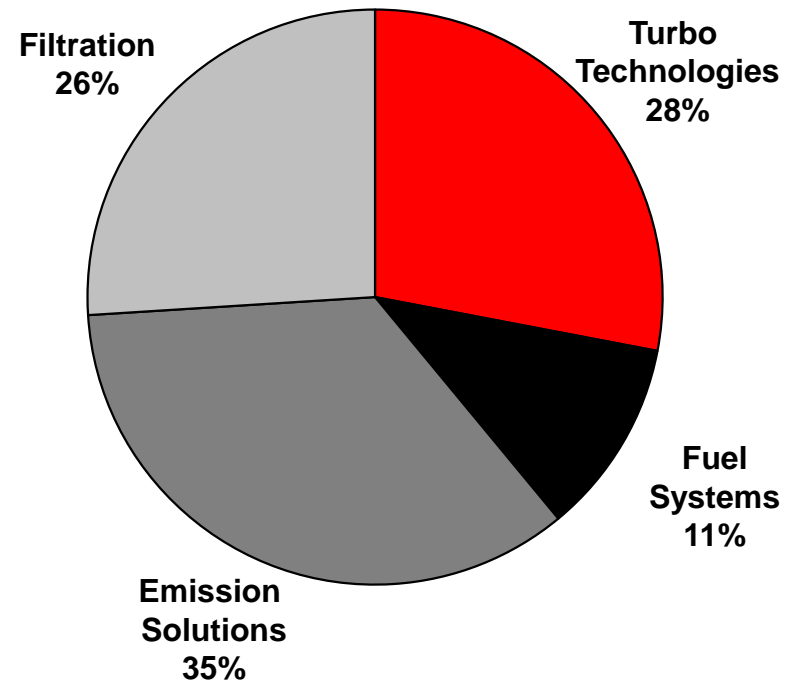
Q3'12 LTM Segment Data

Sales: \$4.2 billion

EBIT: \$480 million

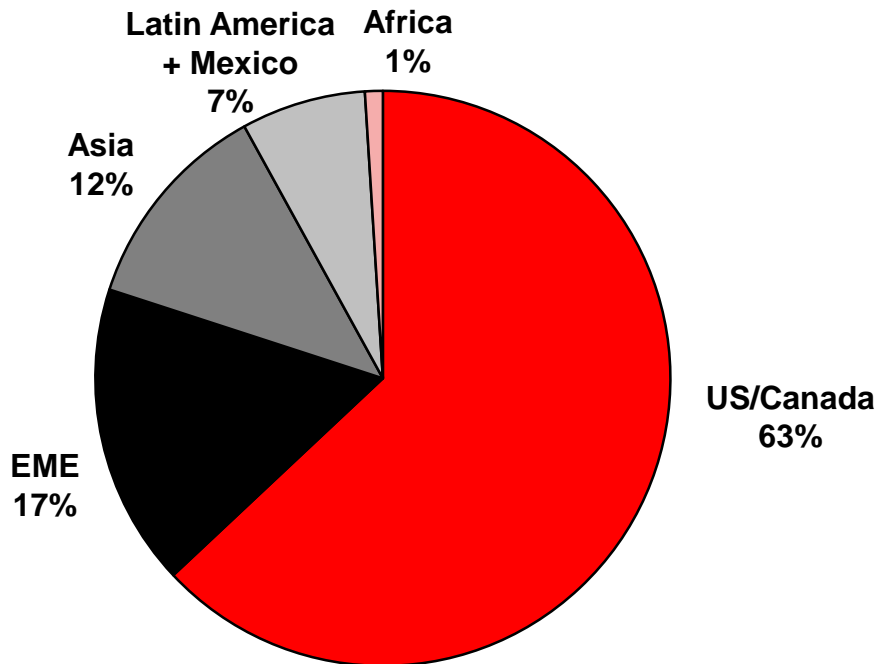
EBIT Margin: 11.5%

Q3'12 LTM Revenue by Business

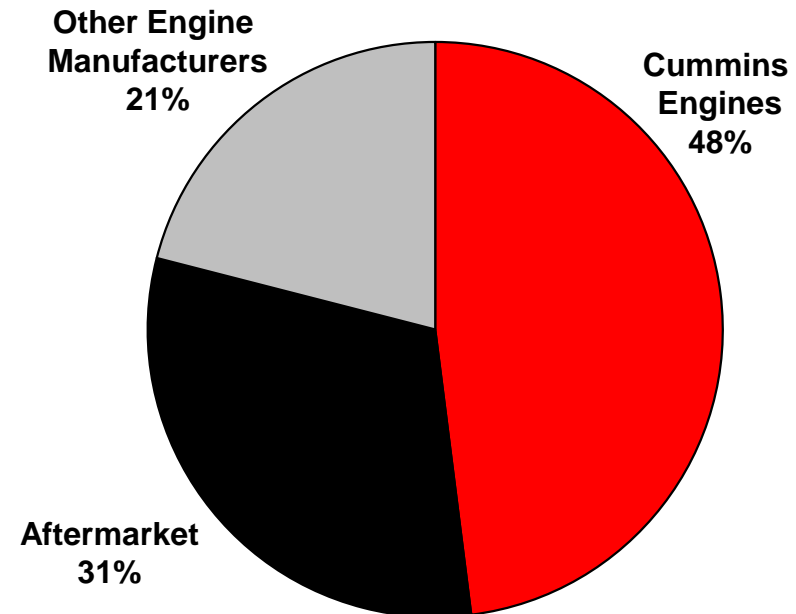


Components Segment – Sales Mix

Geographic



Application

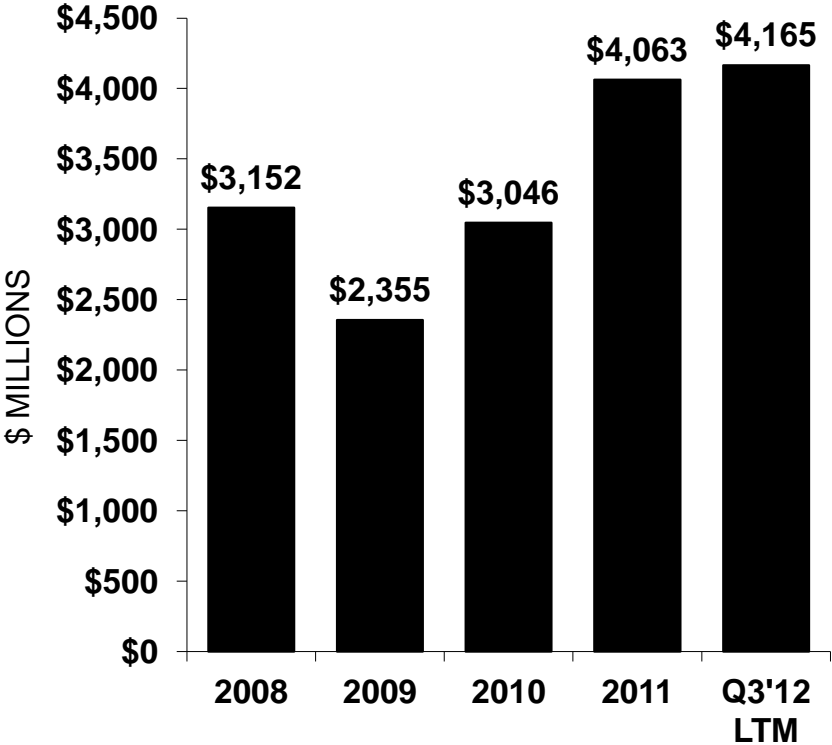


