

Fourth Quarter 2011 Earnings Teleconference

February 2, 2012



Participants

Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Mark Smith Executive Director – Investor Relations



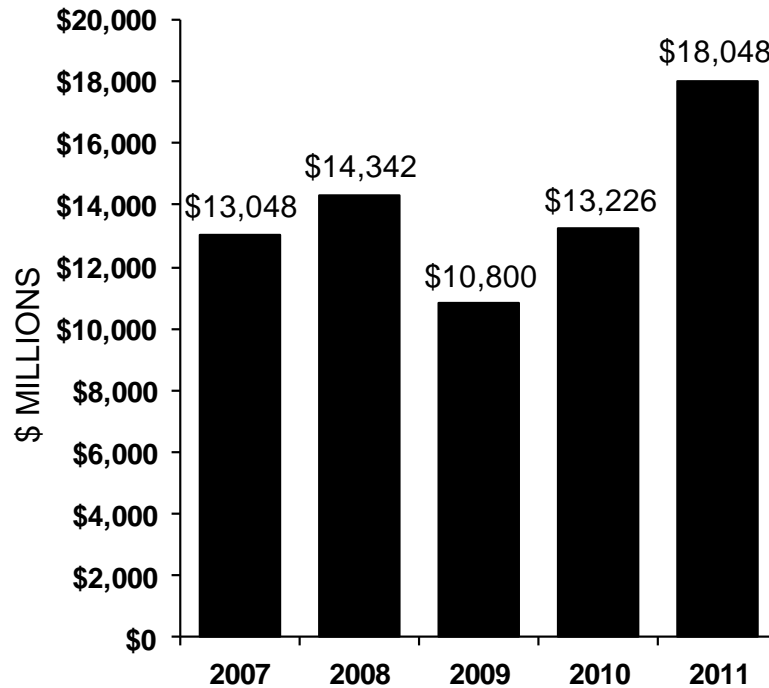
Disclosure Regarding Forward-Looking Statements

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, including particularly in the Risk Factors section of our 2010 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.

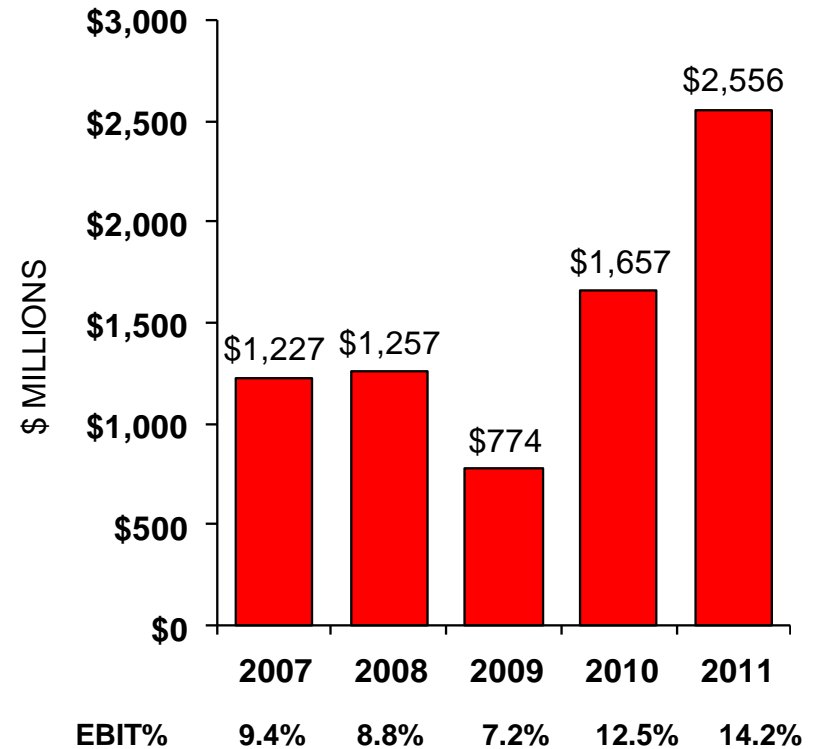


Cummins Inc.

Sales



EBIT¹



¹ EBIT excludes restructuring charges in 2008 and 2009 and the gains from divestiture of two businesses and flood insurance recovery are excluded from 2011.



Cummins Inc.

Selected Financial Data

\$M	Q4-11	Q4-10	Growth	Q3-11	Growth
Sales	4,921	4,139	+19%	4,626	+6%
EBIT Excluding Special Items ¹	677	541	+25%	640	+6%
% of Sales	13.8%	13.1%		13.8%	
ROANA (LTM) ²	38%	35%		38%	
ROE (LTM) ²	31%	28%		30%	

- Year-over-year revenue growth driven by on-highway markets in North America and Brazil, construction and power generation markets in China, as well as, oil & gas and mining markets globally.
- Sequential revenue growth driven by on-highway US markets and power generation demand in North and Latin America, offsetting lower demand in China and India, and the negative impact of currency as the US Dollar strengthened.

¹ EBIT excludes gain from divestiture of business and flood insurance recovery.

² ROANA and ROE calculations exclude gain from divestiture of business and flood insurance recovery



Joint Venture Income

\$M	Q4-11	Q4-10	Q3-11
Engine	40	37	35
<i>On-highway</i>	28	24	20
<i>Off-highway</i>	12	13	15
Power Generation	10	8	16
Distribution	44	39	44
Components	7	6	7
Total JV Income	101	90	102

- Year-over-year improvement driven by the North American distribution business and increased earnings at joint ventures in India.
- Sequentially, improved contribution from Tata Cummins partially offset by seasonality in Power Generation.



Cummins Inc.

Selected Income Statement Data

\$M	Q4-11	Q4-10	Q3-11
Net Income Attributable to CMI Excluding Special Items	491	362	452
Diluted EPS ¹	2.56	1.84	2.35
Gross Margin (% of Sales)	25.2%	23.8%	25.7%
SAR (% of Sales)	13.7%	13.2%	14.1%

- Year-over-year growth in earnings driven by better operating leverage, lower product coverage, improved price realization and higher contribution from North American distributors. These improvements were partially offset by spending on R&D and on our strategic growth initiatives.



¹ Earnings exclude gain from divestiture of business and a flood insurance recovery.

Engine Segment

Selected Financial Data

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Sales	3,061	2,497	+23%	2,955	+4%
EBIT	368	256	+44%	349	+5%
% of Sales	12.0%	10.3%		11.8%	

- Year-over-year revenue improvements in North American on-highway markets, along with, oil & gas and mining markets offset weaker demand in China for construction equipment.
- Year-over-year and sequential earnings improvement was positively impacted from stronger volumes and JV contribution offsetting additional spending in R&D.



Engine Segment

Sales by Market – On-highway

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Heavy-Duty Truck	865	516	+68%	748	+16%
Medium-Duty Truck & Bus	598	436	+37%	640	-7%
Light-Duty Auto & RV	299	280	+7%	271	+10%

- **Heavy Duty Truck:** Shipments up 100% Y-o-Y and 15% sequentially.
- **Medium-Duty Truck & Bus:** Shipments up 58% Y-o-Y and down 4% sequentially.
- **Light-Duty & RV:** Shipments up 14% Y-o-Y and up 16% sequentially.



Engine Segment

Sales by Market – Off-highway

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Industrial	1,030	956	+8%	977	+5%
Stationary Power	269	309	-13%	319	-16%

- Industrial:** Shipments down 5% Y-o-Y as lower demand for excavator engines in China offset higher oil & gas and mining shipments. Sequentially, shipments up 12% driven by Tier4i prebuy.
- Stationary Power:** Shipments down 16% Y-o-Y and down 11% sequentially as India growth moderated.



Guidance for 2012 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 26%. Increase in global unit shipments of 24%. NAFTA Class 8 heavy-duty truck build expected to be 278K units.
- Medium-duty truck & bus revenue up 7%. North America truck shipments up 24%. Brazil truck shipments down 9% following implementation of Euro5.
- Light duty auto & RV revenue flat.
- Industrial revenue up 5% driven by growth primarily in North America.



Key On-Highway Engine Markets - 2012

Key Market	Market Size	YoY Growth
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	278K units	Up 21%
Medium Duty Truck – NAFTA	117K units	Up 25%
Heavy & Medium Truck – China	1.1M units	Down 5%
Heavy & Medium Truck – India	398K units	Up 7%
Medium Duty Truck – Brazil	201K units	Down 5%



Components Segment

Selected Financial Data

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Sales	1,092	918	+19%	1,015	+8%
EBIT ¹	132	83	+59%	113	+17%
% of Sales	12.1%	9.0%		11.1%	

- Year-over-year revenue growth was driven by stronger demand in the North American on-highway markets.
- EBIT improvement, compared to the prior year, was driven primarily from higher volumes, improved productivity and lower product coverage costs.



Power Generation Segment

Selected Financial Data

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Sales	920	903	+2%	874	+5%
EBIT	87	92	-5%	92	-5%
% of Sales	9.5%	10.2%		10.5%	

- Compared to the prior year, improved demand in China and North America was partially offset by weaker demand in India.
- EBIT, compared to the prior year, declined due to investments being made for new growth programs and commodity prices offsetting better pricing and higher joint venture contribution.



