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Cummins Well Positioned to Emerge from Recession Stronger Than Ever, Chairman and CEO Tim Solso Tells Shareholders

COLUMBUS, Ind.--(BUSINESS WIRE)-- Despite the current global recession, the Company is taking aggressive actions to ensure that its long-term profitable growth resumes once the economic recovery begins, Cummins Inc. Chairman and Chief Executive Officer Tim Solso told shareholders today at the Company's annual meeting.

Speaking from the Columbus Engine Plant, Solso told shareholders that Cummins (NYSE: CMI) is preparing for little or no global economic growth through the end of 2010, but that the Company expects to remain profitable and generate positive cash flow throughout the recession.

"We have reacted more quickly and decisively in this recession than in any of the previous five recessions I have experienced in my nearly 40 years at Cummins," Solso said. "We entered this recession in the best financial shape in our history, and our actions to reduce costs, manage our cash and invest strategically in key future products give us confidence that we will emerge a stronger company."

Solso briefly recapped the Company's 2008 performance - Cummins' fifth consecutive year of record sales and profits - and discussed in detail the Company's response to the global recession, which has significantly affected its markets around the world.

Solso reaffirmed that Cummins expects its sales to decrease slightly more than 30 percent this year from 2008. Earnings Before Interest and Taxes are expected to be approximately 5 percent of sales, excluding restructuring charges associated with workforce reductions announced early this year.

Solso said Cummins' priorities for managing through the recession are:

- Align costs and manufacturing capacity with the real demand for its products.
- Manage cash to ensure positive cash flow.
- Continue to make key strategic investments in technology, especially investments associated with the Company's 2010 product launch in North America.

The Company already has taken significant steps in the last several months to lower its cost structure and improve cash flow, including:

- Implementing its "rings of defense" cost reduction strategy at manufacturing locations worldwide to align costs with lower demand.
- Cutting 7,800 jobs since October 2008, including 1,450 salaried employees, 3,600 hourly employees and 2,750 contract and temporary workers.
- Cutting pay 10 percent for corporate officers and board members, and eliminating merit raises across the Company for 2009.
- Reducing Selling, Administrative and Research and Development expenses by nearly \$120 million from their peak in the third quarter 2008.
- Reducing capital spending by 70 percent in the first quarter 2009, from the previous quarter.
- Reducing inventory significantly since the end of the third quarter 2008.

"We are planning for this recession to be broader, deeper and longer than any we have seen in the past, but we remain confident in the future prospects for the Company," Solso said. "Our technical leadership, global footprint and the long-range trends around energy availability, environmental regulations and global infrastructure development all play to our strengths."

Solso also recognized former Cummins Vice Chairman Joe Loughrey for his contributions to Cummins. Loughrey retired in March after more than 35 years with the Company.

"Joe has made an enormous positive impact on Cummins during his career, especially in the last decade when he was instrumental in the Company's turnaround," Solso said. "We have been partners for most of my career at Cummins and he will be missed."

In the business portion of the meeting, Cummins shareholders voted to:

- Elect the eight Cummins directors standing for election to the Board for another year, and elect Cummins President and Chief Operating Officer Tom Linebarger, who joins the Board today;
- Ratify the selection of PriceWaterhouse Coopers LLC as the Company's external auditing firm;
- Amend the 2003 Stock Incentive Plan to increase the number of performance-based stock grants available under the plan;
- Reapprove performance measures used in the Company's 2003 Stock Incentive and cash-based Senior Executive Bonus and Long-Term Performance Plans;
- Defeat a shareholder proposal calling on the Company to take steps to adhere to the conventions of the International Labor Organization.

Also today, the Board declared a quarterly common stock cash dividend of 17.5 cents per share, payable June 1, 2009 to shareholders of record on May 22, 2009.

Board members selected

The Board members elected today are:

- Tim Solso, Chairman and Chief Executive Officer, Cummins Inc. (first

- elected to the board in 1994)
- Tom Linebarger, President and Chief Operating Officer, Cummins Inc. (newly elected)
 - Robert Bernhard, Vice President for Research, University of Notre Dame (2008)
 - Robert Darnall, Retired Chairman and CEO, Inland Steel (1989)
 - Robert Herdman, Managing Director, Kalorama Partners LLC (2008)
 - Alexis M. Herman, Chairman and CEO, New Ventures Inc. (2001)
 - William I. Miller, Chairman, Irwin Financial Corp. (1989)
 - Georgia R. Nelson, President and CEO, PTI Resources LLC (2004)
 - Carl Ware, Retired Executive Vice President Coca-Cola Co. (2004)

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.

Source: Cummins Inc.