Q3'12 LTM Revenue: \$4.2B

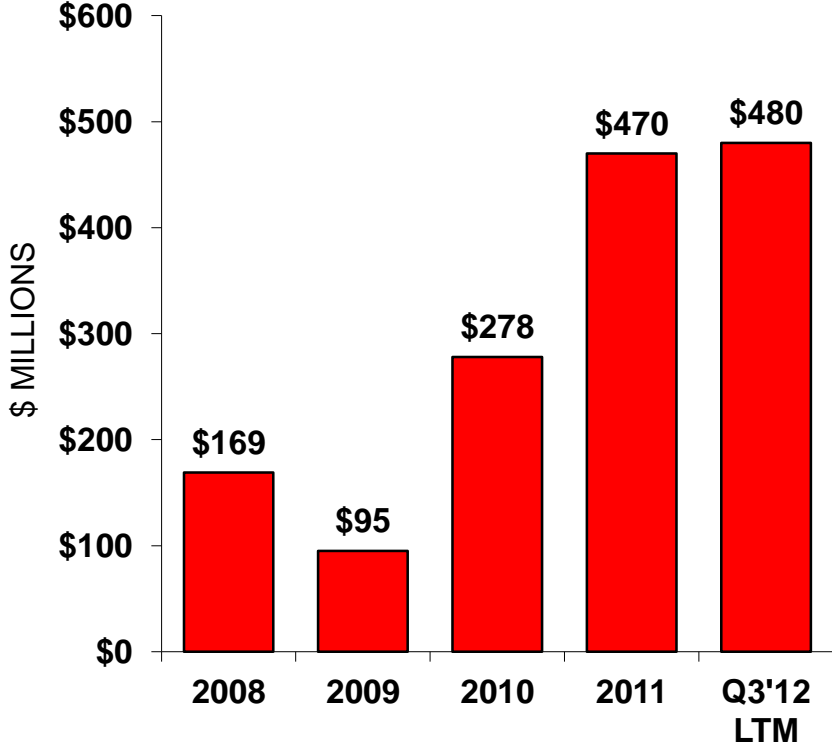


Components – Historical Performance

Sales



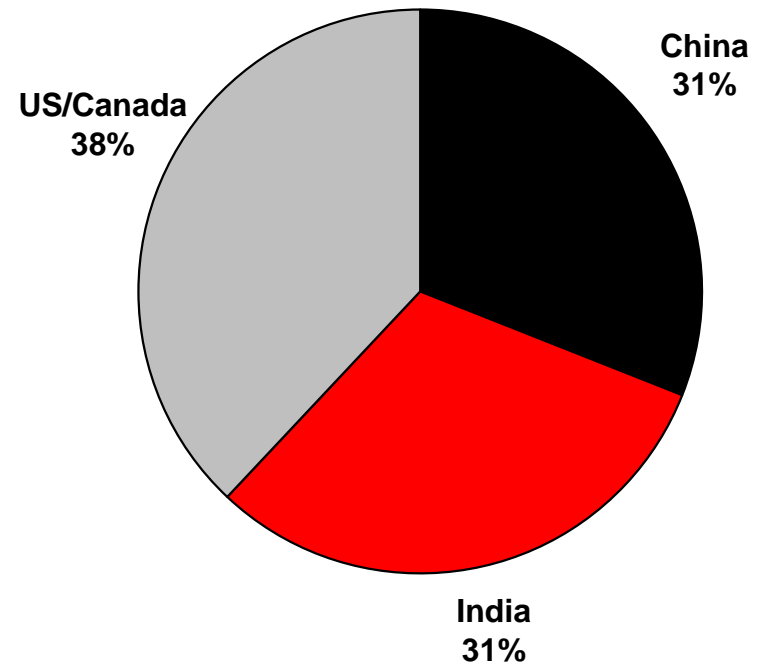
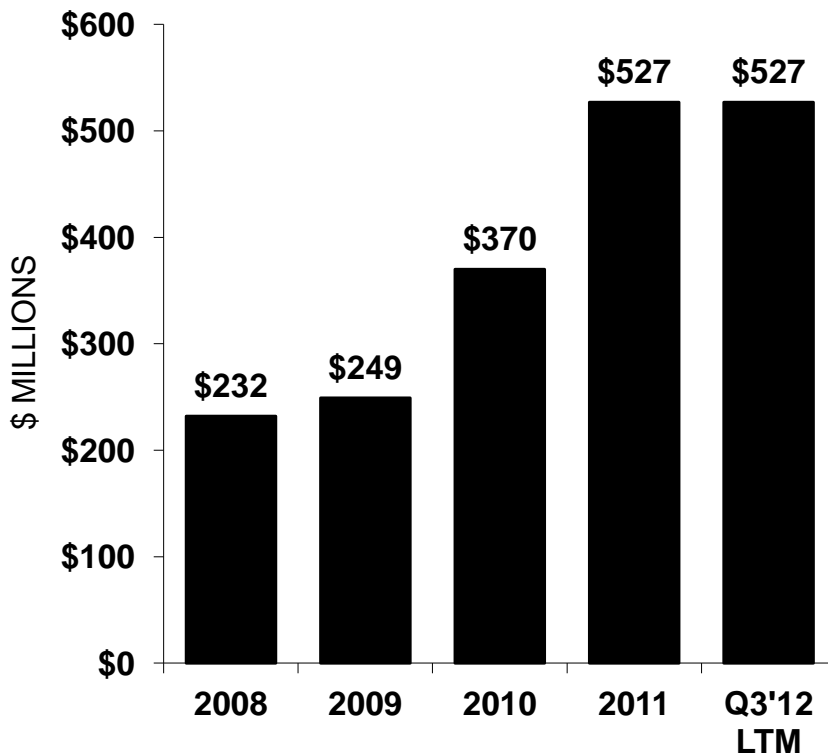
Segment EBIT¹



¹ 2011 EBIT and Q3'12 LTM excludes \$121 million and \$59 million pre-tax gain, respectively, from the divestiture of two businesses in 2011.