Distribution Segment

Selected Financial Data

\$ M	Q4-11	Q4-10	Growth	Q3-11	Growth
Sales	834	699	+19%	783	+7%
EBIT	87	82	+6%	104	-16%
% of Sales	10.4%	11.7%		13.3%	

- Year-over-year revenue growth was driven by strong growth in the Asia Pacific region, power generation demand in North America, strong global oil & gas and mining markets and pre-buy activity in Europe ahead of the Tier 4 interim emissions change.
- Year-over-year EBIT margin benefited from higher volumes, but was more than offset by a mix shift away from aftermarket towards whole goods, unfavorable currency movement, increased SAR and lower joint venture income as a percent of sales.



Guidance for 2012 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	Up 10%
Earnings from Joint Ventures	Up 10%
EBIT Margin	14.5-15.0%
Effective Tax Rate	29.0% ¹
Capital Expenditures	\$800-850M
Global Pension Funding	\$130M

¹Excluding discrete 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	Up 10%	Up 12%	Up 10%	Up 20%
EBIT Margins (% of Revenue)	12-13%	11.5-12.5%	11-12%	12.5-13.5%



Cash Flow

\$ M	Q4-11	Q4-10	Q3-11
Operating Cash Inflow	705	387	624
Capital Expenditures	245	194	162
Working Capital Measure	3,121	2,858	3,302
Working Capital Measure (% of Annualized Net Sales)	15.9%	17.3%	17.7%
Debt to Capital %	11.8%	14.4%	12.6%

- Operating cash flow was driven year-over-year by improvements in working capital management and better operating margins.



Thank You for Your Interest in



We Will Now Take Your Questions

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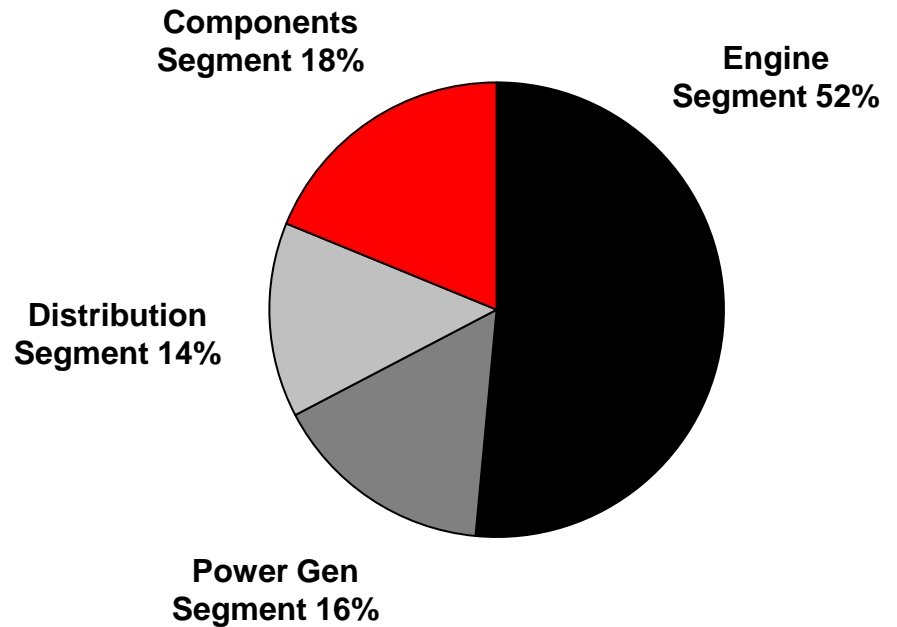
Appendix



Cummins Inc.

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

2011 Revenue by Segment



2011 Data

Sales: \$18.0 billion

EBIT : \$2.6 billion

EBIT margin: 14.2%

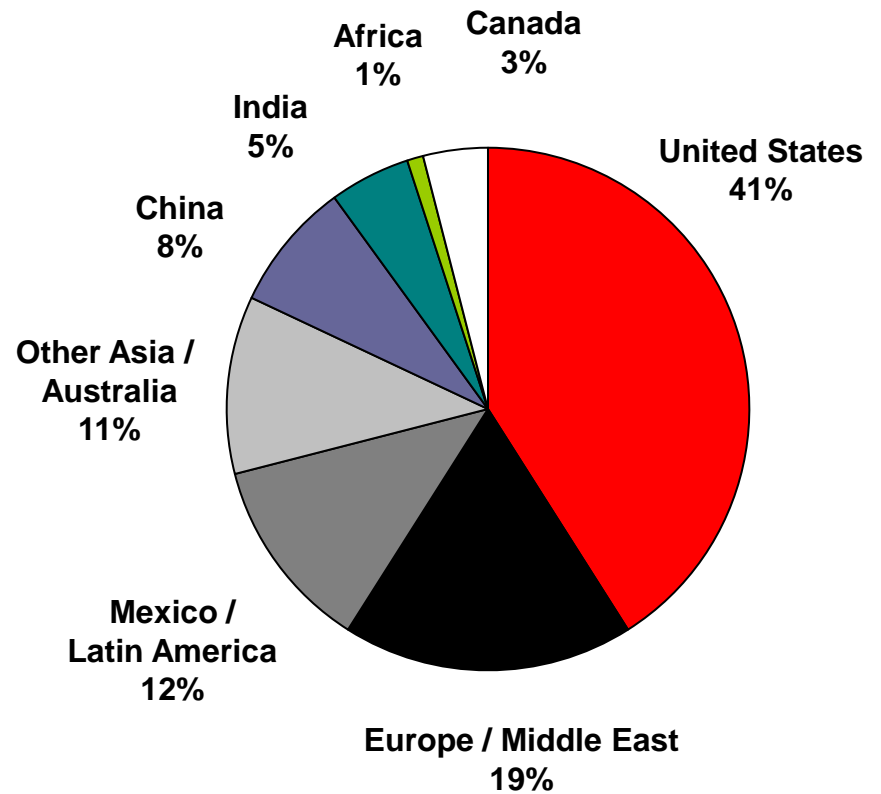
EBIT excludes gain from divestiture of business and flood insurance recovery.



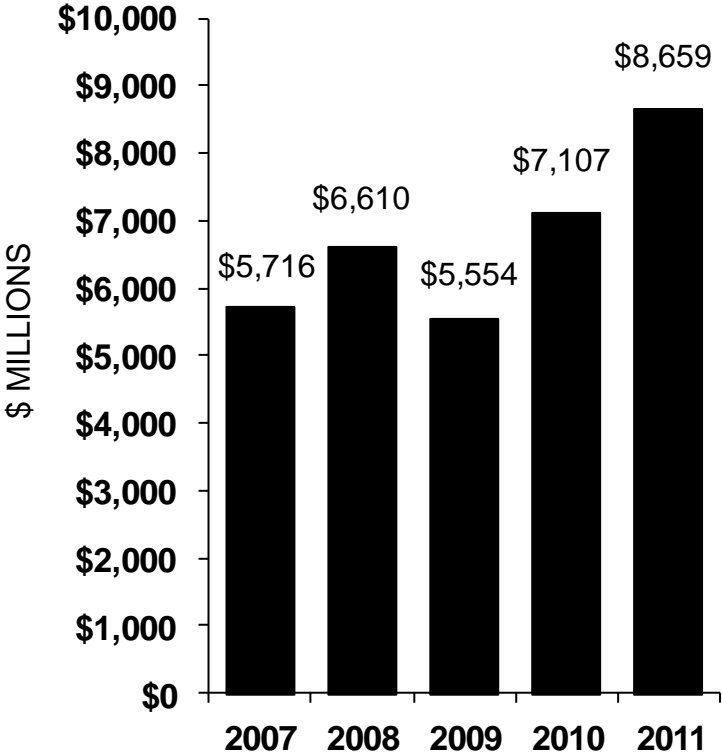
Cummins Inc.

- Record full year revenue in North America, China, India, and Brazil.

