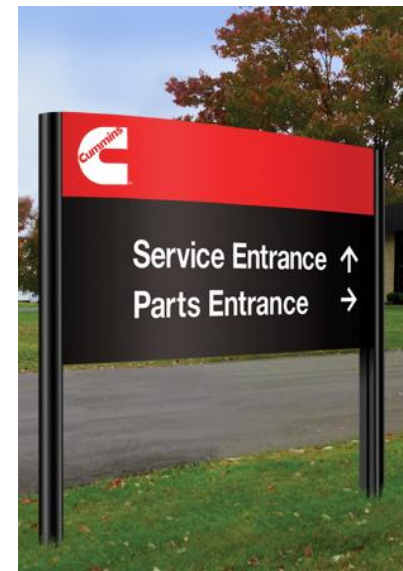




# Fourth Quarter 2013 Earnings Teleconference

February 06, 2014



# Participants

Tom Linebarger     Chairman and Chief Executive Officer

Pat Ward             Chief Financial Officer

Rich Freeland        President – Engine Business

Mark Smith            Executive Director – Investor Relations

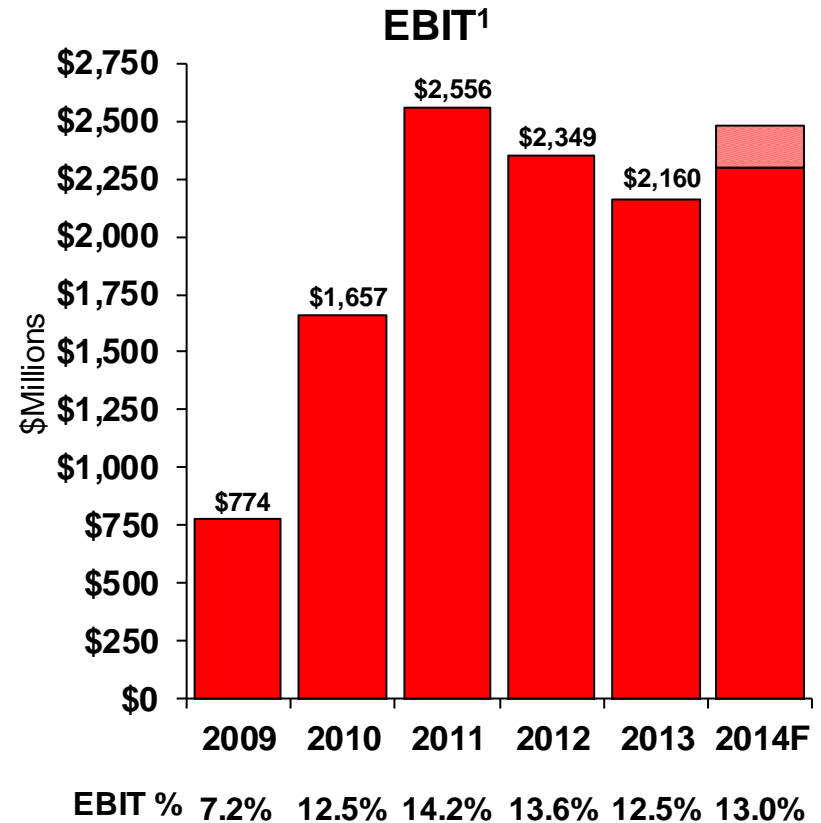
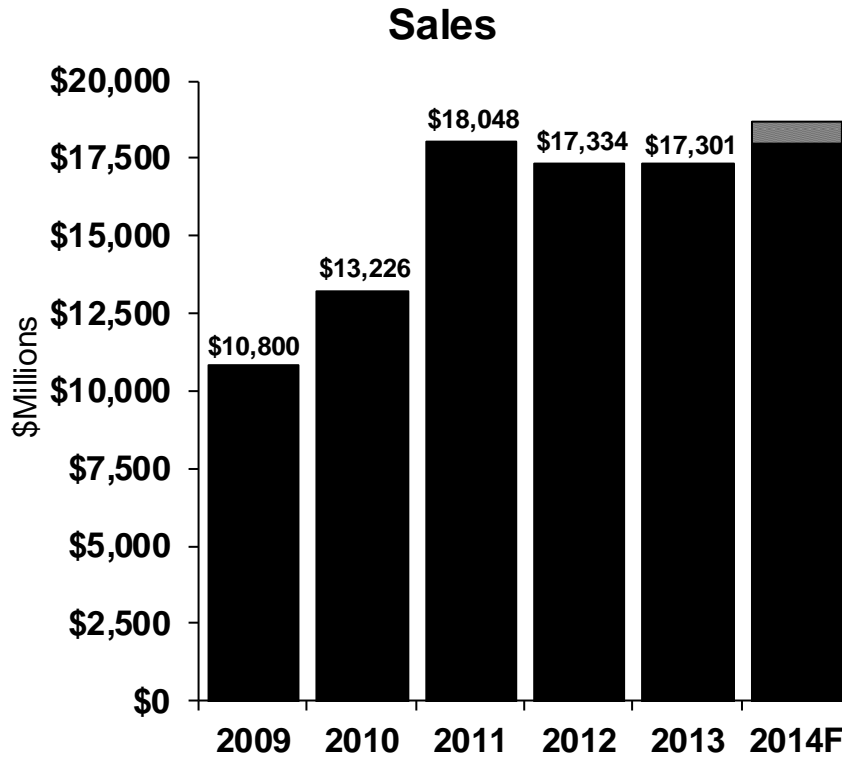


# Disclosure Regarding Forward-Looking Statements

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, particularly in the Risk Factors section of our 2012 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.



2014 Guidance	
Sales up 4 - 8%	EBIT 12.75 - 13.25%

<sup>1</sup> EBIT excludes restructuring charges in 2009, and the gains from the divestiture of two businesses and flood insurance recovery are excluded from 2011. Also, 2012 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011, and excludes \$52 million in restructuring charges.



# Cummins Inc.

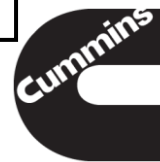
## Selected Financial Data

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Sales	4,588	4,292	+7%	4,266	+8%
EBIT Excluding Special Items <sup>1</sup>	566	532	+6%	536	+6%
% of Sales	12.3%	12.4%		12.6%	
ROANA (LTM) <sup>2</sup>	23%	30%		24%	
ROE (LTM) <sup>2</sup>	19%	25%		19%	

- Compared to the prior year, the increase in revenue was driven by growth in our Components business along with the impact of acquisitions in our Distribution segment.
- Quarter-over-quarter increases were driven largely by increased power generation demand in North America and strong truck and construction demand in Europe ahead of the Tier IV Final and Euro VI emissions regulations.

<sup>1</sup> Q4'12 EBIT excludes \$52 million in restructuring charges.

<sup>2</sup> ROANA and ROE calculations exclude gain from divestiture of business, restructuring, and flood insurance recovery.



# Joint Venture Income

\$M	Q4-13	Q4-12	Q3-13
Engine	<b>30</b>	<b>27</b>	<b>31</b>
<i>On-highway</i>	17	19	19
<i>Off-highway</i>	13	8	12
Power Generation	<b>2</b>	<b>8</b>	<b>13</b>
Distribution	<b>41</b>	<b>41</b>	<b>42</b>
Components	<b>7</b>	<b>6</b>	<b>5</b>
Total JV Income	<b>80</b>	<b>82</b>	<b>91</b>

- Compared to last year, higher earnings in China were offset by an impairment charge in our Power Generation segment.
- The sequential decline was due to an impairment charge in our Power Generation segment.



# Cummins Inc.

## Selected Income Statement Data

\$M	Q4-13	Q4-12	Q3-13
Net Income Attributable to CMI <sup>1</sup>	432	404	355
Diluted EPS <sup>1</sup>	2.32	2.14	1.90
Gross Margin <sup>2</sup> (% of Sales)	25.4%	25.3%	26.0%
SAR <sup>3</sup> (% of Sales)	14.8%	14.7%	15.6%

- Gross margins increased slightly, compared to the prior year, with positive pricing and lower material costs offsetting the impact of negative mix.
- Gross margins declined sequentially mainly due to higher product coverage costs and negative mix.

<sup>1</sup> Q4'12 Net Income attributable to CMI and Diluted EPS excludes \$35 million (after tax) in restructuring charges.

<sup>2</sup> Q4'12 Gross Margin excludes \$29m in restructuring charges

<sup>3</sup> Q4'12 SAR excludes \$23m in restructuring charges



# Engine Segment Selected Financial Data

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Sales	2,562	2,506	+2%	2,492	+3%
EBIT <sup>1</sup>	235	272	-14%	272	-14%
% of Sales	9.2%	10.9%		10.9%	

- Year-over-year, stronger demand for construction and agriculture engines in North America and Europe along with on-highway parts were partially offset by reduced demand in global mining and power generation markets.
- EBIT margins declined, compared to the prior year, with the negative impact of lower High Horsepower demand more than offsetting lower material costs and improved pricing.

<sup>1</sup> Q4'12 EBIT excludes \$20 million in restructuring charges.





# Engine Segment Sales by Market – On-highway

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Heavy-Duty Truck	638	609	+5%	690	-8%
Medium-Duty Truck & Bus	572	575	-1%	570	0%
Light-Duty Auto & RV	365	343	+6%	330	+11%

- **Heavy Duty Truck:** Shipments up 7% Y-o-Y and down 9% sequentially.
- **Medium-Duty Truck & Bus:** Shipments down 1% Y-o-Y and down 8% sequentially.
- **Light-Duty & RV:** Shipments flat Y-o-Y and up 11% sequentially.



# Engine Segment Sales by Market – Off-highway

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Industrial	811	747	+9%	709	+14%
Stationary Power	176	232	-24%	193	-9%

- **Industrial:** Shipments up 29% Y-o-Y and up 17% sequentially.
- **Stationary Power:** Shipments down 3% Y-o-Y and down 10% sequentially.



# Guidance for 2014 Engine Markets

## Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 6% and shipments up 5%. NAFTA Class 8 heavy-duty truck build expected to be 236K units.
- Medium-duty truck & bus revenue up 15%. North America truck shipments up 19%. Brazil truck shipments flat.
- Light duty auto & RV revenue flat.
- Industrial revenue flat, driven by weakness in mining partially offset by increased demand in commercial marine markets.



# Key On-Highway Engine Markets - 2014

Key Market	2013	2014	Change Market Size
	Actual	Forecast	
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	218K units	236K units	Up 8%
Medium Duty Truck – NAFTA <i>Class 6 – 7, and Class 8 Group 1 - Production</i>	112K units	120K units	Up 7%
Heavy & Medium Truck – China <i>Sales</i>	1,061K units	988K units	Down 7%
Heavy & Medium Truck – India <i>Production</i>	226K units	226K units	Flat
Heavy & Medium Truck – Brazil <i>Production</i>	190K units	190K units	Flat



# Components Segment Selected Financial Data

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Sales	1,135	939	+21%	1,072	+6%
EBIT <sup>1</sup>	140	84	+67%	132	+6%
% of Sales	12.3%	8.9%		12.3%	

- Year-over-year, increased sales were driven by market share gains in the emission solutions business along with stronger demand in European and Chinese truck markets.
- EBIT margins increased, compared to the prior year, due to the impact of higher volumes and lower material costs.