Components Segment – Joint Venture Sales Unconsolidated

Q3'12 LTM Revenues



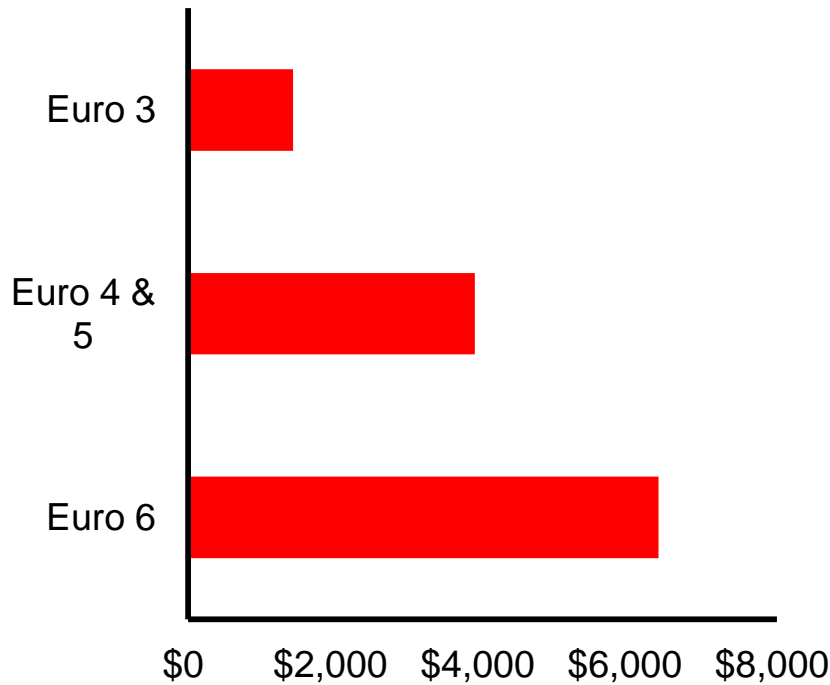
Global Emissions Regulations - Driving Growth

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

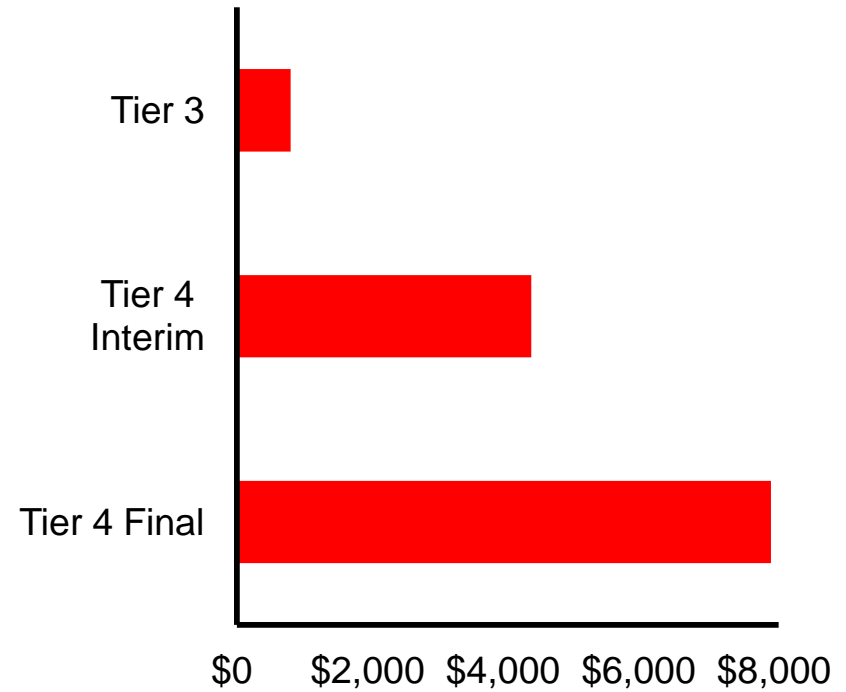


Regulations Drive Increased Content

On-highway



Off-highway



Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 5 kW to 2,750 kW
- Leading supplier of alternators from 0.6kVA to 30,000 kVA
- Leading market share in multiple geographies