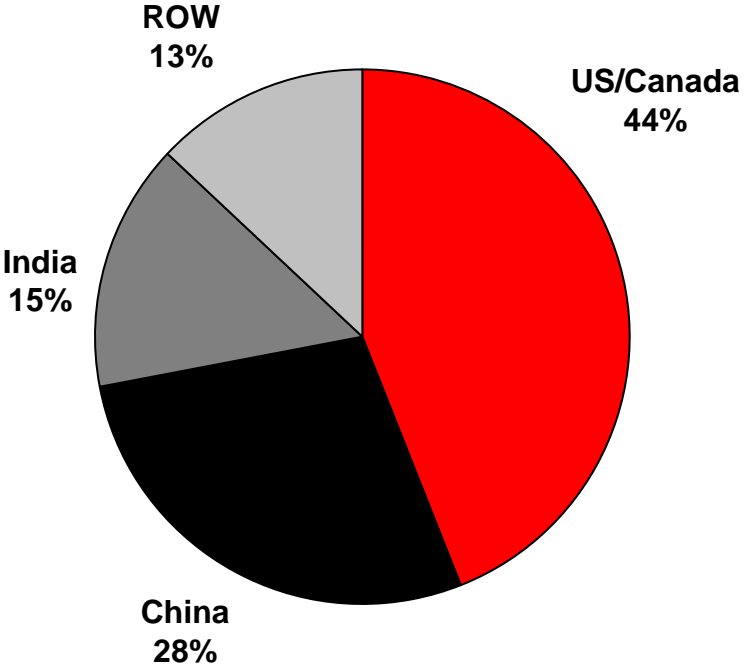
2011 Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



2011 Revenues

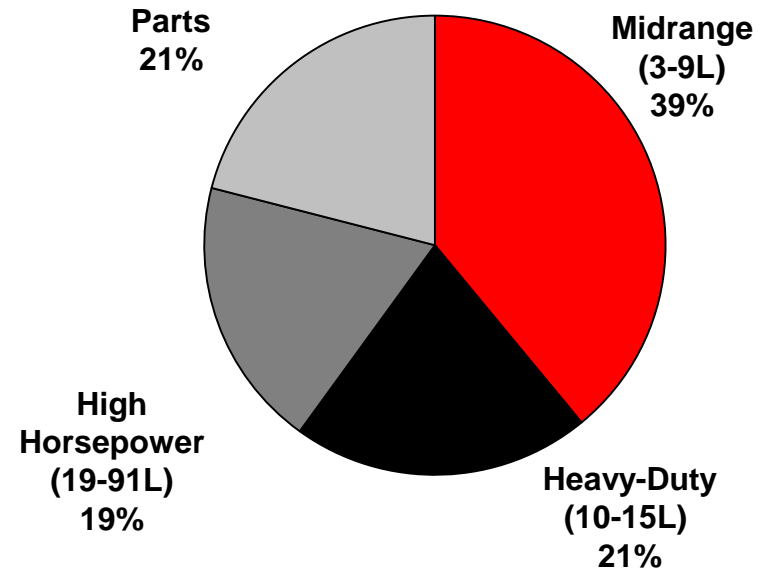


Engine Segment – Overview

- 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

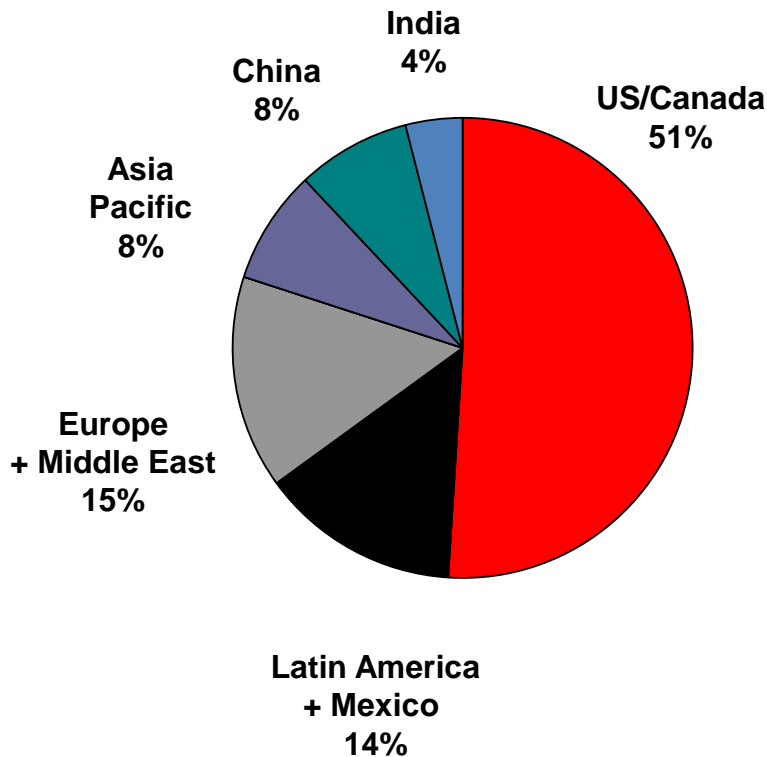
2011 Segment Data
Sales: \$11.3 billion
EBIT: \$1.4 billion
EBIT Margin: 12.2%