<sup>1</sup> Q4'12 EBIT excludes \$6 million in restructuring charges.

# Power Generation Segment Selected Financial Data

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Sales	759	765	-1%	712	+7%
EBIT <sup>1</sup>	46	54	-15%	45	+2%
% of Sales	6.1%	7.1%		6.3%	

- Year-over-year, weakness in Europe and India was partially offset by stronger demand in North America.
- Compared to last year, improvement in gross margins on lower sales were more than offset by higher selling and administrative expenses and lower joint venture earnings.

<sup>1</sup> Q4'12 EBIT excludes \$12 million in restructuring charges.



# Distribution Segment Selected Financial Data

\$M	Q4-13	Q4-12	Change	Q3-13	Change
Sales	1,073	907	+18%	944	+14%
EBIT <sup>1</sup>	107	98	+9%	86	+24%
% of Sales	10.0%	10.8%		9.1%	

- Year-over-year, growth was driven by acquisitions, primarily in North America, and by increased power generation and aftermarket demand in North America.
- EBIT margin decreased as a percent of sales, compared to a year ago, due to the impact of acquiring joint ventures and currency movements.

<sup>1</sup> Q4'12 EBIT excludes \$14 million in restructuring charges.



# Guidance for 2014 Consolidated Results

Item	Full Year Guidance
Consolidated Revenue	Up 4 - 8%
Earnings from JVs	Down 10%
EBIT Margin	12.75 - 13.25%
Effective Tax Rate <sup>1</sup>	28.5%
Capital Expenditures	\$700 - \$800M
Global Pension Funding	\$205M
Interest Expense	\$80M



<sup>1</sup>Excluding discrete income tax items



# Guidance for 2014 Segment Results

Item	Engine	Components	Power Generation	Distribution
Consolidated Revenue Growth	Up 4 - 6%	Up 8 - 12%	Down 3% - Up 3%	Up 22 - 30%
EBIT Margins (% of Revenue)	10.5 - 11.5%	12.25 -13.25%	7.75 - 8.75%	9 - 10%



# Cash Flow

\$M	Q4-13	Q4-12	Q3-13
Operating Cash Inflow	756	745	373
Capital Expenditures	259	266	142
Working Capital Measure	3,473	3,357	3,609
Working Capital Measure <i>(% of Annualized Net Sales)</i>	18.9%	19.6%	21.1%
Debt to Capital %	18.1%	10.0%	19.4%

- Operating cash flow increased, compared to the prior year, primarily due to increased profitability.



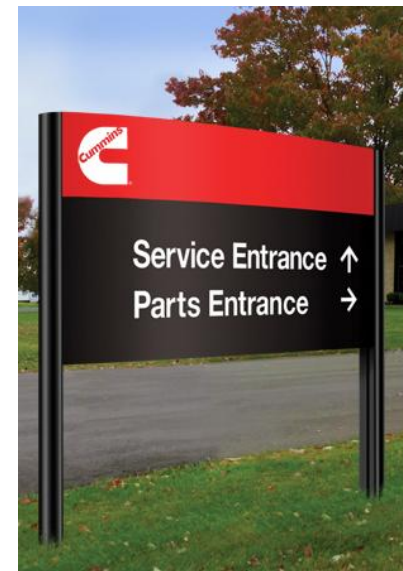
# Thank You for Your Interest in



**For additional information contact:  
Mark Smith, Executive Director – Investor Relations  
(812) 377-3121  
Mark.A.Smith@Cummins.com  
www.Cummins.com**



# Appendix



# Cummins Inc.

- Strong product portfolio and global partners
- Macro growth trends play to Cummins' strengths
- Disciplined investment for growth
- Demonstrated technology leadership

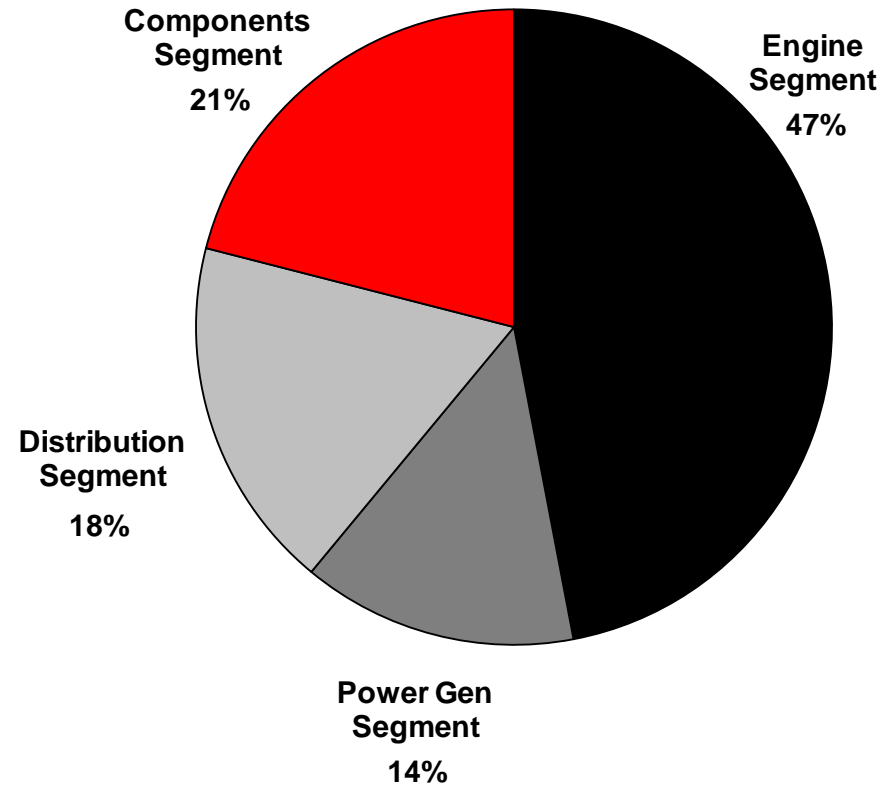
## 2013 Data

**Sales: \$17.3 billion**

**EBIT: \$2.2 billion**

**EBIT%: 12.5%**

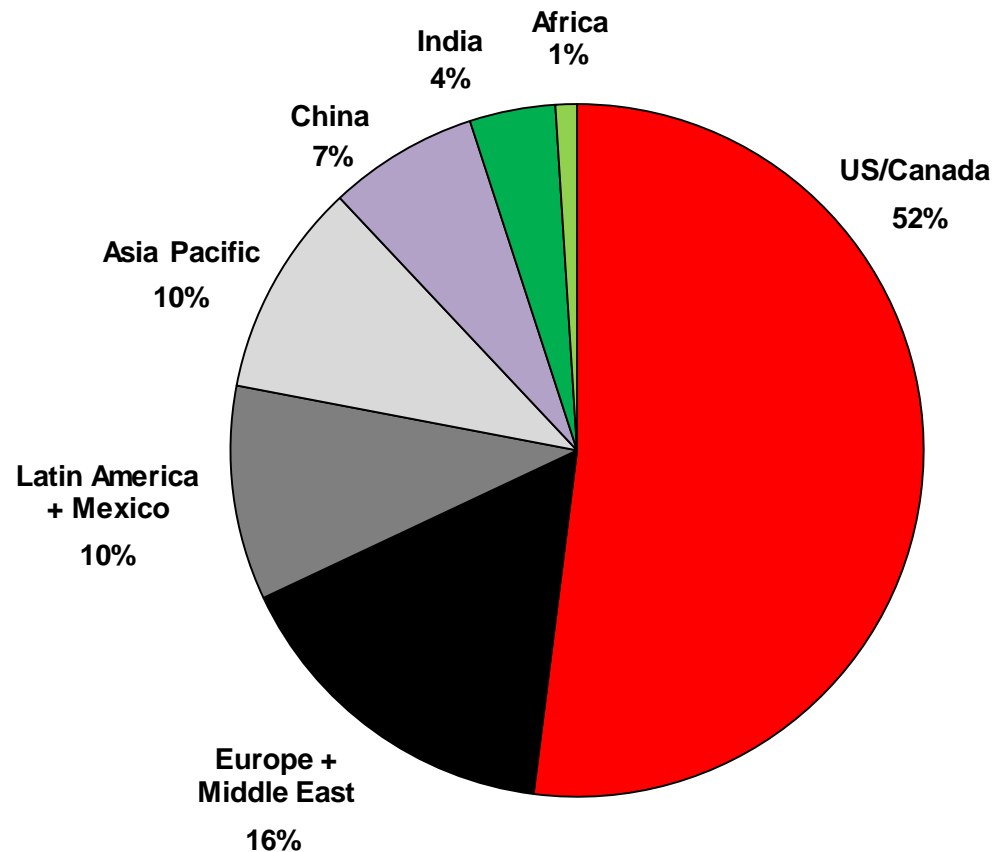
## 2013 Revenue by Segment



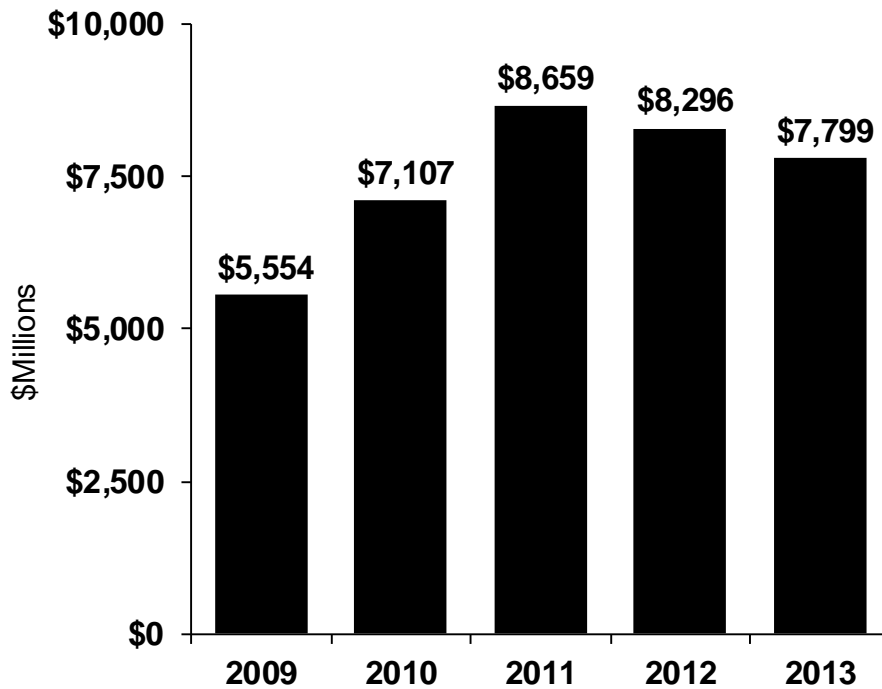
# Cummins Inc.