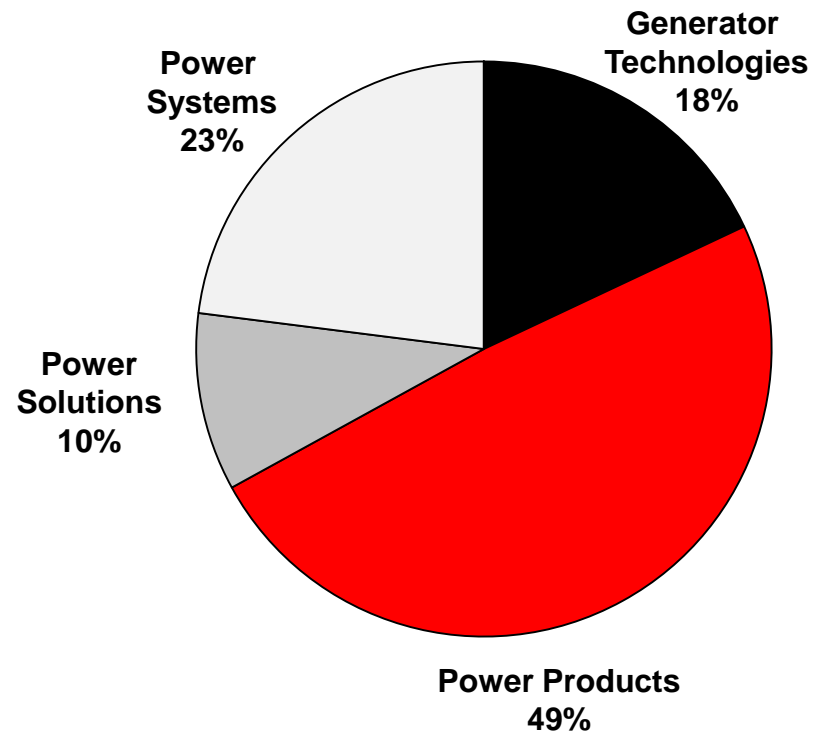
Q3'12 LTM Segment Data

Sales: \$3.4 billion

EBIT: \$330 million

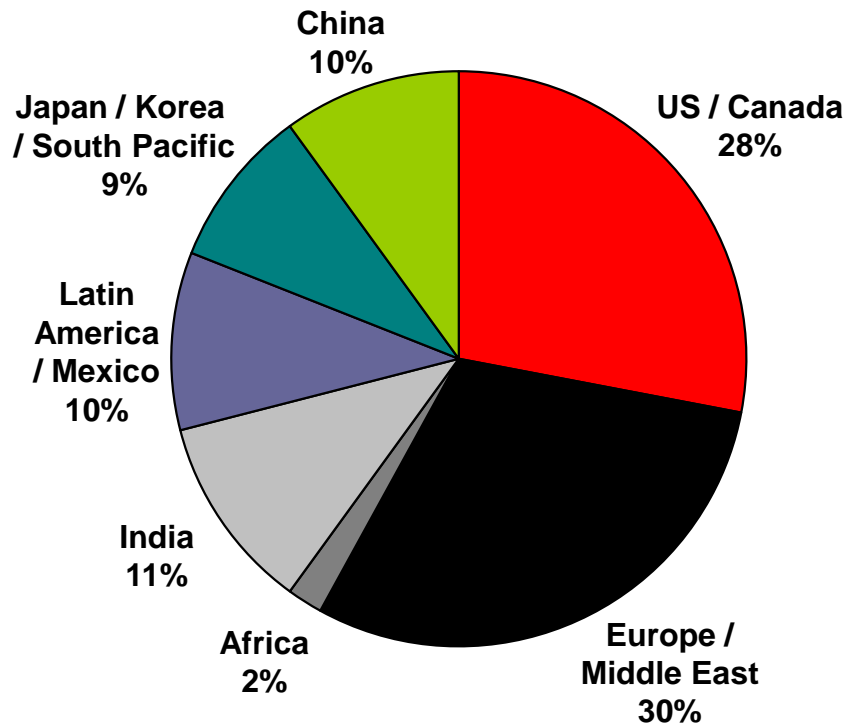
EBIT Margin: 9.6%

Q3'12 LTM Revenue by Product



Power Generation Segment – Sales Mix

Geographic



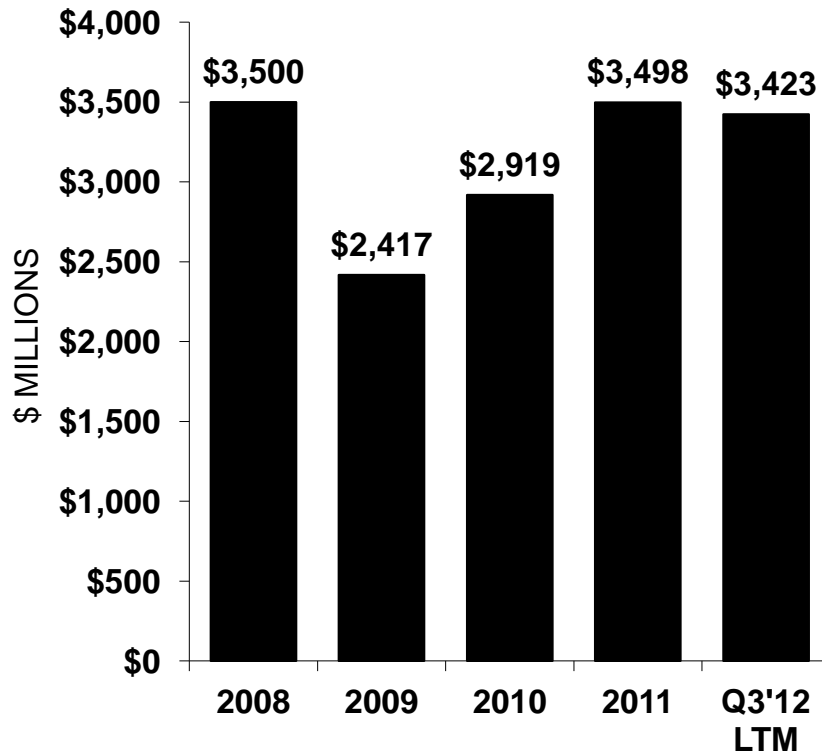
- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

Q3'12 LTM Revenue: \$3.4B

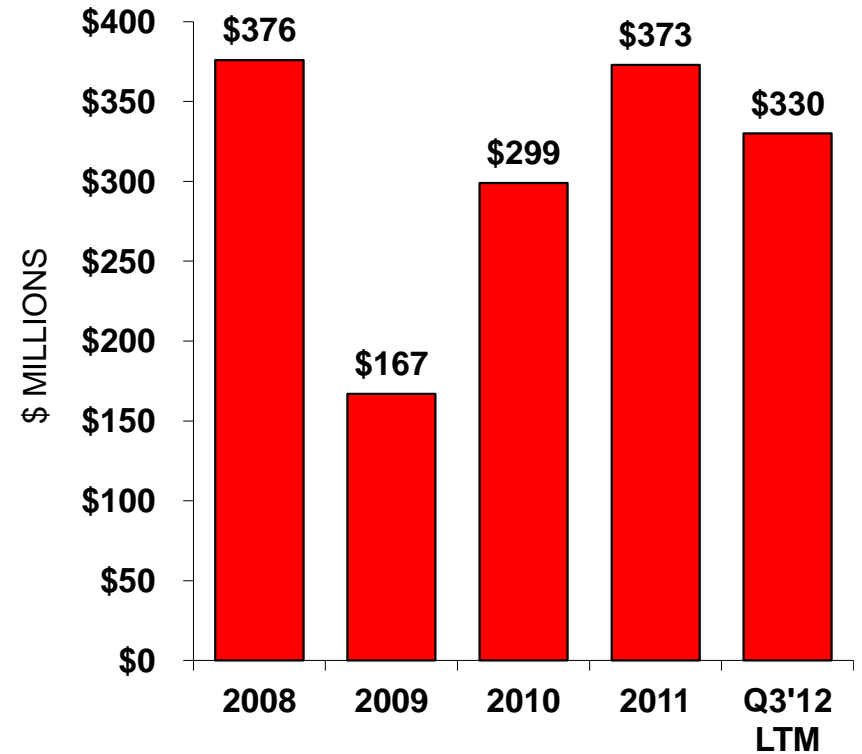


Power Generation – Historical Performance

Sales

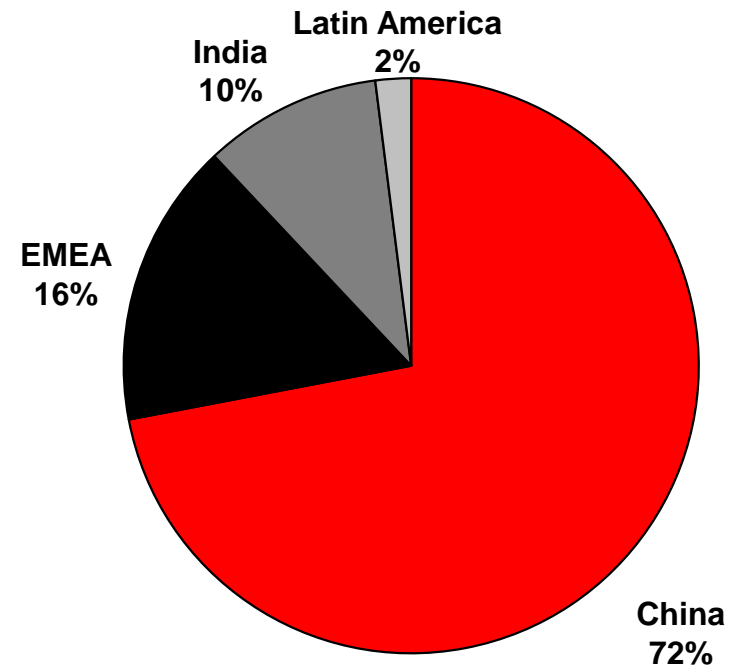
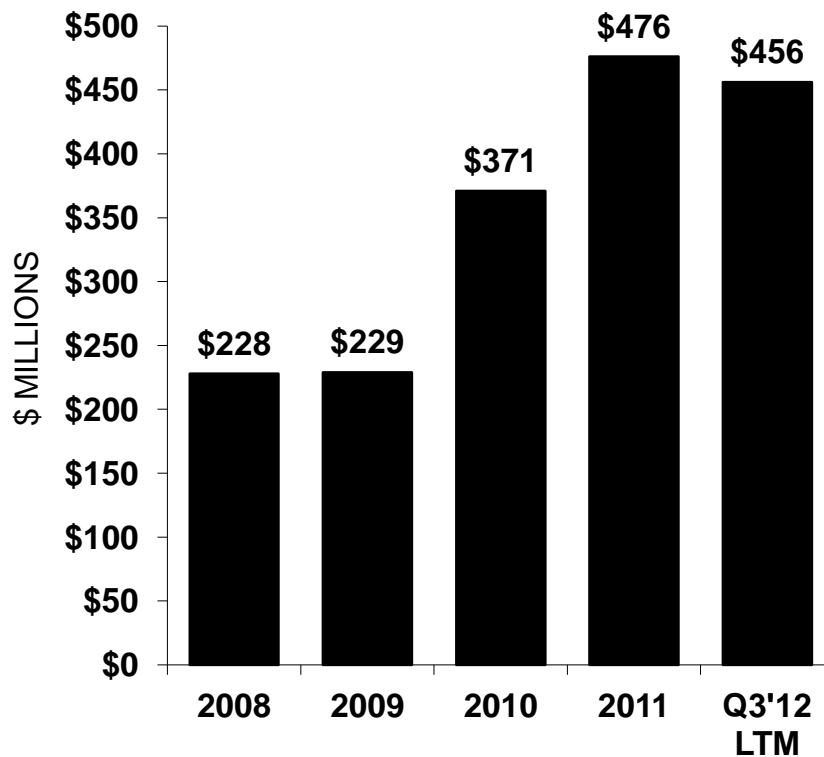