2011 Revenue by Product

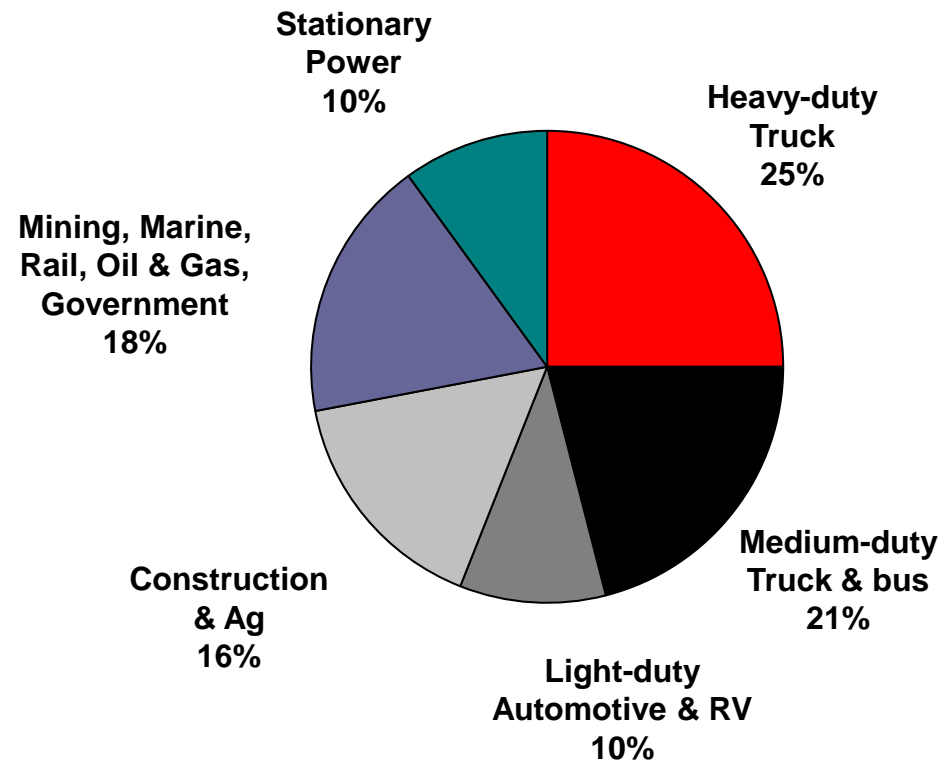


Engine Segment – Sales Mix

Geographic



Application

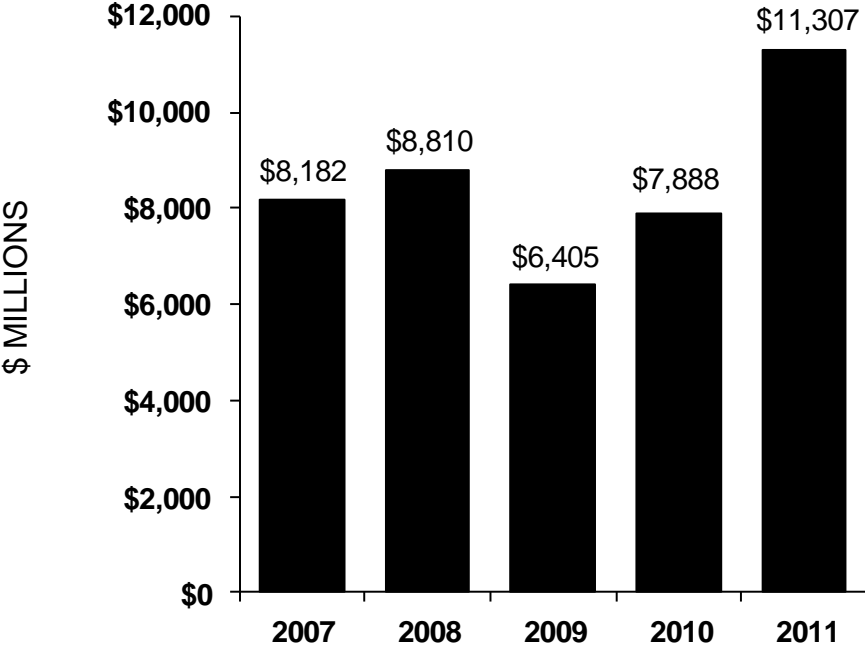


2011 Revenue: \$11.3B

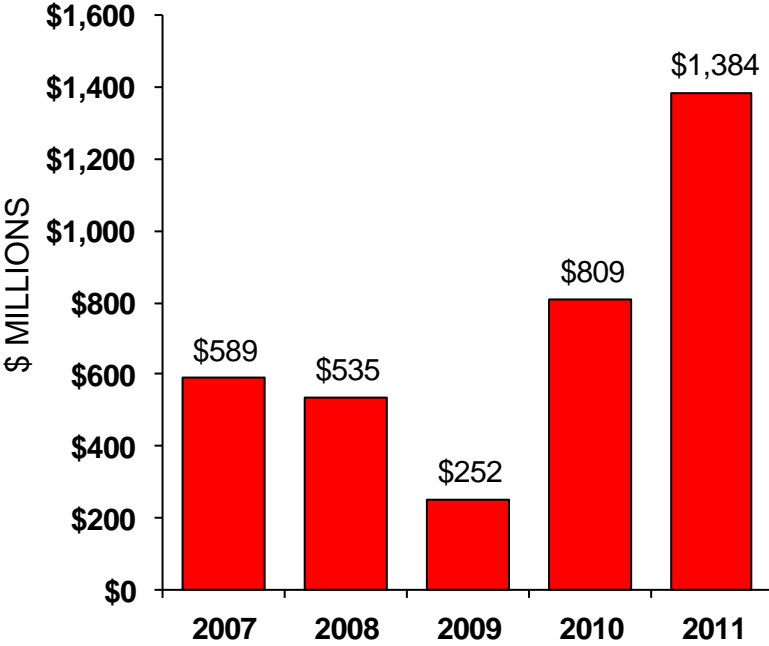


Engine Segment – Historical Performance

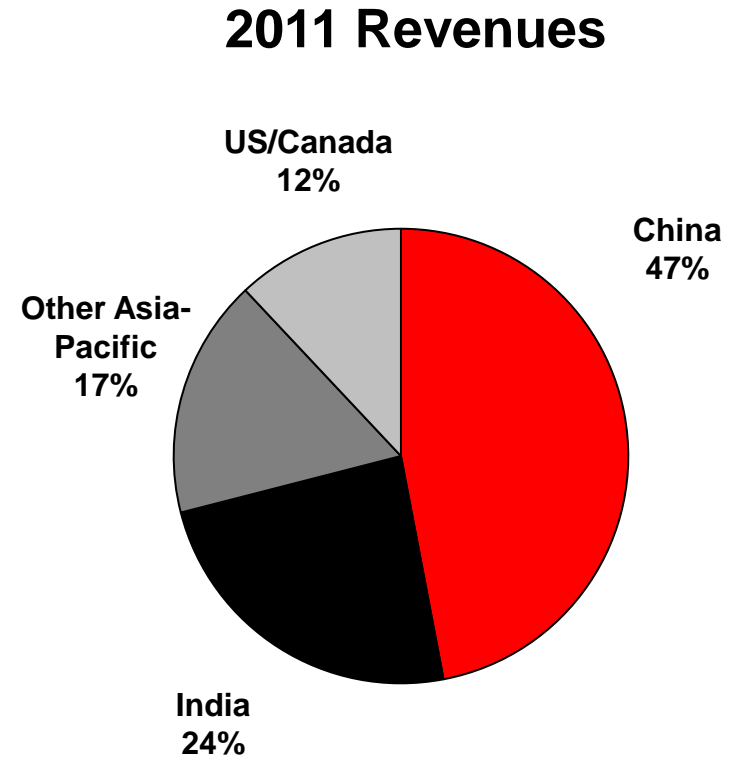
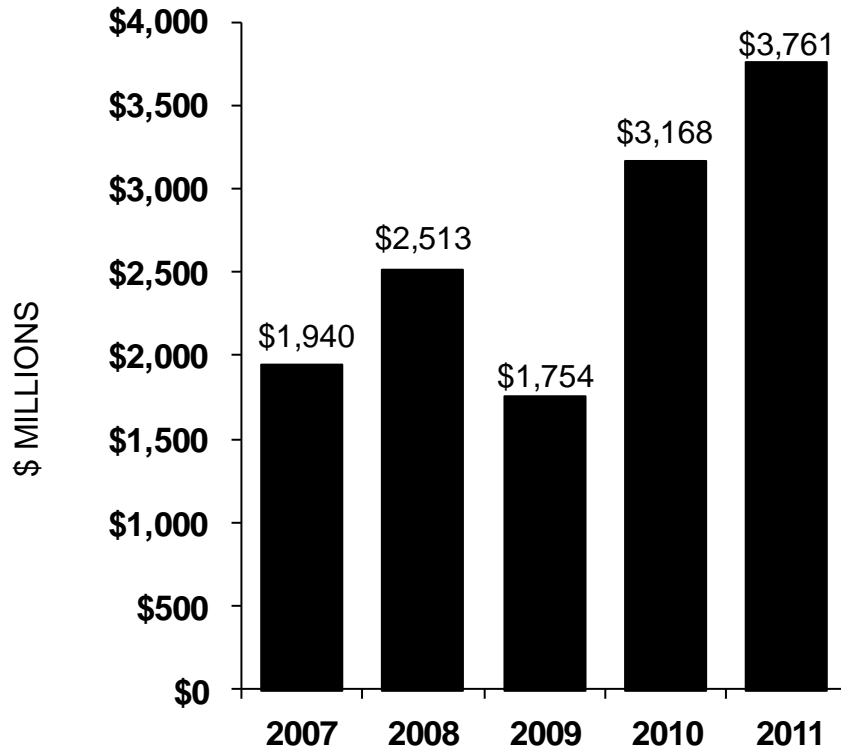
Sales



Segment EBIT



Engine Segment – Joint Venture Sales Unconsolidated

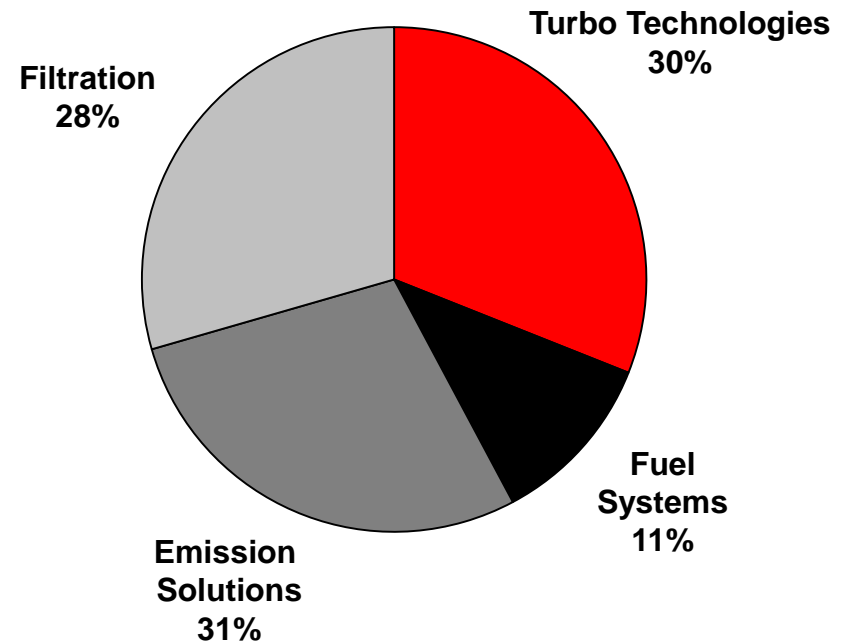


Components Segment – Overview

- 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

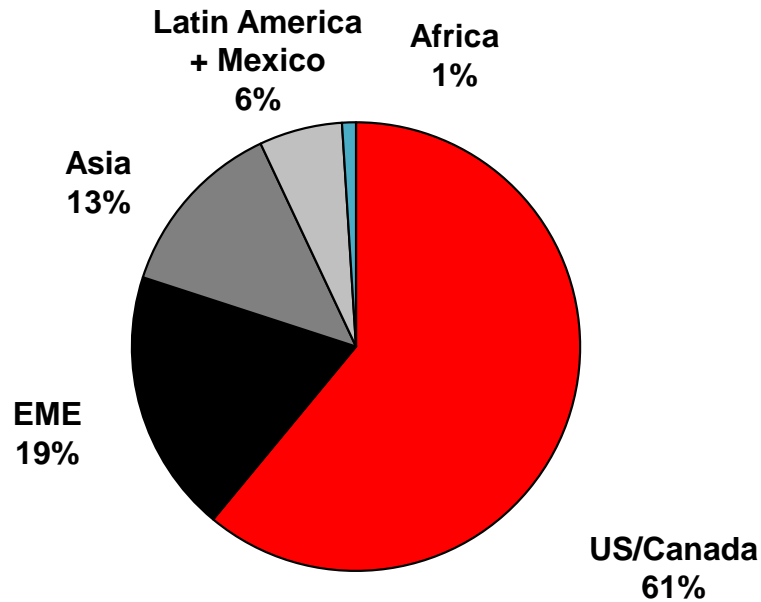
2011 Segment Data
Sales: \$4.1 billion
EBIT: \$470 million
EBIT Margin: 11.6%