- Capitalizing on global emission regulations
- Strong geographic diversification and leadership across multiple end-markets
- Global distribution with customer network in more than 190 countries and territories.

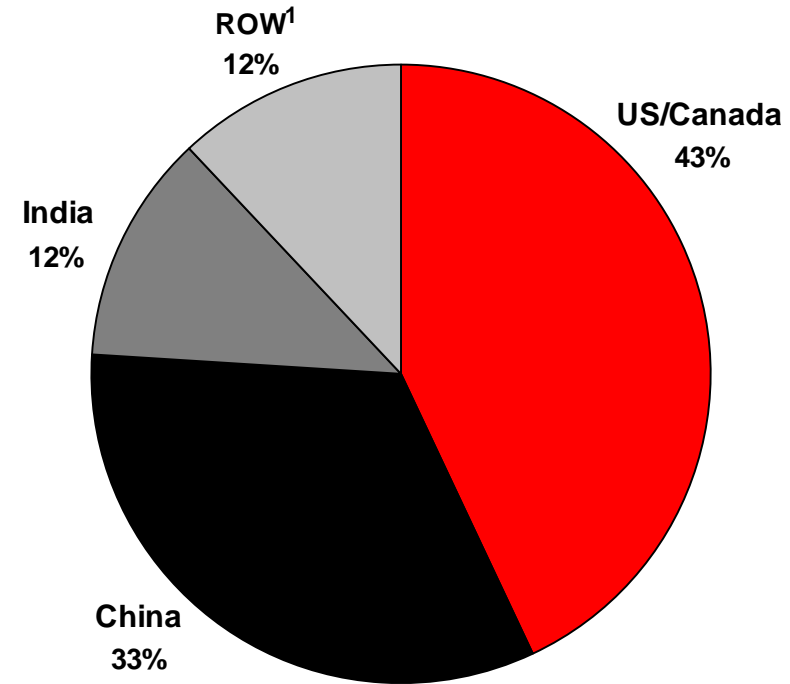
## 2013 Revenue by Marketing Territory



# Cummins – Joint Venture Sales Unconsolidated



## 2013 Revenue



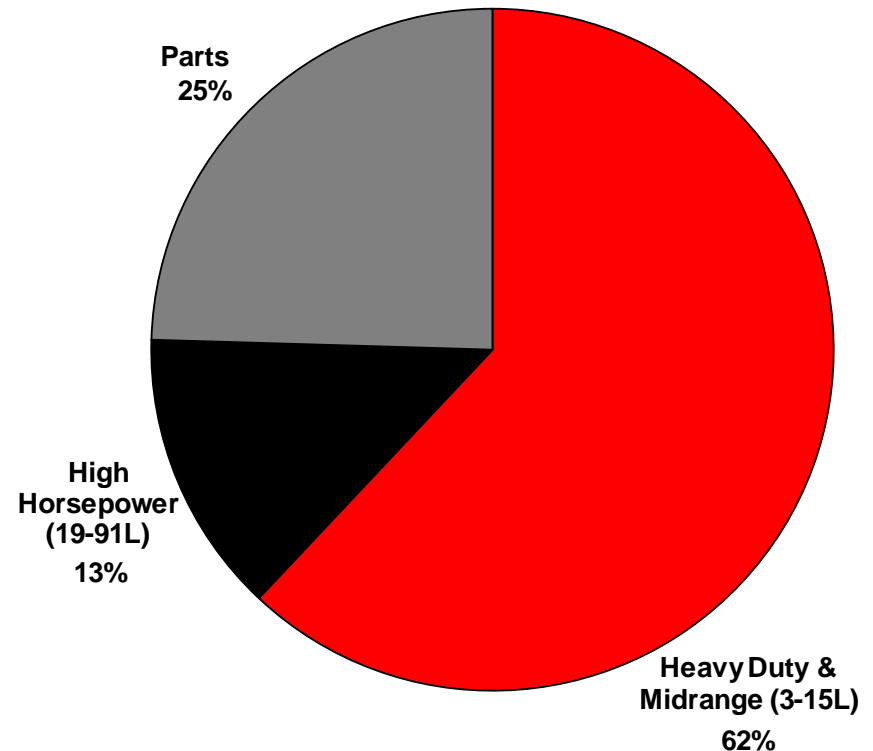
<sup>1</sup> ROW = Rest of World



# Engine Segment – Overview

- Diesel and Natural gas engines from 2.8L to 91L and 49 hp to 4,200 hp
- Long-term engine supply 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