Segment EBIT



Power Generation Segment – Joint Venture Sales Unconsolidated

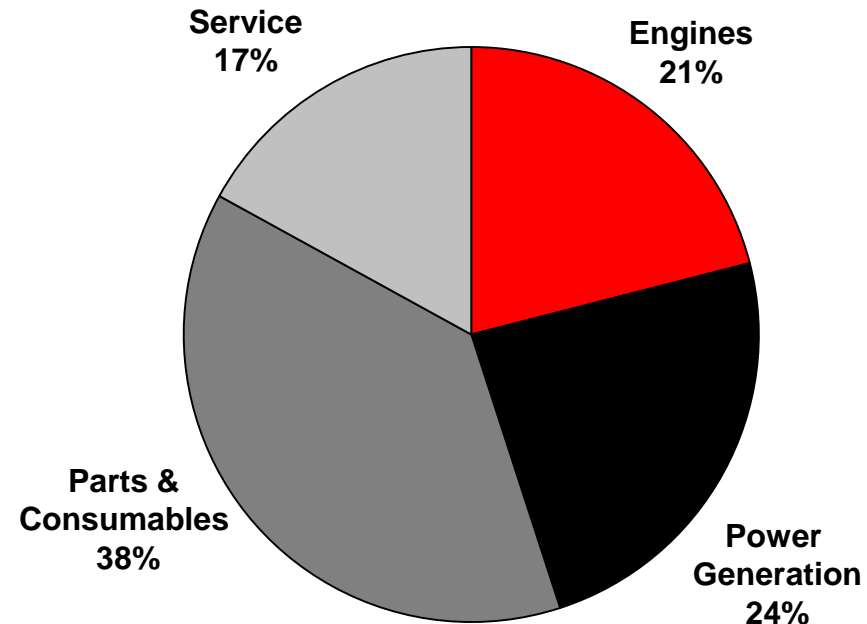
Q3'12 LTM Revenues



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

Application



Q3'12 LTM Segment Data

Sales: \$3.2 billion

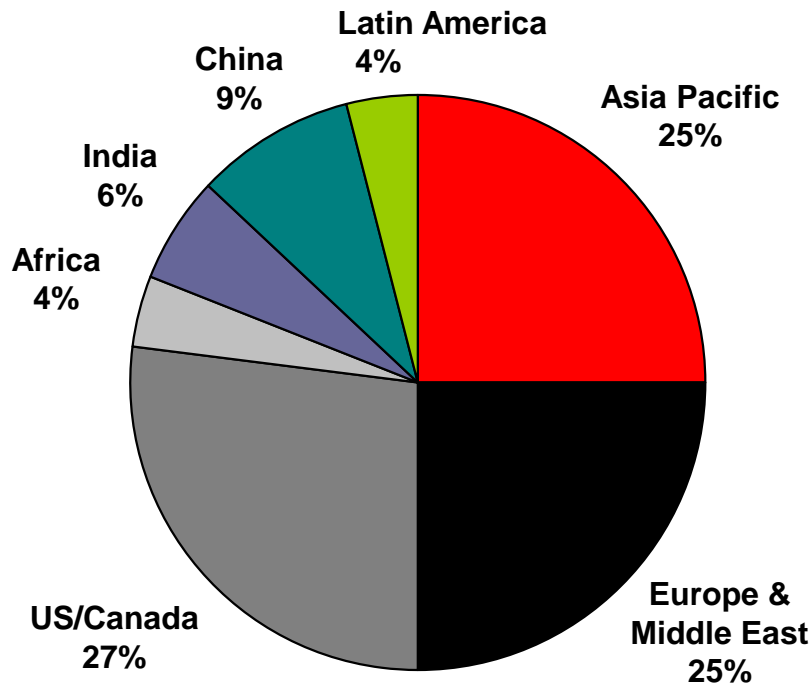
EBIT: \$372 million

EBIT Margin: 11.6%



Distribution Segment – Sales Mix

Geographic



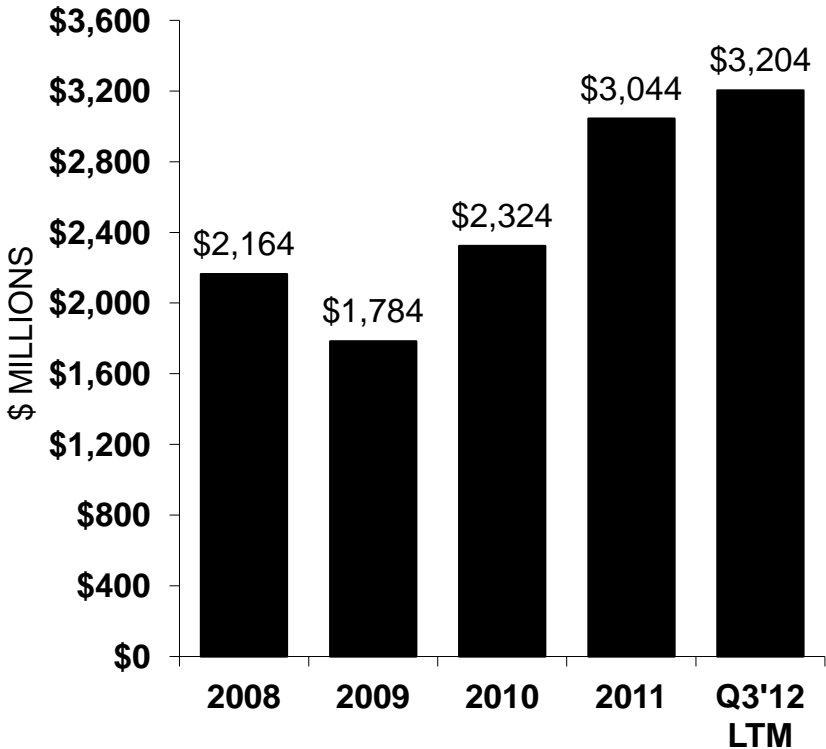
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