2011 Revenue by Business

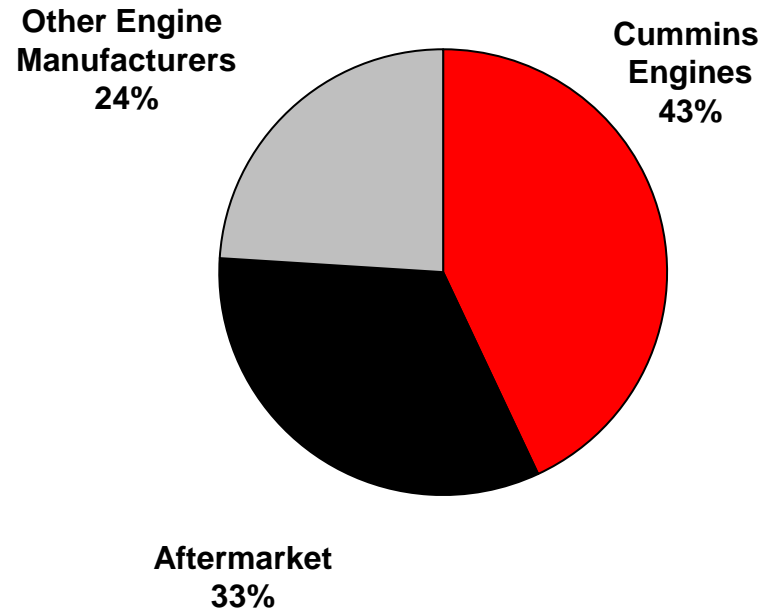


Components Segment – Sales Mix

Geographic



Application

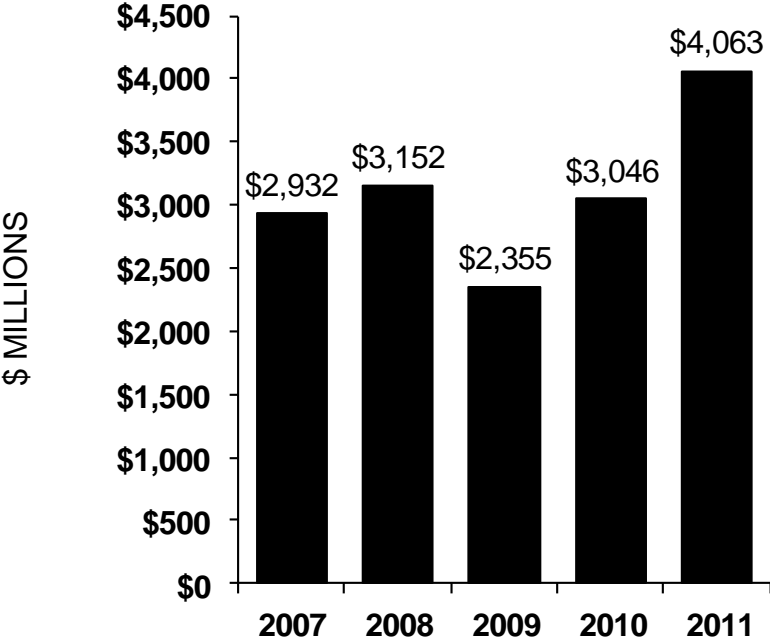


2011 Revenue: \$4.1B

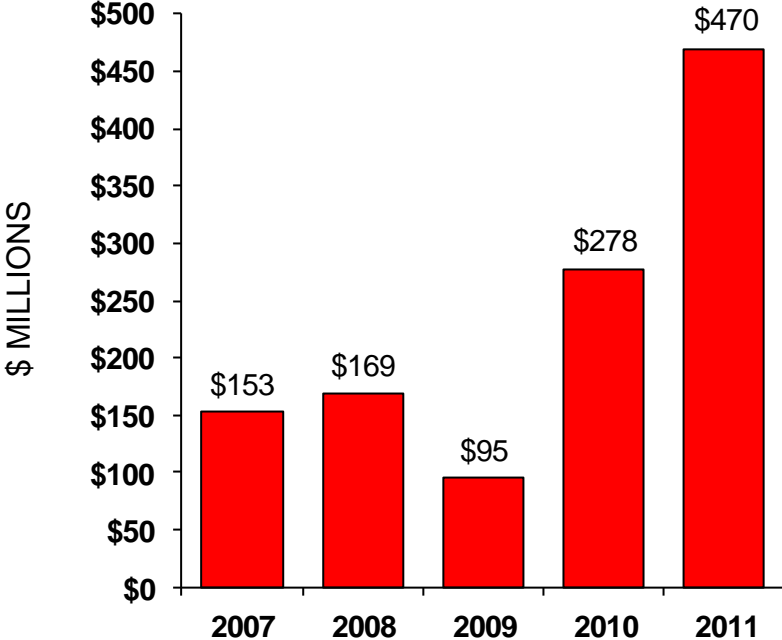


Components – Historical Performance

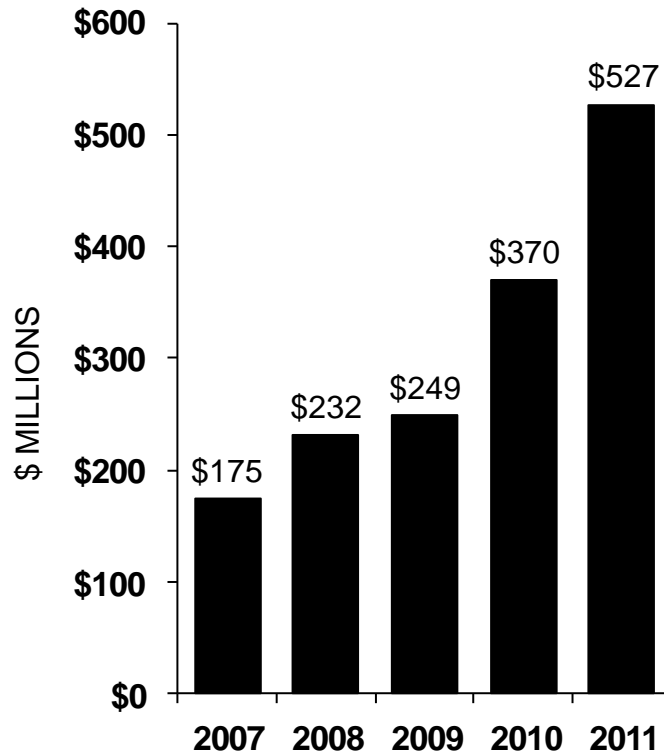
Sales



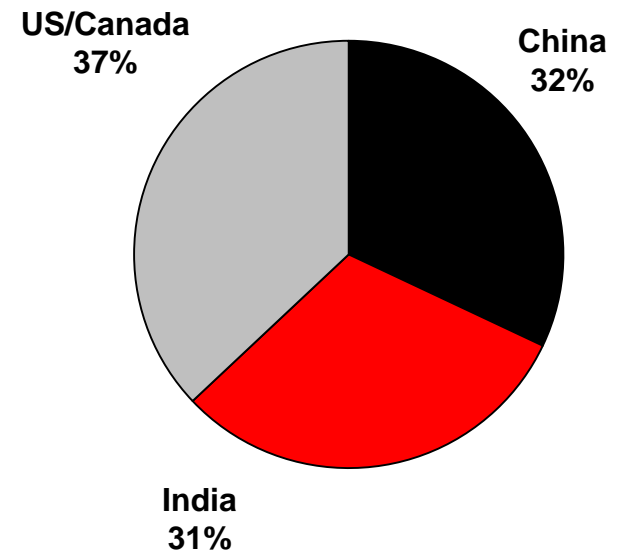
Segment EBIT



Components Segment – Joint Venture Sales Unconsolidated



2011 Revenues



Power Generation Segment – Overview

- Global provider of power generation systems, components and services from 5 kW to 2750 kW
- Leading supplier of alternators from 0.6kVA to 30,000 kVA
- Leading market share in multiple geographies