## 2013 Revenue by Product



### 2013 Data

Sales: \$10.0 billion

EBIT: \$1.0 billion

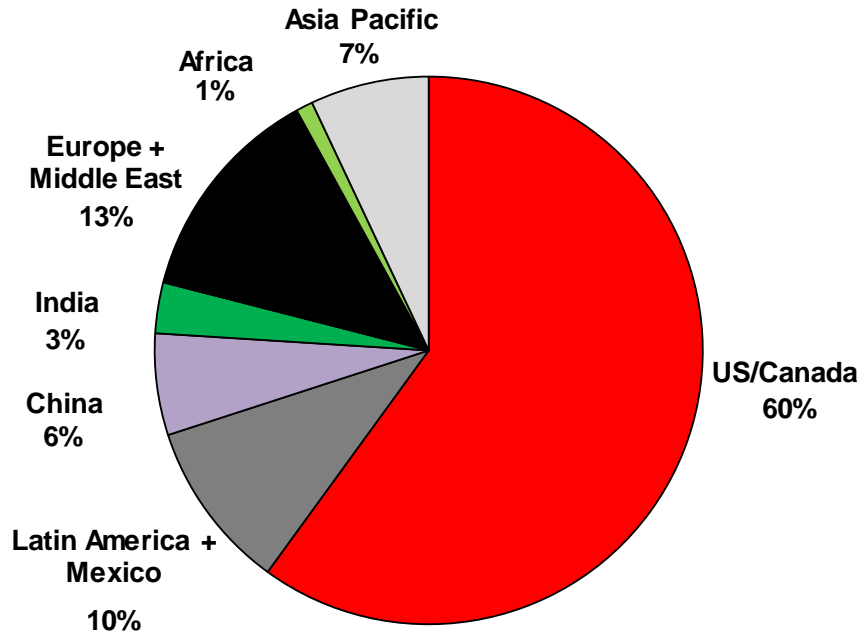
EBIT%: 10.4%



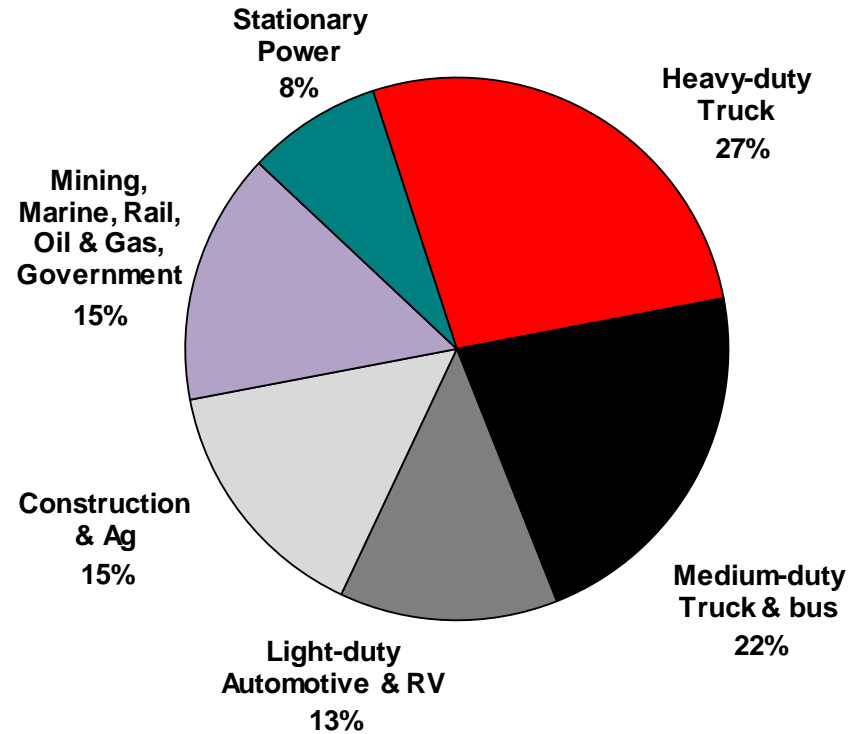


# Engine Segment – Sales Mix

## Geographic



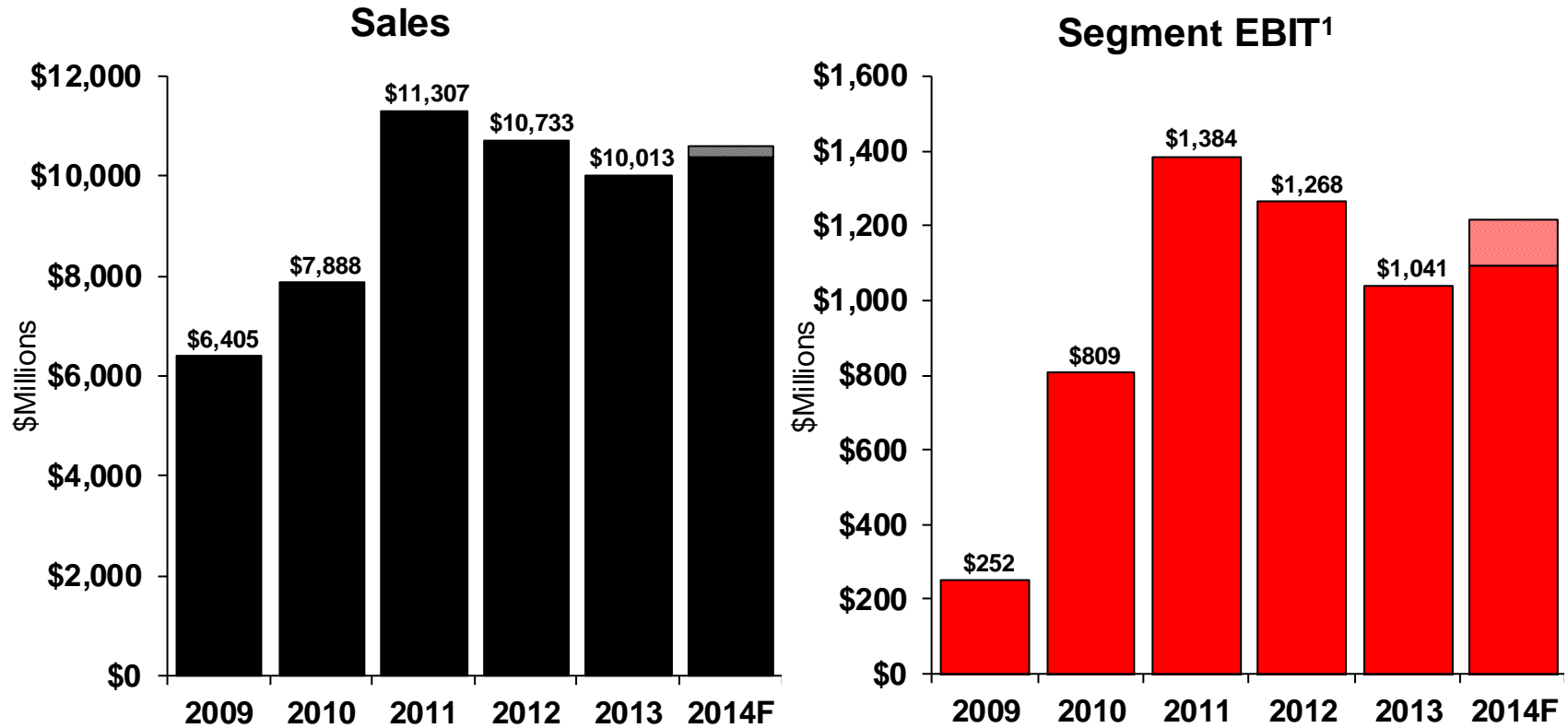
## Application



**2013 Revenue: \$10.0B**



# Engine Segment – Historical Performance



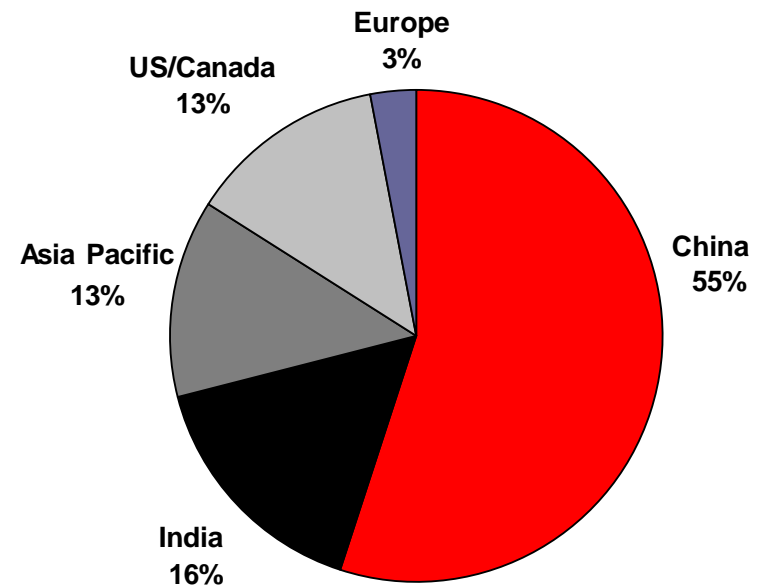
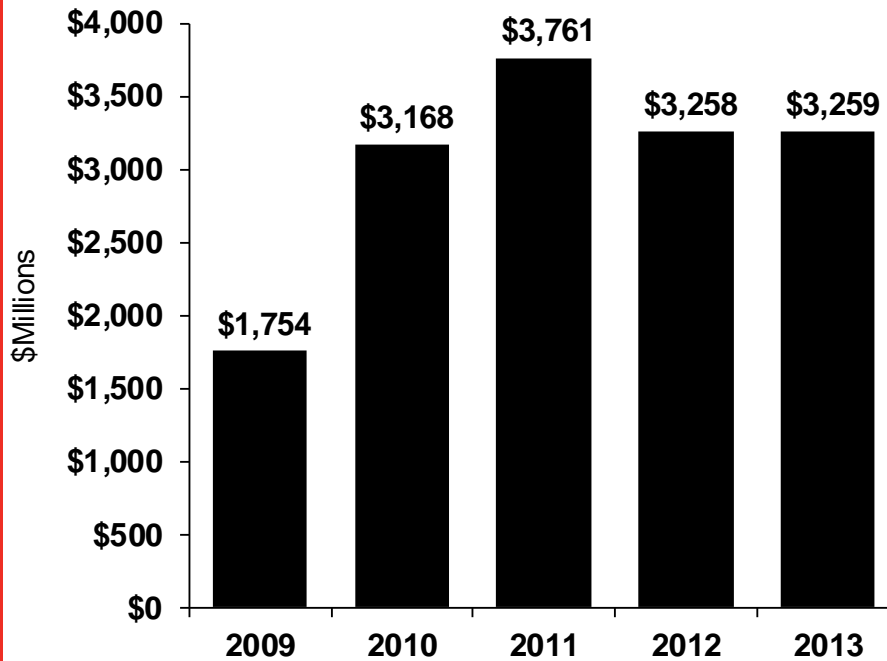
2014 Guidance	
Sales up 4 - 6%	EBIT 10.5 - 11.5%

<sup>1</sup> 2012 EBIT excludes \$20 million in restructuring charges.



# Engine Segment – Joint Venture Sales Unconsolidated

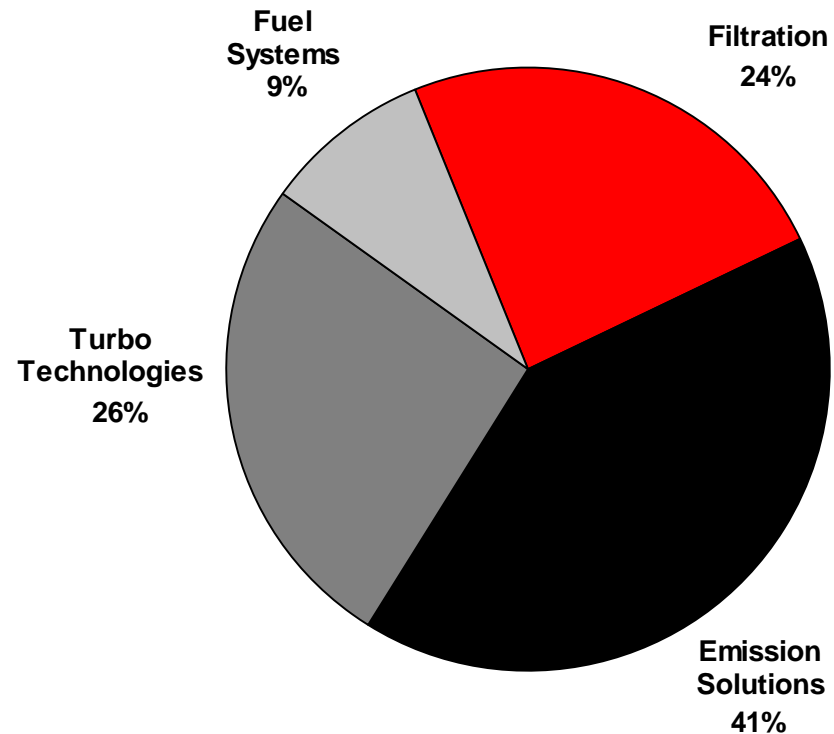
## 2013 Revenue



# Components Segment – Overview

- Leading supplier of aftertreatment products for commercial vehicle applications
- Largest worldwide supplier of turbochargers from 3.8L to 25L for commercial applications
- World’s leading supplier of filtration, coolant and chemical products