Q3'12 LTM Revenue: \$3.2B

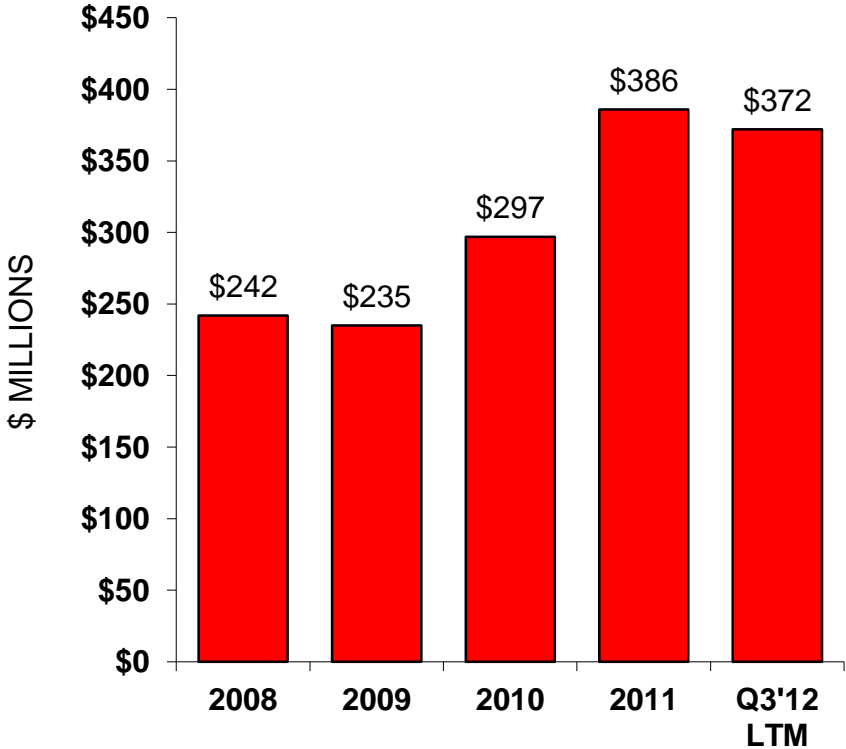


Distribution – Historical Performance

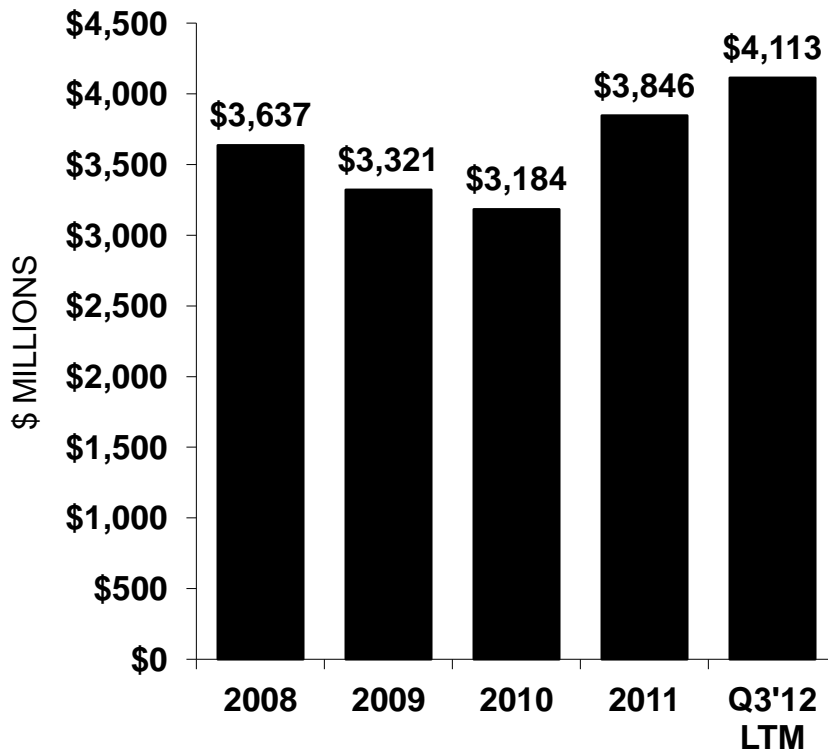
Sales



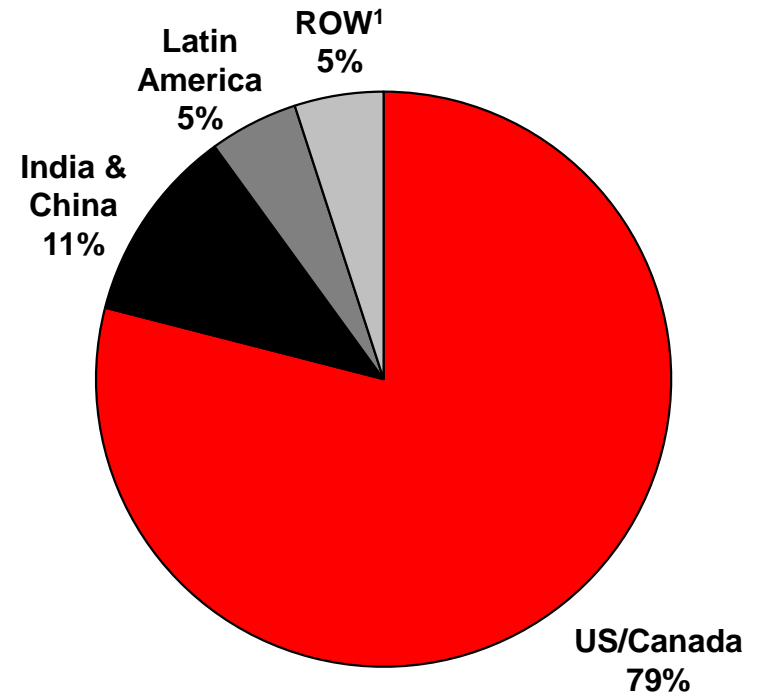
Segment EBIT



Distribution Segment – Joint Venture Sales Unconsolidated



Q3'12 LTM Revenues

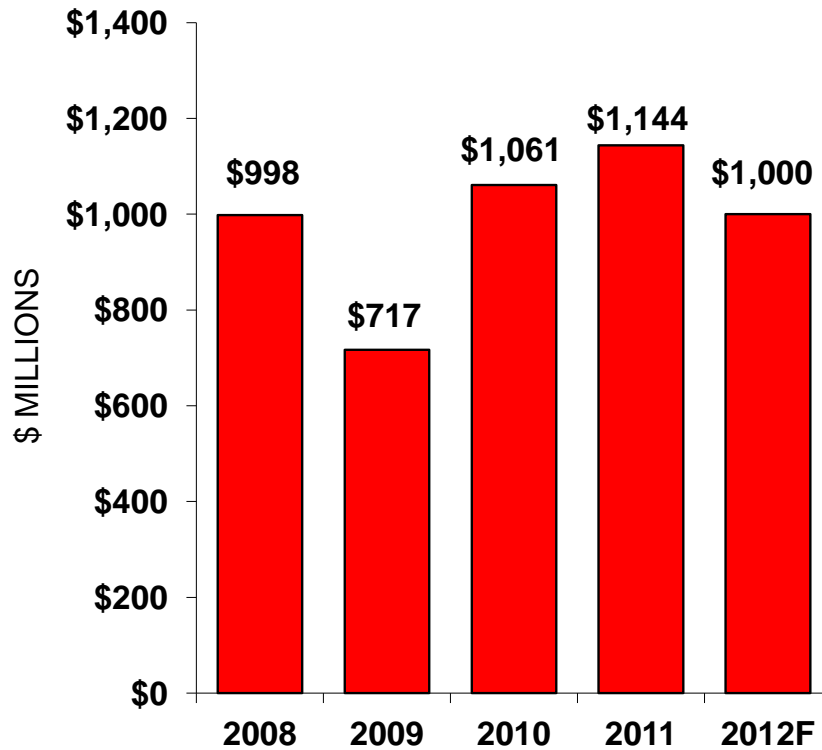


¹ ROW = Rest of World