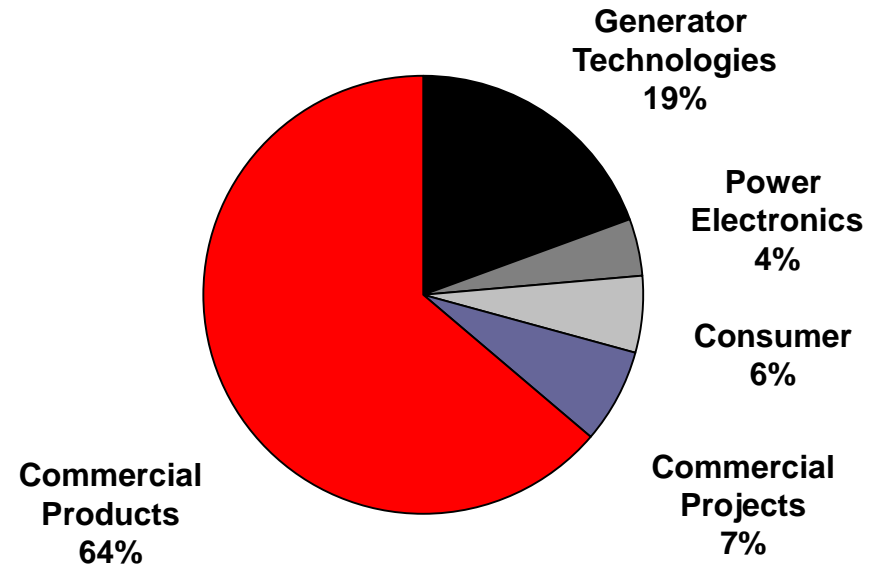
2011 Segment Data

Sales: \$3.5 billion

EBIT: \$373 million

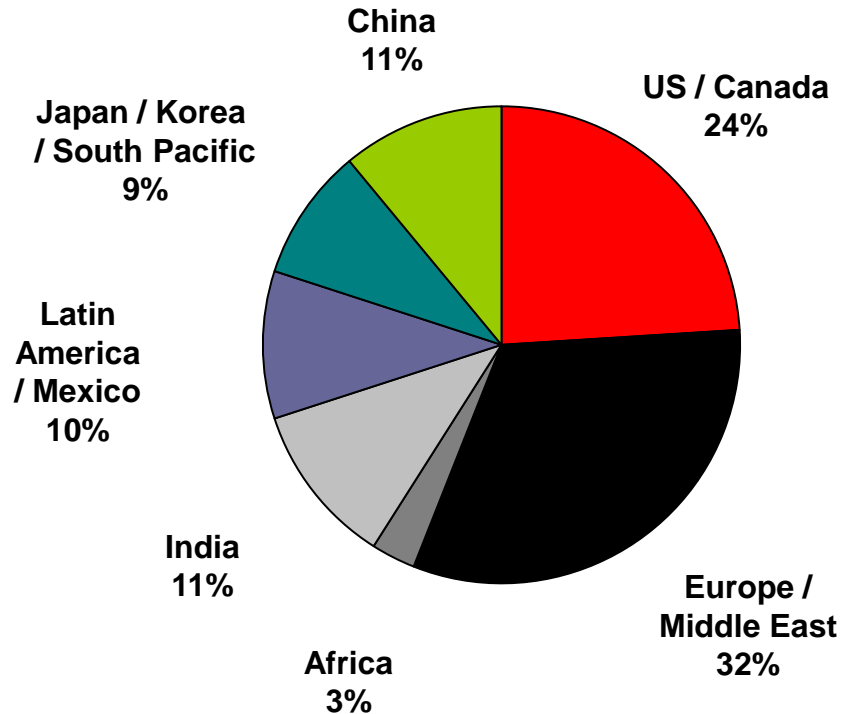
EBIT Margin: 10.7%

2011 Revenue by Product



Power Generation Segment – Sales Mix

Geographic



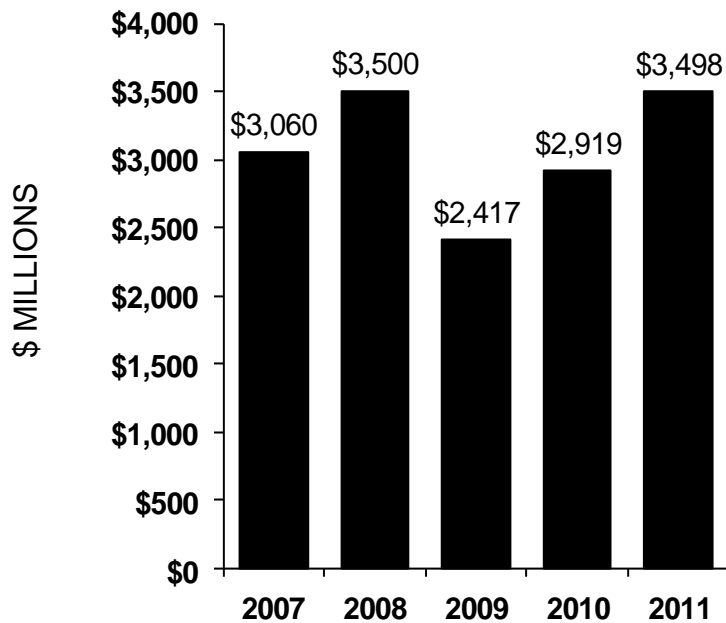
- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

2011 Revenue: \$3.5B

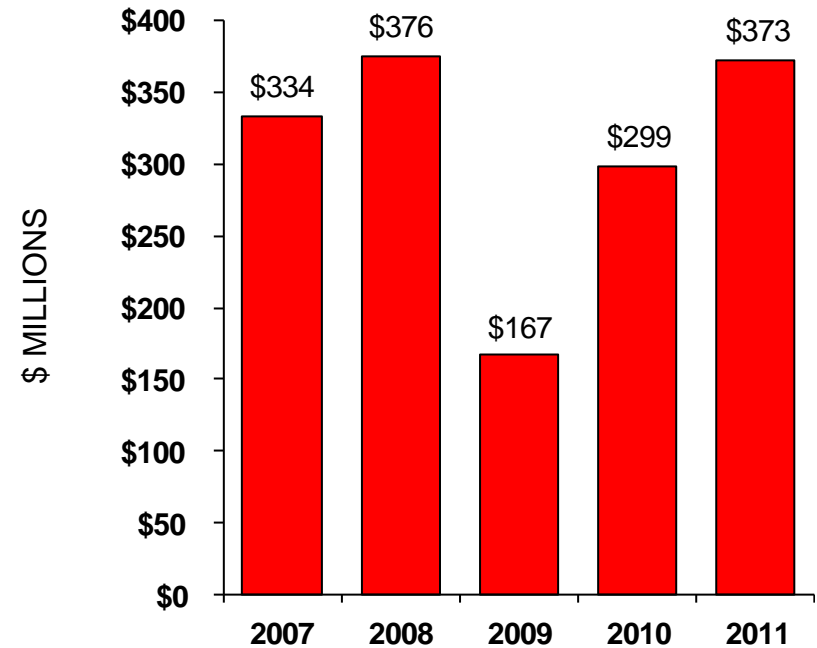


Power Generation – Historical Performance

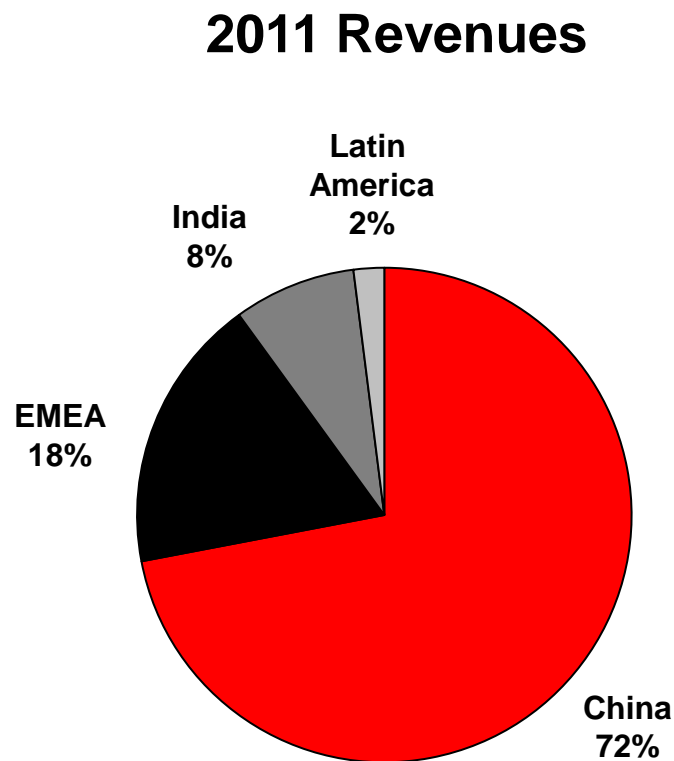
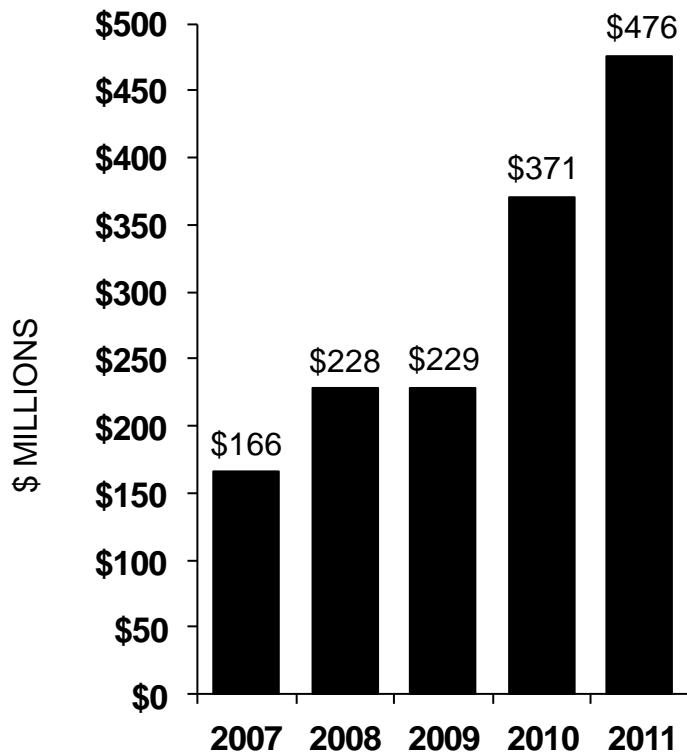
Sales



Segment EBIT



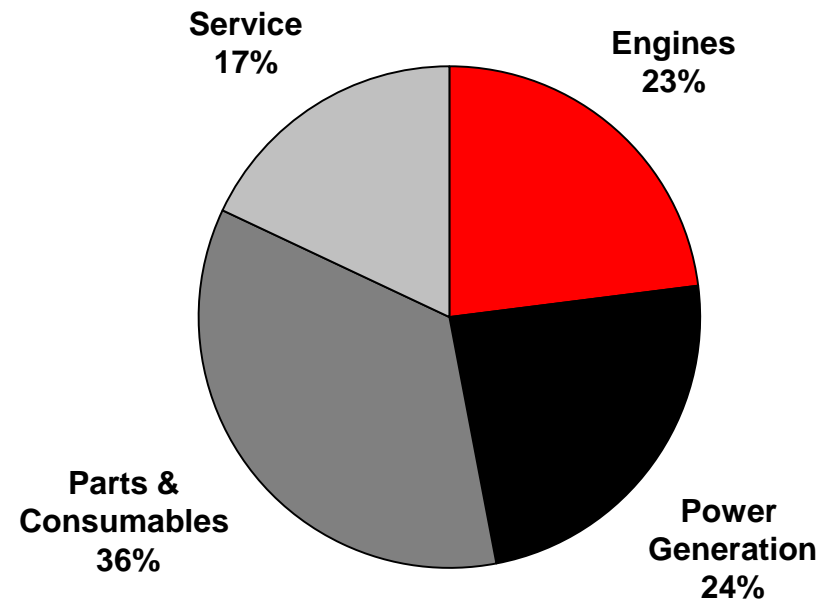
Power Generation Segment – Joint Venture Sales Unconsolidated