## 2013 Revenue by Business



### 2013 Data

Sales: \$4.3 billion

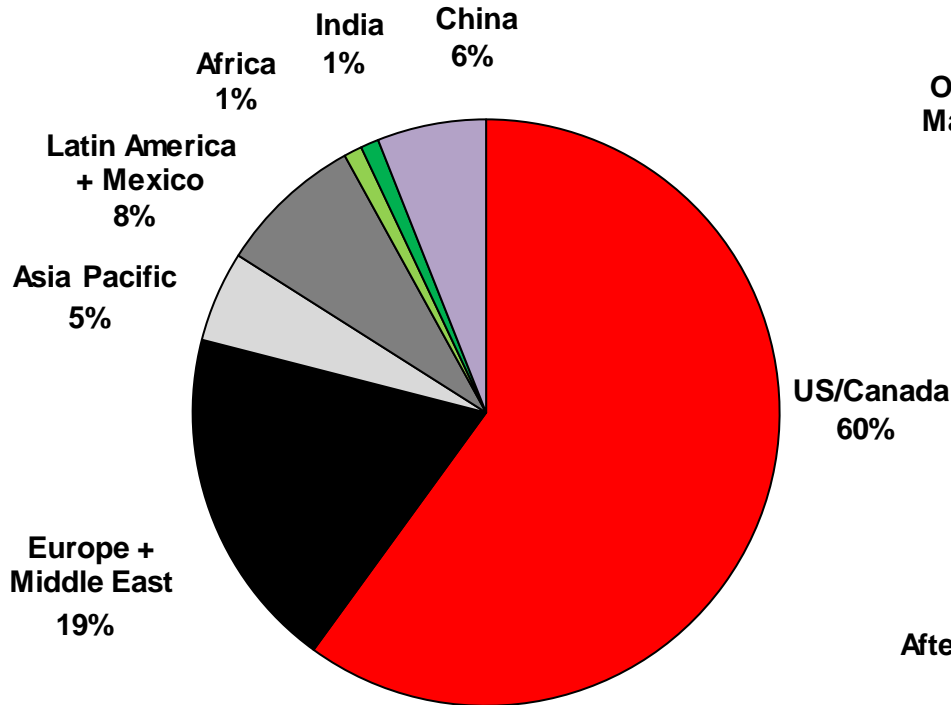
EBIT: \$527 million

EBIT%: 12.1%

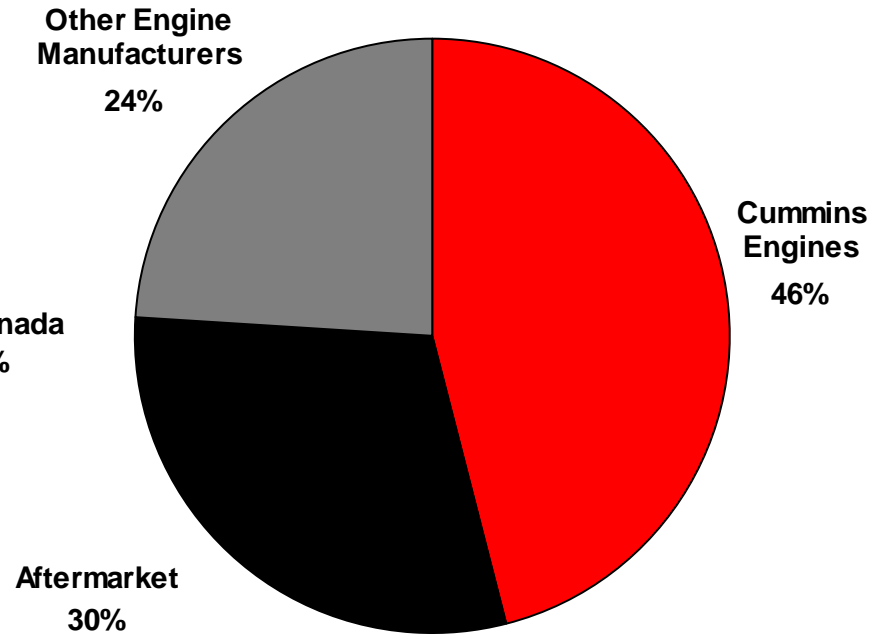


# Components Segment – Sales Mix

Geographic



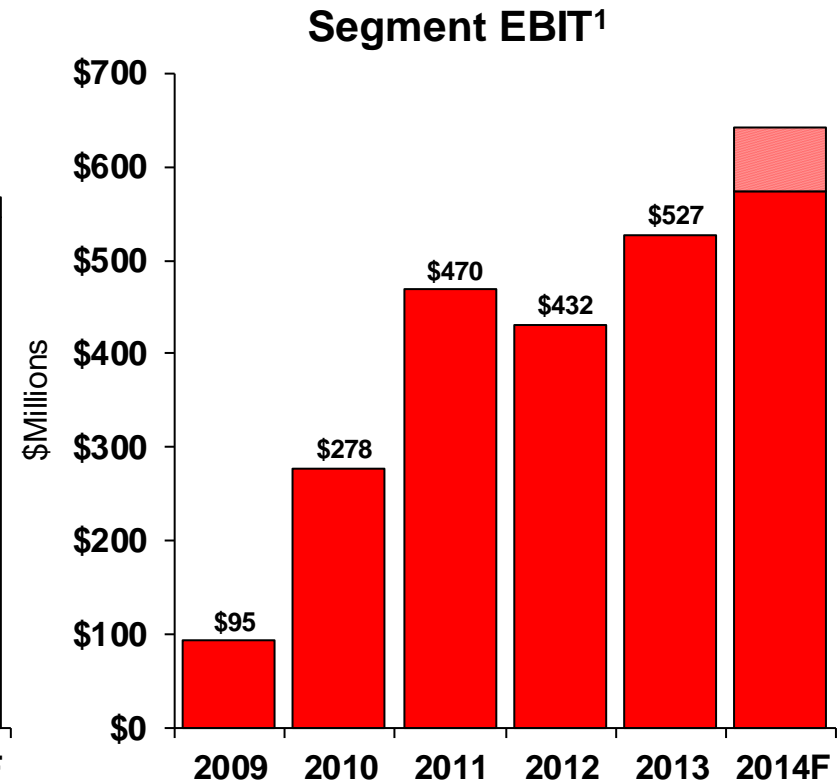
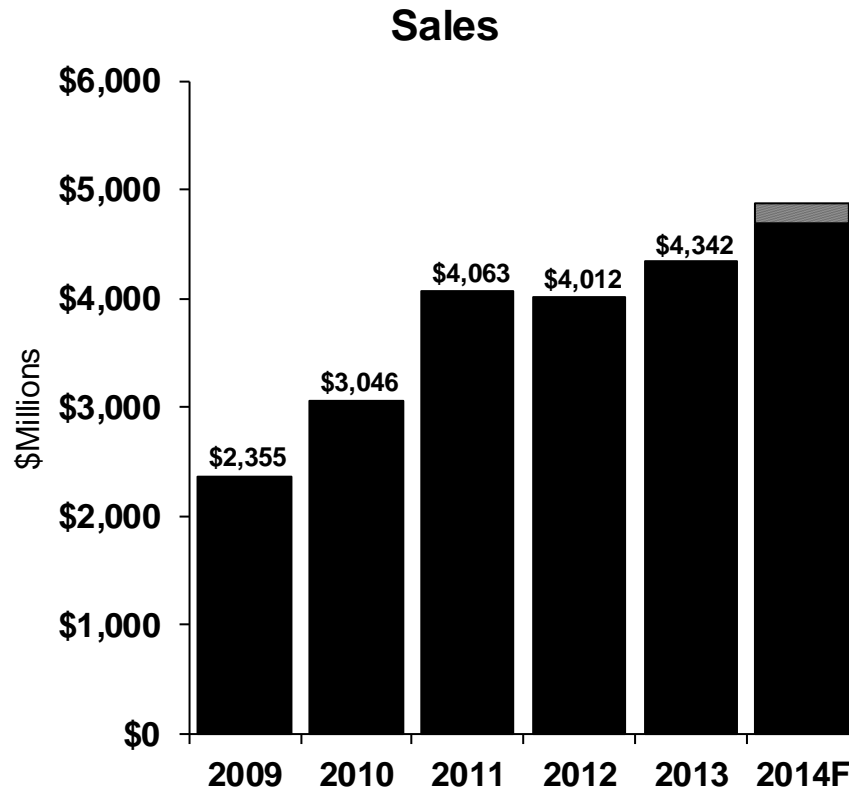
Application



**2013 Revenue: \$4.3B**



# Components – Historical Performance

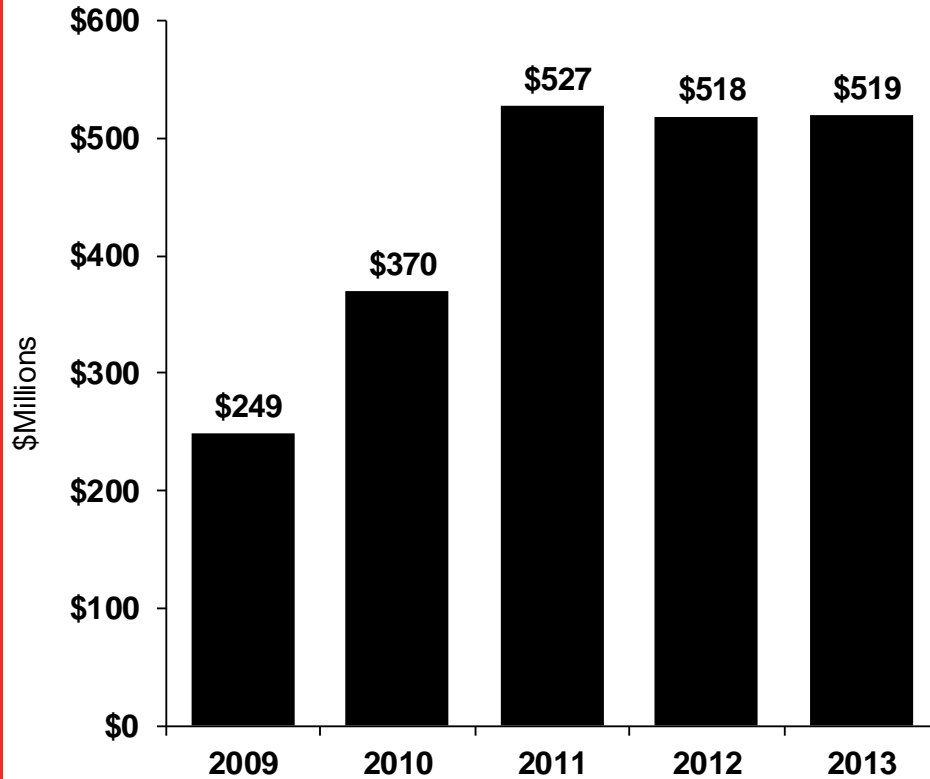


2014 Guidance	
Sales up 8 - 12%	EBIT 12.25 - 13.25%

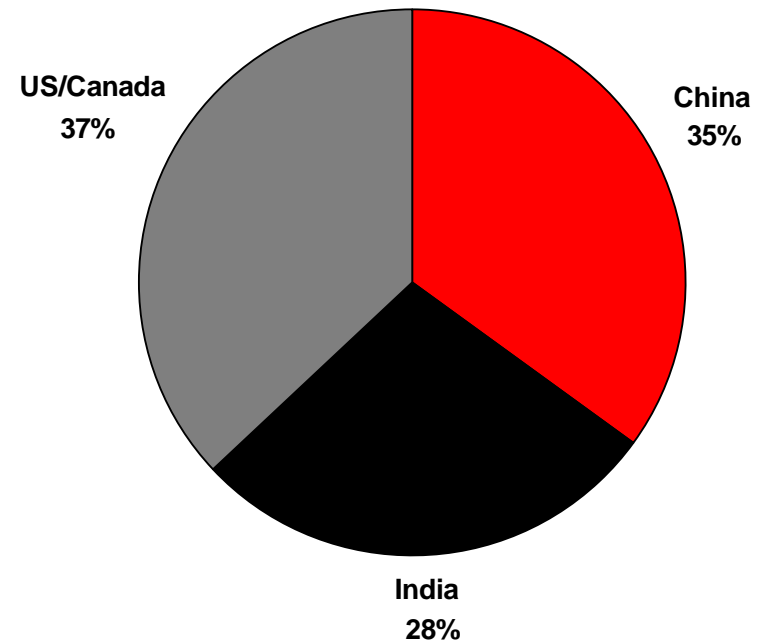


<sup>1</sup> 2012 EBIT excludes \$6 million in restructuring charges.

# Components Segment – Joint Venture Sales Unconsolidated



## 2013 Revenue



# Global Emissions Regulations - Driving Growth

Market	2013	2014	2015	2016	2017	2018	2019
US On-Hwy	EPA 2013	EPA 2014 (GHG)		EPA 2016	EPA 2017 (GHG)		
Europe On-Hwy		Euro VI			GHG		
Brazil On-Hwy							
China On-Hwy	NS IV			NS V			
India On-Hwy				BS IV			
US Off-Hwy		Tier 4F					Tier 5
Europe Off-Hwy		Stage 4					Stage 5





# Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 2kW to 2.75 Megawatts (MW)
- Leading supplier of alternators from 0.6kVA to 30,000kVA
- Leading market share in multiple geographies