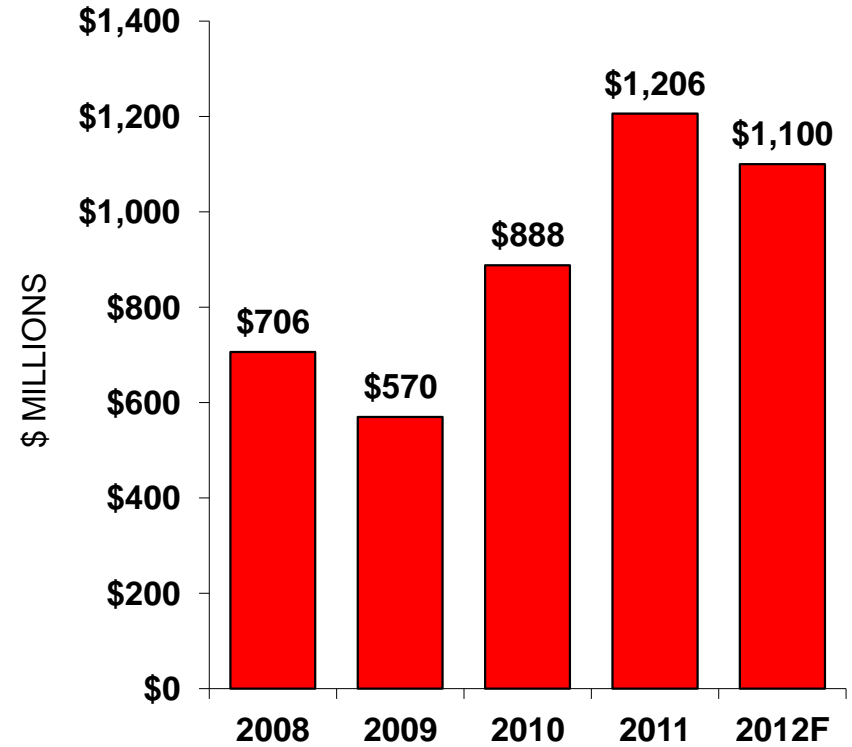


India – Historical Performance

Consolidated Sales¹



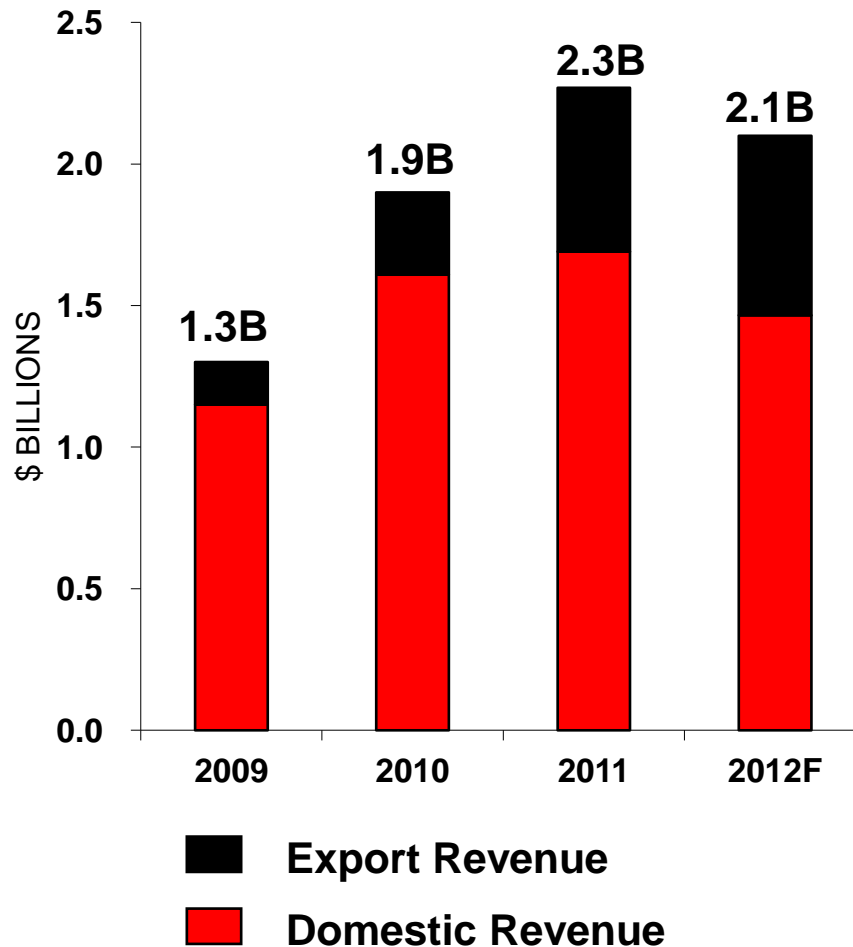
Joint Venture Sales Unconsolidated



¹ Before intercompany eliminations. Figures also include exports.



Emerging Markets – India¹



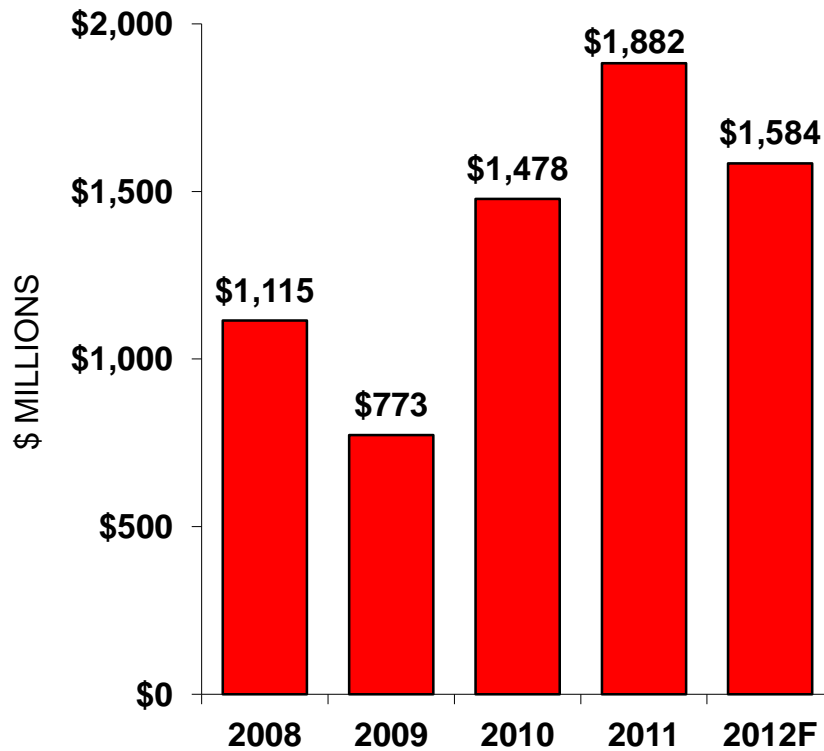
- Growing with Tata
- Leadership in Industrial and Power Gen
- Expanding our markets