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

Application



2011 Segment Data

Sales: \$3.0 billion

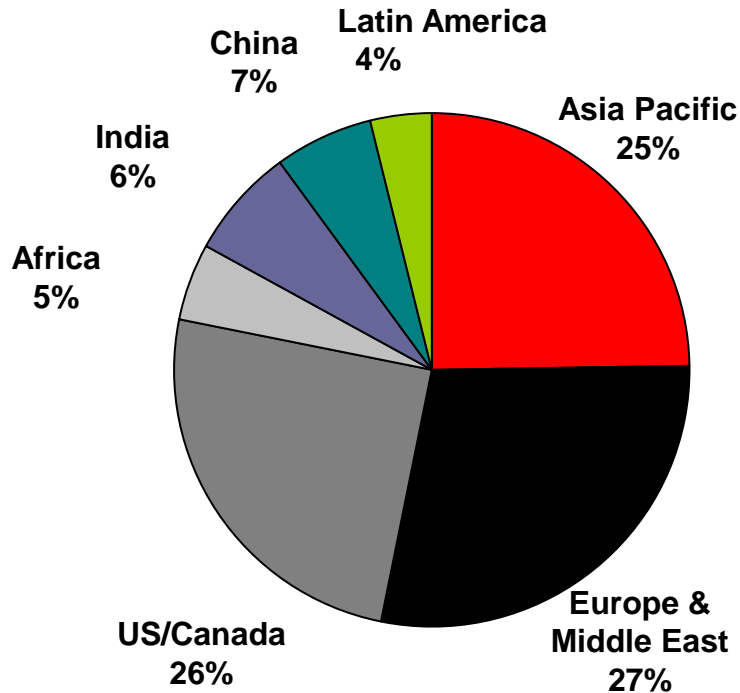
EBIT: \$386 million

EBIT Margin: 12.7%



Distribution Segment – Sales Mix

Geographic



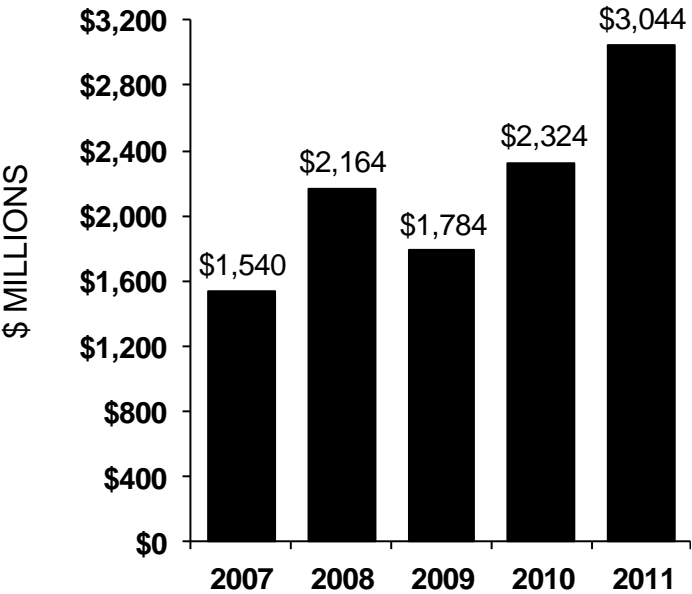
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

2011 Revenue: \$3.0B

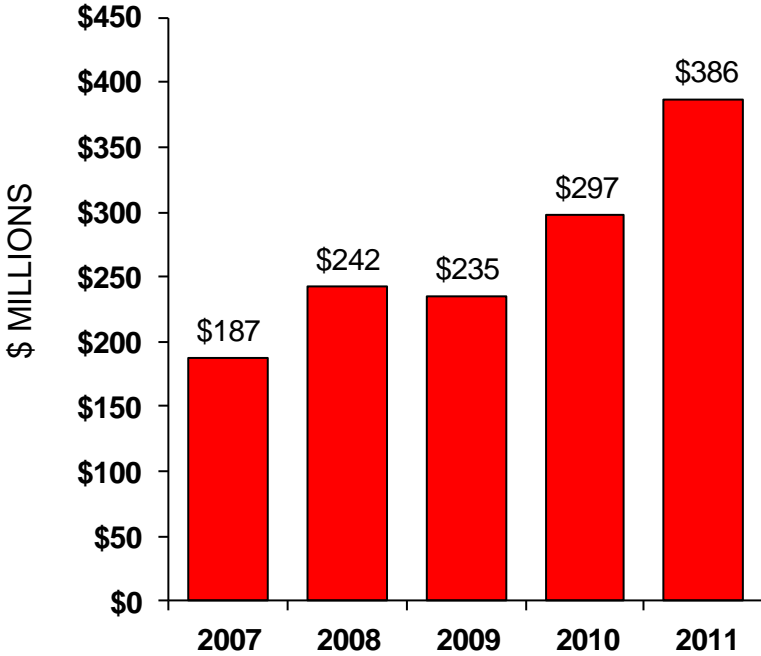


Distribution – Historical Performance

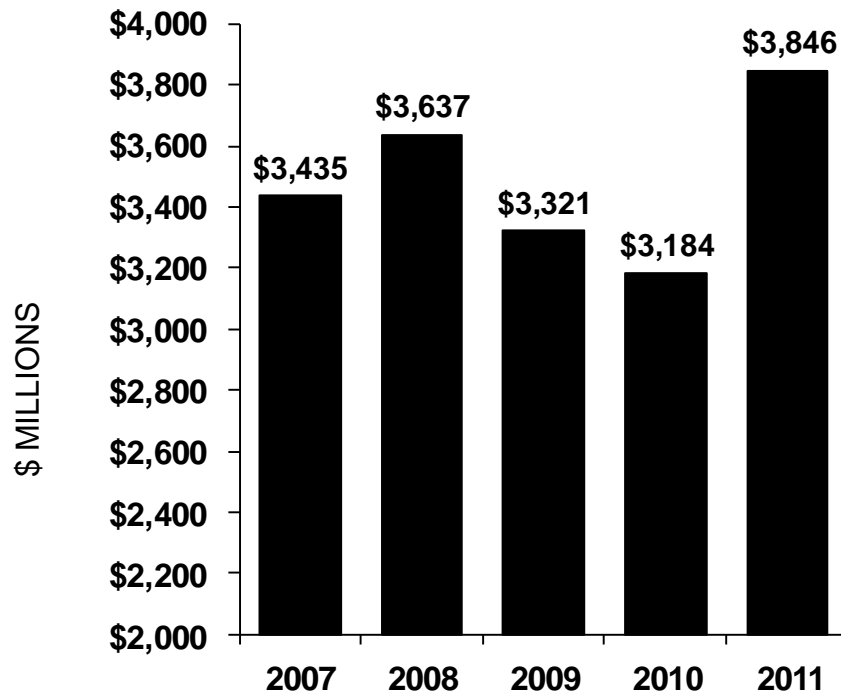
Sales



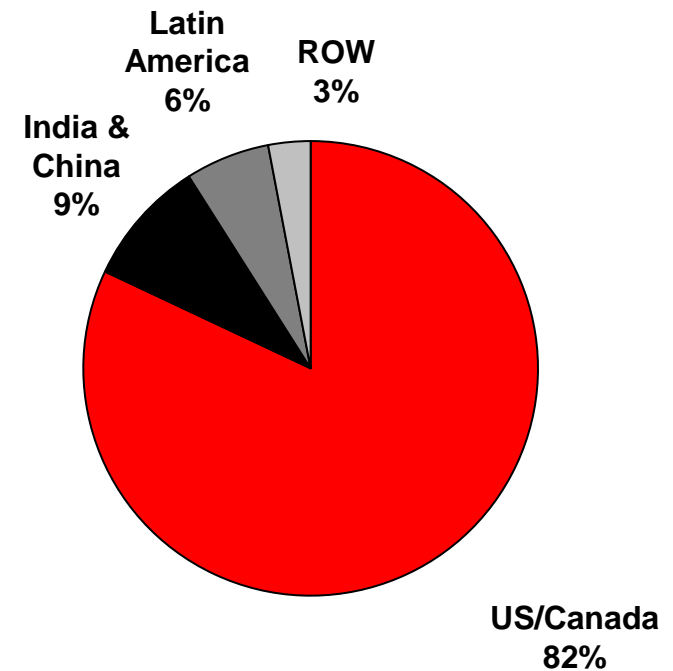
Segment EBIT



Distribution Segment – Joint Venture Sales Unconsolidated



2011 Revenues



Cummins in India

Dewas

- Cummins Turbo Technologies

Daman

- Generators
- Cummins Exhaust

Phaltan (*Megasite*)