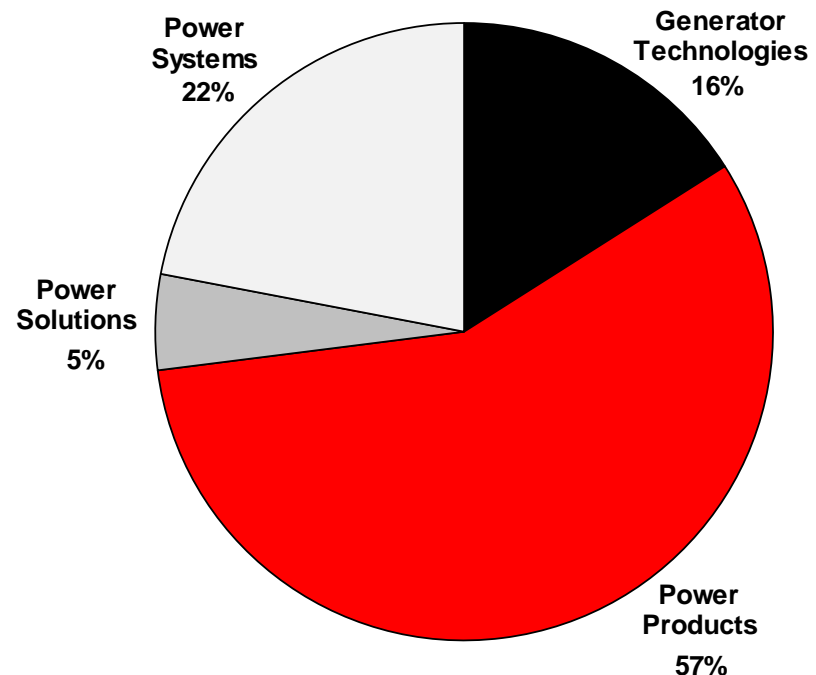
## 2013 Data

Sales: \$3.0 billion

EBIT: \$218 million

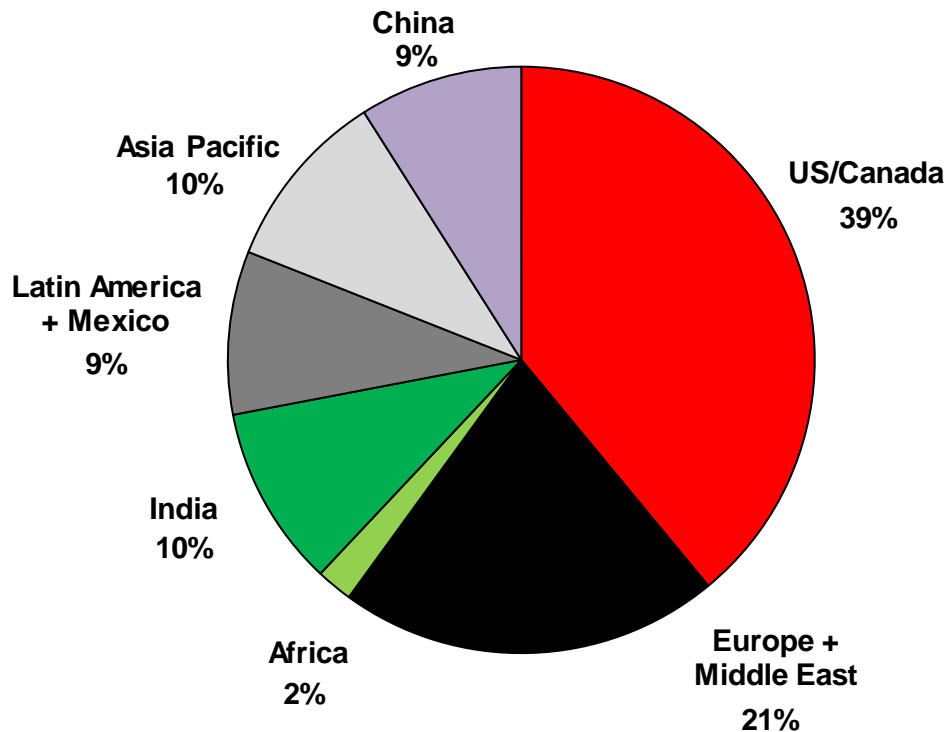
EBIT%: 7.2%

## 2013 Revenue by Product



# Power Generation Segment – Sales Mix

## Geographic

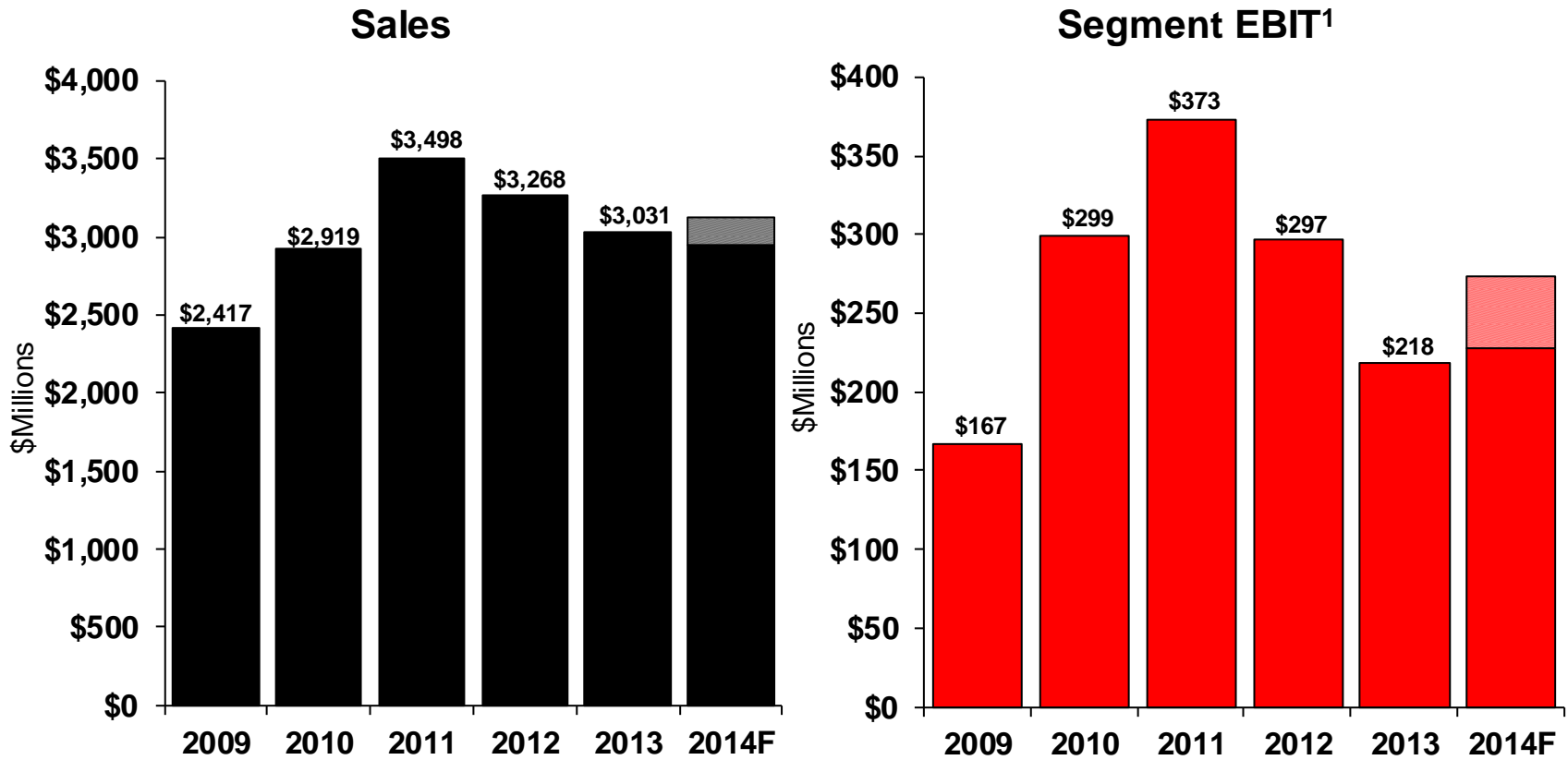


- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

**2013 Revenue: \$3.0B**



# Power Generation – Historical Performance



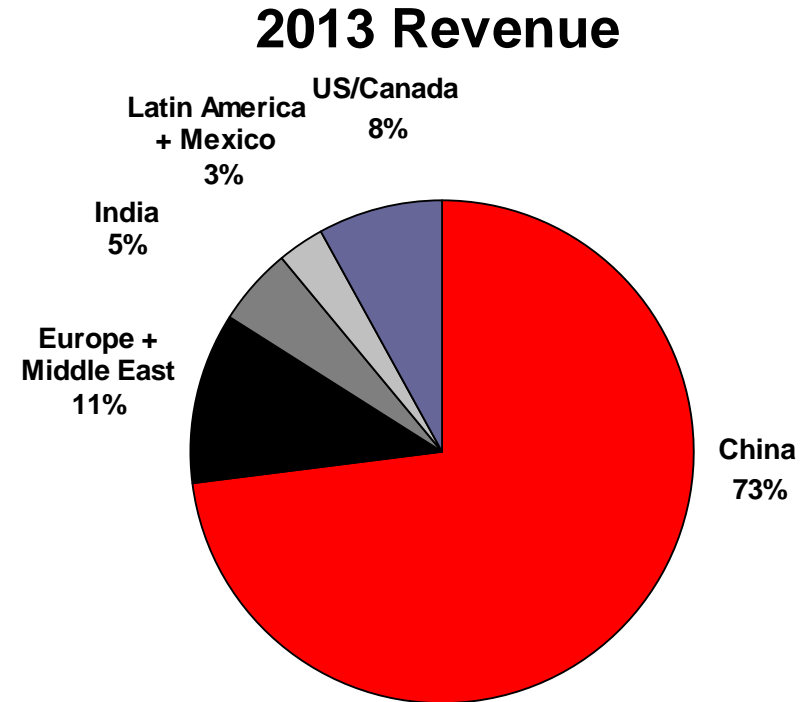
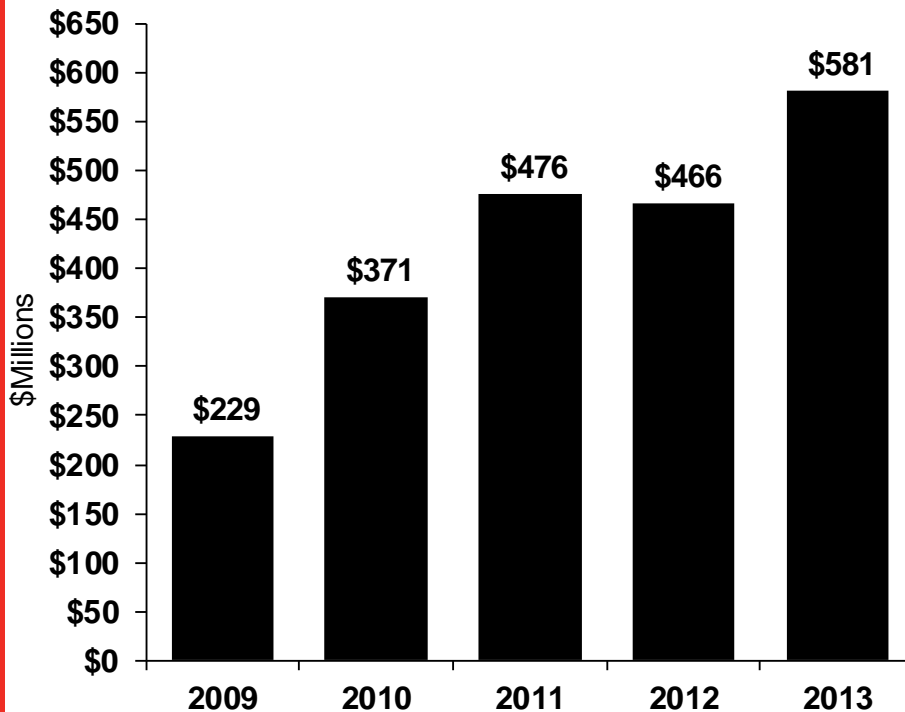
**2014 Guidance**

<b>Sales down 3% - up 3%</b>	<b>EBIT 7.75 - 8.75%</b>
------------------------------	--------------------------



<sup>1</sup> 2012 EBIT excludes \$12 million in restructuring charges.