¹Consolidated + Unconsolidated Revenue

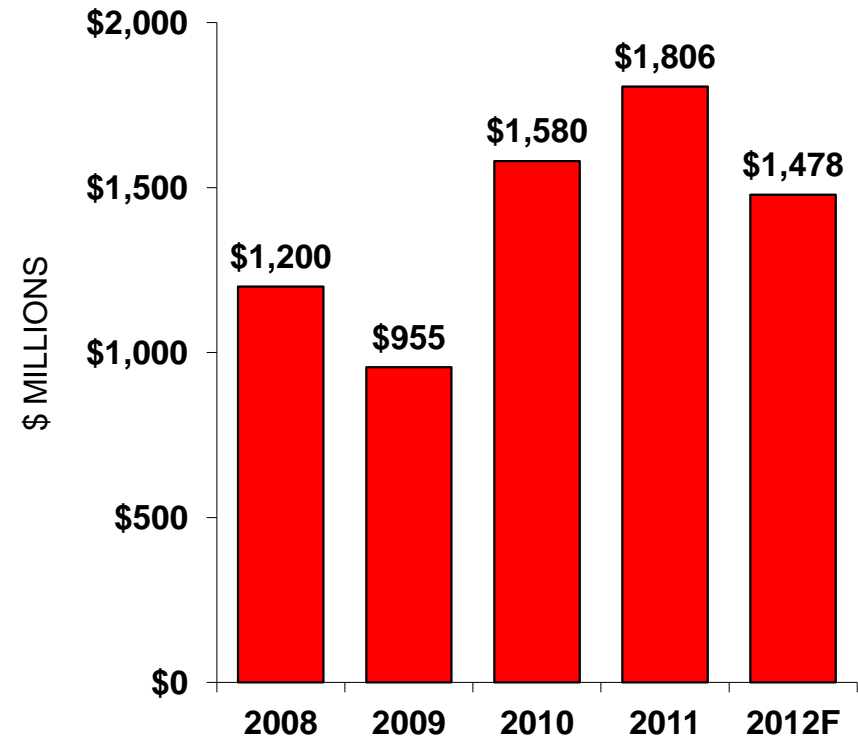


China – Historical Performance

Consolidated Sales¹



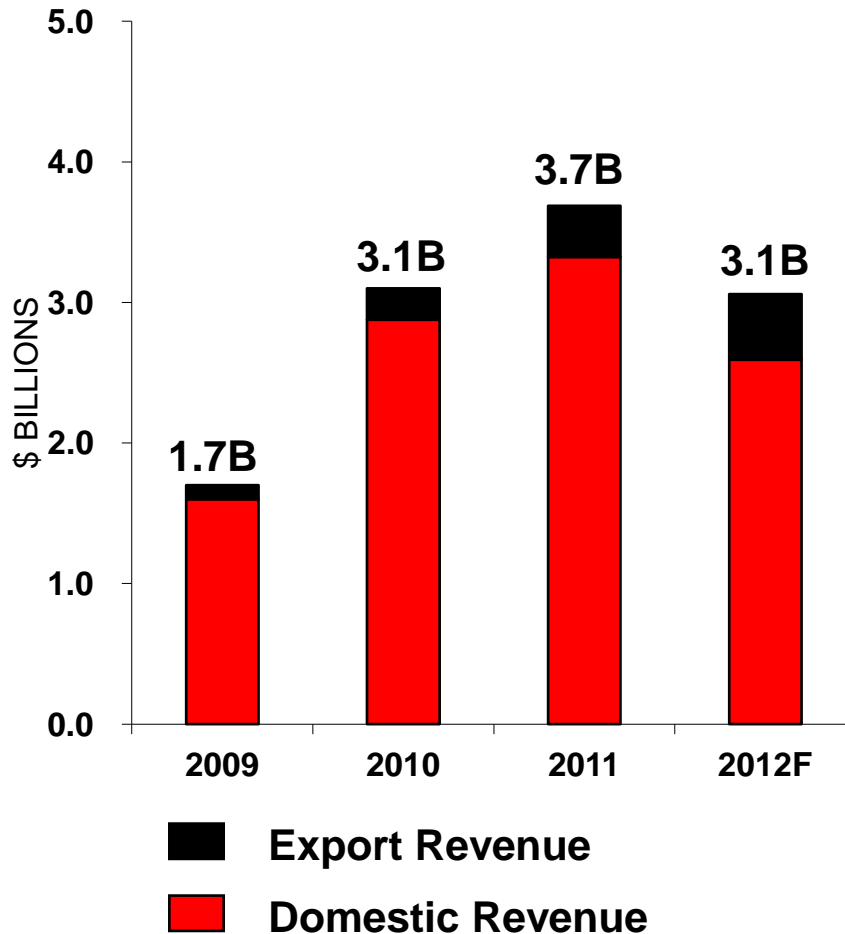
Joint Venture Sales Unconsolidated



¹Before intercompany eliminations. Figures also include exports



Emerging Markets – China¹



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



¹Consolidated + Unconsolidated Revenue

Non-GAAP Reconciliations



Non-GAAP Reconciliation – EBIT

Millions	<u>Three Months Ended</u>		
	September 30, 2012	July 1, 2012	September 25, 2011
EBIT excluding gain on sale of businesses	\$ 496	\$ 663	\$ 640
Add: Gain on sale of businesses	0	6	0
Total EBIT	<u>496</u>	<u>669</u>	<u>640</u>
Less: Interest expense	9	8	11
Income before income taxes	<u>487</u>	<u>661</u>	<u>629</u>
Less: Income tax expense	117	166	157
Consolidated net income	<u>370</u>	<u>495</u>	<u>472</u>
Less: Net income attributable to noncontrolling interests	18	26	20
Net Income attributable to Cummins Inc.	<u>352</u>	<u>469</u>	<u>452</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	September 30, 2012	July 1, 2012	September 25, 2011
Accounts and notes receivable, net	\$ 2,503	\$ 2,620	\$ 2,666
Inventories	2,570	2,581	2,295
Less Accounts payable – trade	<u>(1,460)</u>	<u>(1,634)</u>	<u>(1,659)</u>
Working capital measure	<u>\$ 3,613</u>	<u>\$ 3,567</u>	<u>\$ 3,302</u>
Working capital measure (% of Annualized Net Sales)	21.9%	20.0%	17.8%

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



Non-GAAP Reconciliation – Net Assets

Millions	September 30, 2012	July 1, 2012	September 25, 2011
Net assets for operating segments	<u>\$ 8,111</u>	<u>\$ 7,815</u>	<u>\$ 6,918</u>
Liabilities deducted in computing net assets	4,686	4,719	4,798
Pensions and other post retirement liabilities	(764)	(899)	(805)
Deferred tax assets not allocated to segments	356	509	402
Debt related costs not allocated to segments	<u>25</u>	<u>25</u>	<u>25</u>
Total assets	<u>\$ 12,414</u>	<u>\$ 12,169</u>	<u>\$ 11,338</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	September 30, 2012	July 1, 2012	September 25, 2011
Equity used for return on equity calculation ¹	<u>\$ 7,172</u>	<u>\$ 6,806</u>	<u>\$ 5,817</u>
Defined benefit post retirement plans	<u>(694)</u>	<u>(703)</u>	<u>(606)</u>
Total shareholders equity	6,478	6,103	5,211
Noncontrolling interest	<u>356</u>	<u>334</u>	<u>333</u>
Total Equity	<u>\$ 6,834</u>	<u>\$ 6,437</u>	<u>\$ 5,544</u>

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

¹Q2'12 Equity includes \$4M of gain on 2011 divestitures (net of tax) .