# Power Generation Segment – Joint Venture Sales Unconsolidated



# 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

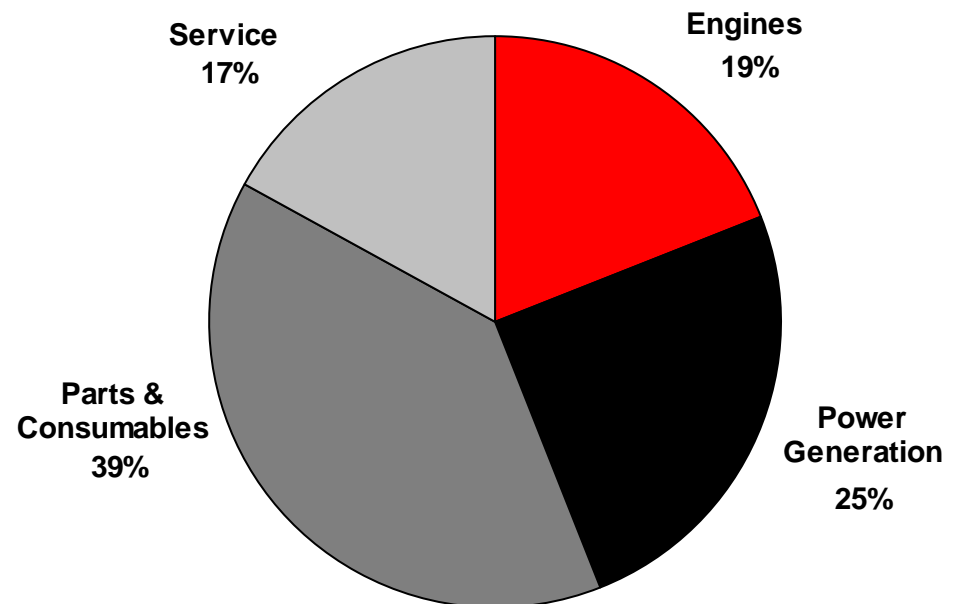
## 2013 Data

**Sales: \$3.7 billion**

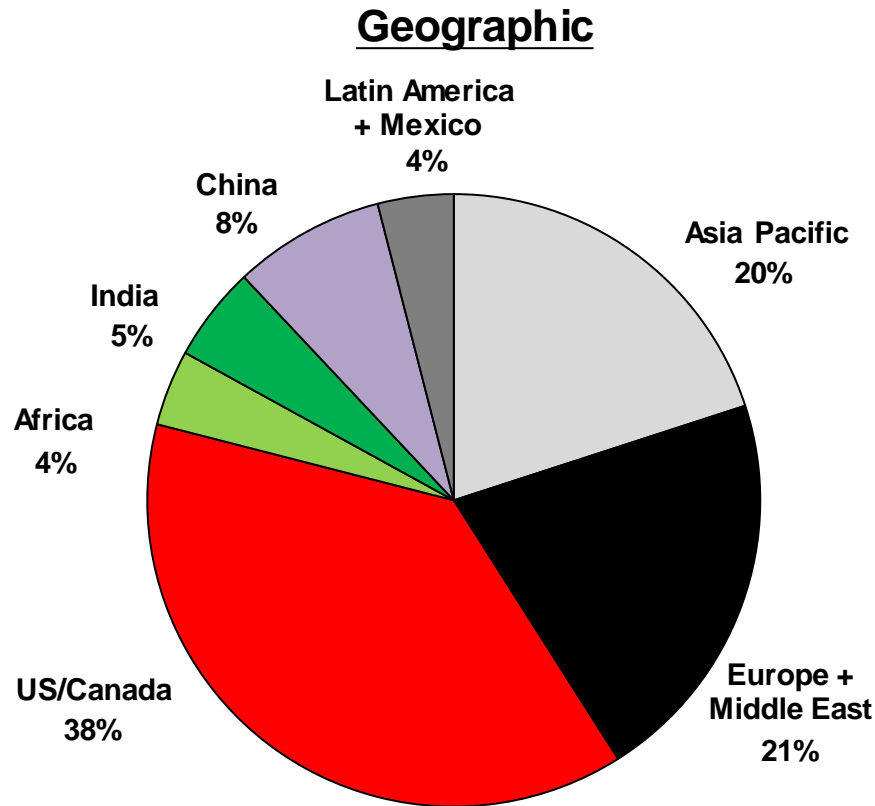
**EBIT: \$388 million**

**EBIT%: 10.3%**

## 2013 Revenue Application



# Distribution Segment – Sales Mix

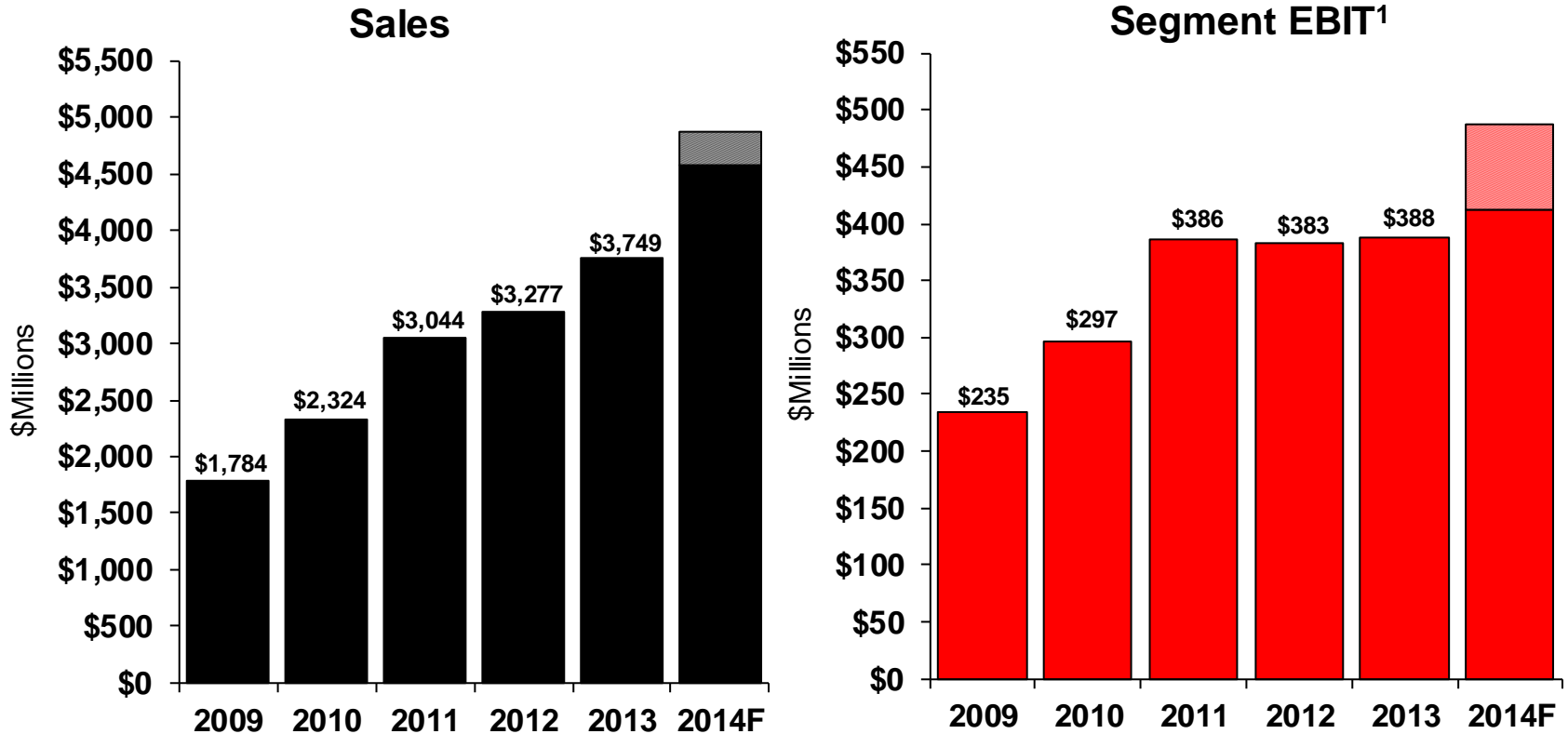


- Key enabler for Cummins growth
- Benefitting from increased population of product in the field
- Acquiring full ownership of North American distributors

**2013 Revenue: \$3.7 B**



# Distribution – Historical Performance

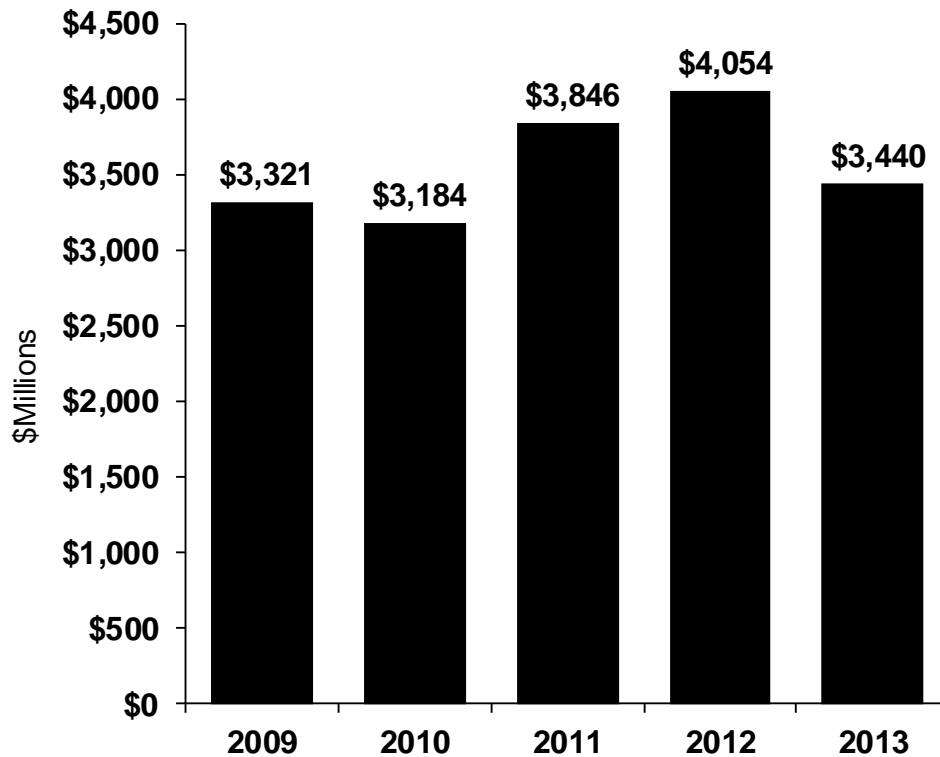


2014 Guidance	
Sales up 22 - 30%	EBIT 9 - 10%

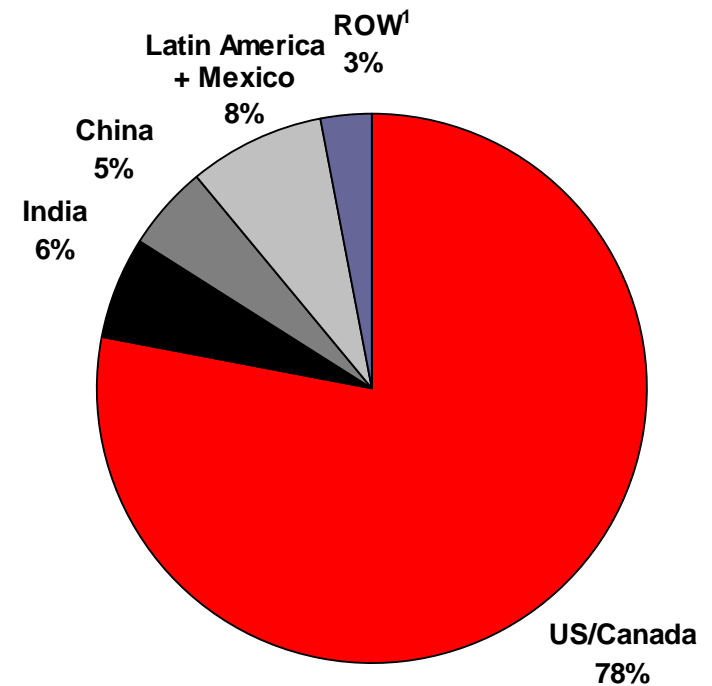


<sup>1</sup> 2012 EBIT excludes \$14 million in restructuring charges.

# Distribution Segment – Joint Venture Sales Unconsolidated



## 2013 Revenue

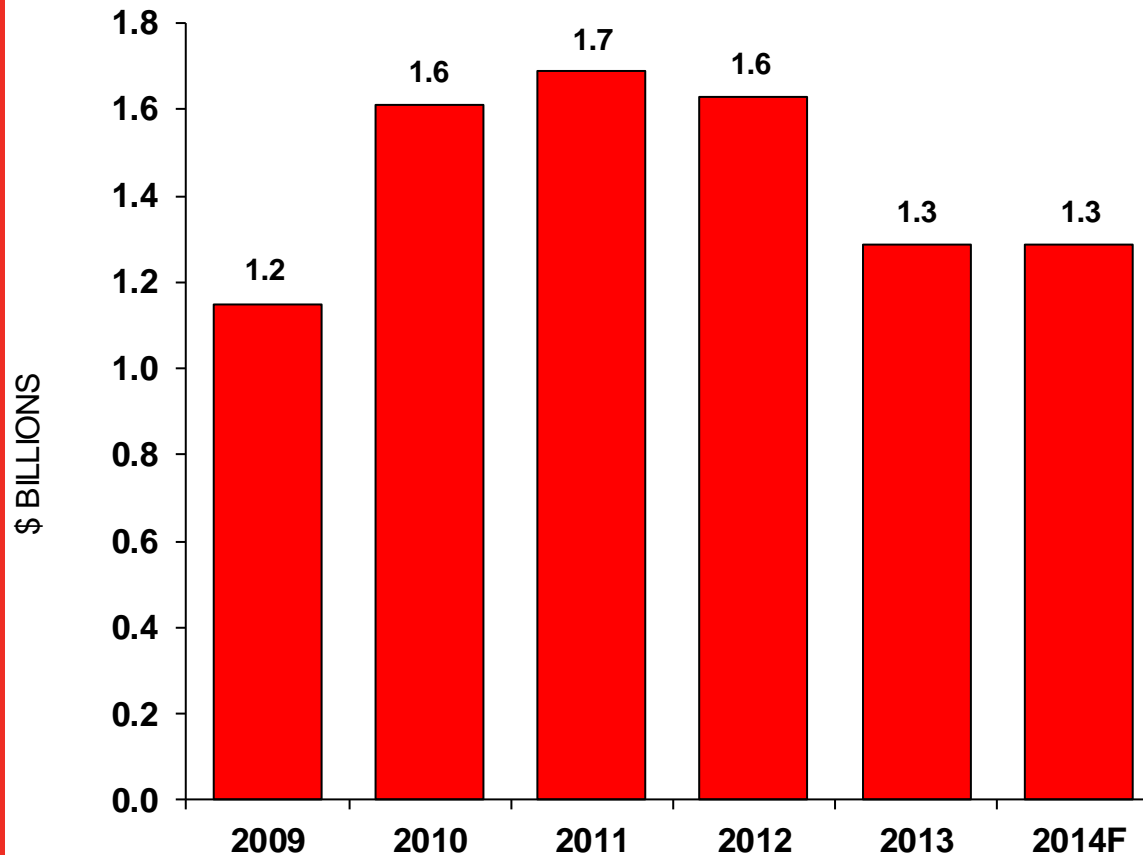


<sup>1</sup> ROW = Rest of World





# Emerging Market Sales – India<sup>1</sup>



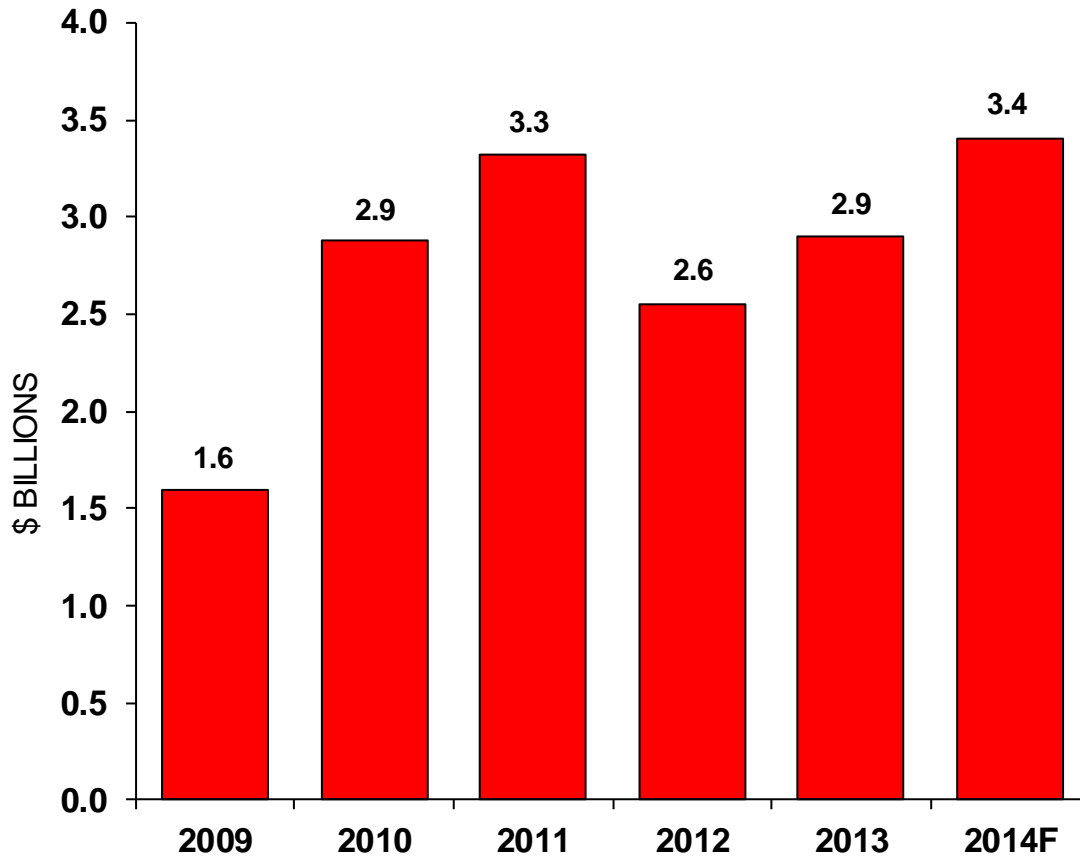
- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets

<sup>1</sup> Before intercompany eliminations. Figures also include exports.



KPIT Cummins excluded from Joint Venture Sales Unconsolidated beginning in 2013 due to reduction in ownership interest.

# Emerging Market Sales – China<sup>1</sup>



- Present in China for over 30 years
- Broad product portfolio - On and Off-Highway
- Strong OEM partners

<sup>1</sup> Before intercompany eliminations. Figures also include exports.



# Non-GAAP Reconciliation – EBIT

Millions	Three Months Ended		
	December 31, 2013	September 29, 2013	December 31, 2012
EBIT excluding restructuring charges	\$ 566	\$ 536	\$ 532
Add: Special Items	0	0	0
Less: Restructuring charges	0	0	52
Total EBIT	<u>566</u>	<u>536</u>	<u>480</u>
Less: Interest expense	19	8	7
Income before income taxes	<u>547</u>	<u>528</u>	<u>473</u>
Less: Income tax expense	86	154	75
Consolidated net income	<u>461</u>	<u>374</u>	<u>398</u>
Less: Net income attributable to noncontrolling interests	29	19	29
Net Income attributable to Cummins Inc.	<u>432</u>	<u>355</u>	<u>369</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	December 31, 2013	September 29, 2013	December 31, 2012
Accounts and notes receivable, net	\$ 2,649	\$ 2,709	\$ 2,475
Inventories	2,381	2,513	2,221
Less Accounts payable – trade	<u>(1,557)</u>	<u>(1,613)</u>	<u>(1,339)</u>
Working capital measure	<u>\$ 3,473</u>	<u>\$ 3,609</u>	<u>\$ 3,357</u>
Working capital measure (% of Annualized Net Sales)	18.9%	21.1%	19.6%

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



# Non-GAAP Reconciliation – Net Assets

Millions	December 31, 2013	December 31, 2012
Net assets for operating segments	<u>\$ 9,646</u>	<u>\$ 8,177</u>
Liabilities deducted in computing net assets	5,103	4,913
Pensions and other post retirement liabilities	(346)	(977)
Deferred tax assets not allocated to segments	292	410
Debt related costs not allocated to segments	<u>33</u>	<u>25</u>
Total assets	<u>\$ 14,728</u>	<u>\$ 12,548</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	December 31, 2013	December 31, 2012
Equity used for return on equity calculation	<u>\$ 8,121</u>	<u>\$ 7,397</u>
Defined benefit post retirement plans	<u>(611)</u>	<u>(794)</u>
Total shareholders equity	7,510	6,603
Noncontrolling interest	<u>360</u>	<u>371</u>
Total Equity	<u>\$ 7,870</u>	<u>\$ 6,974</u>

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.