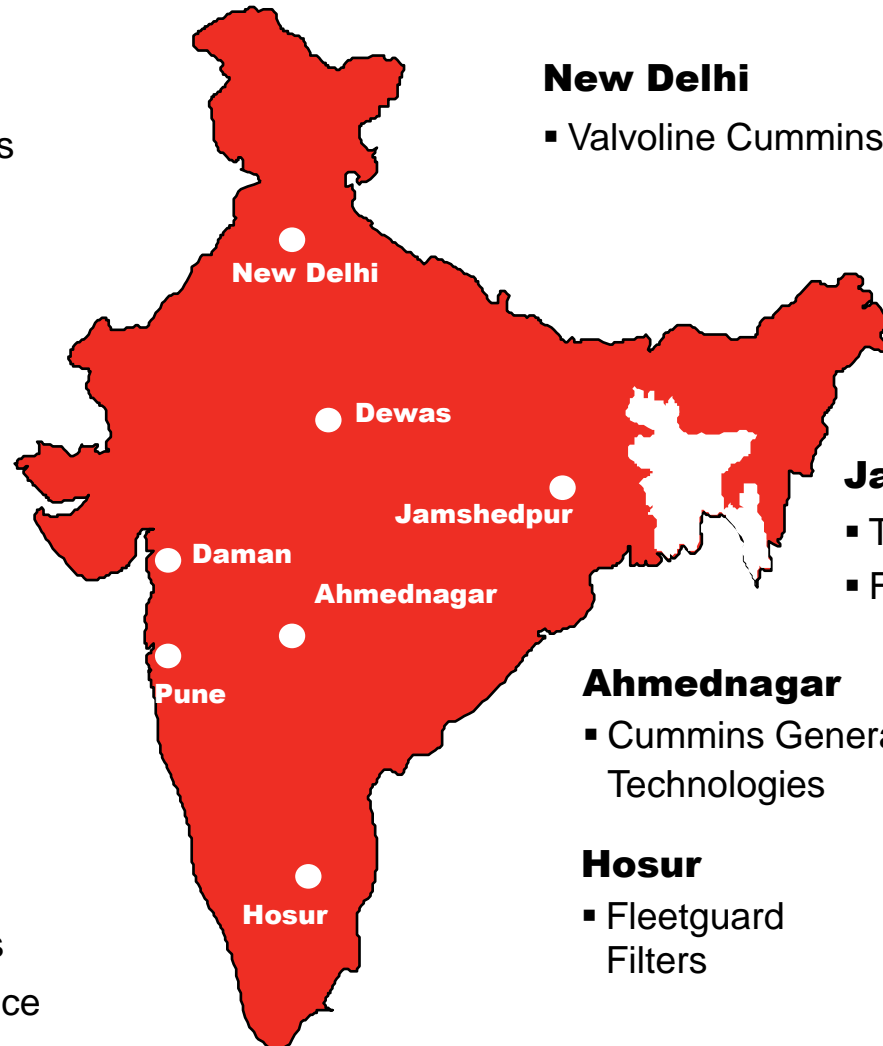
- Tata Cummins II
- HHP Rebuild Center
- Parts Distribution Center

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

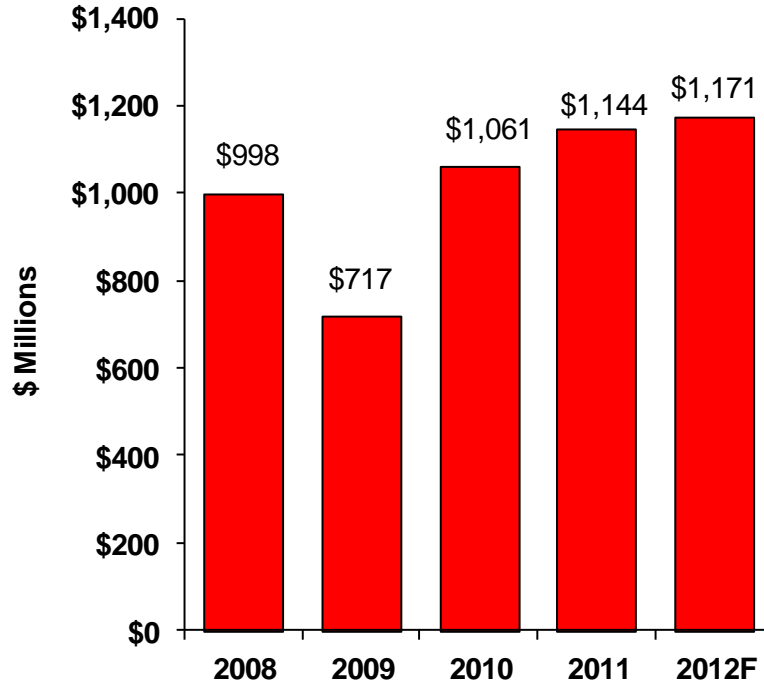
Hosur

- Fleetguard Filters

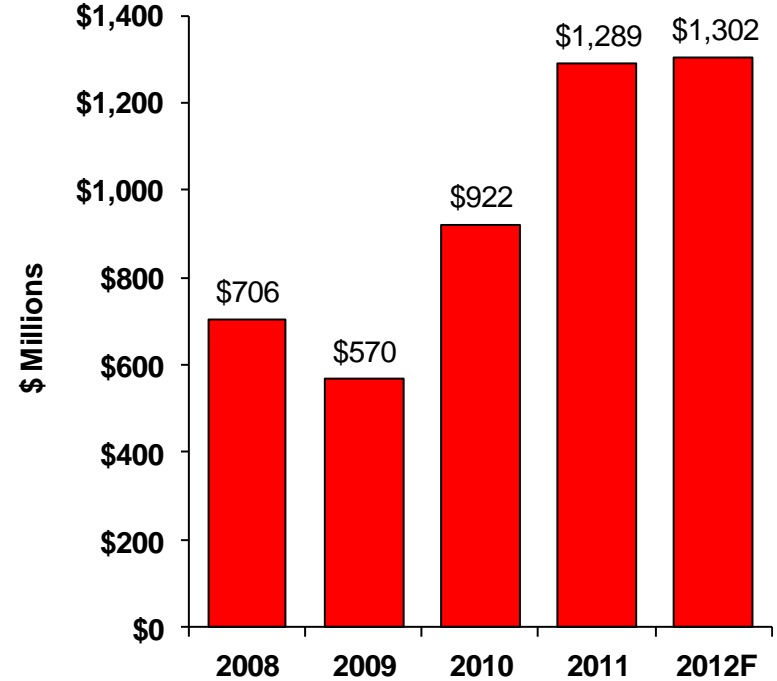


India – Historical Performance

Consolidated Sales*



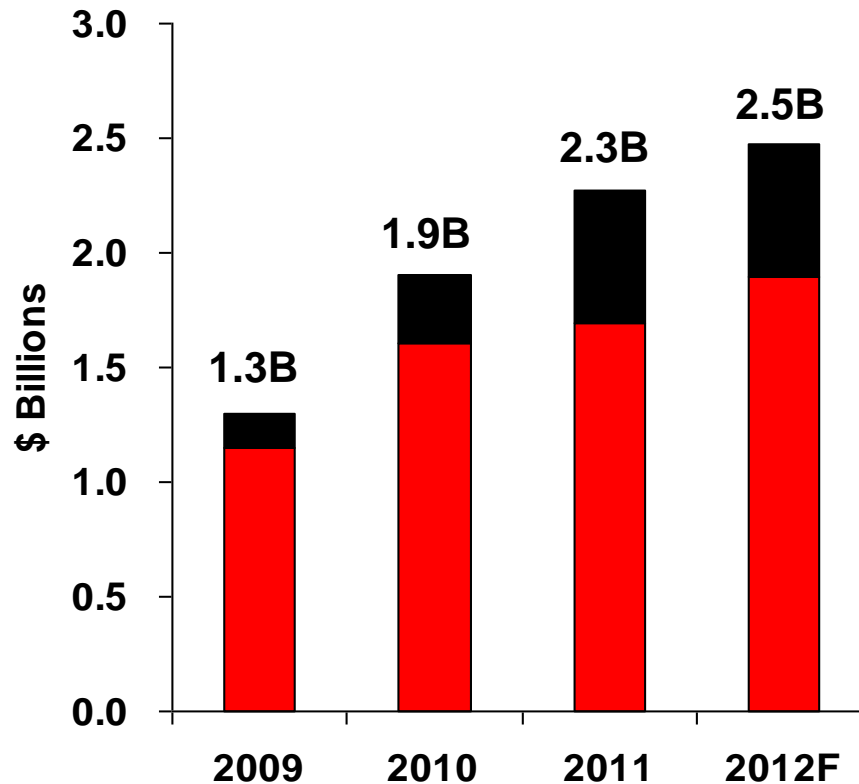
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports.



Strong Growth in Emerging Markets: India*



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

■ Export Revenue
■ Domestic Revenue

*Consolidated + Unconsolidated Revenue



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

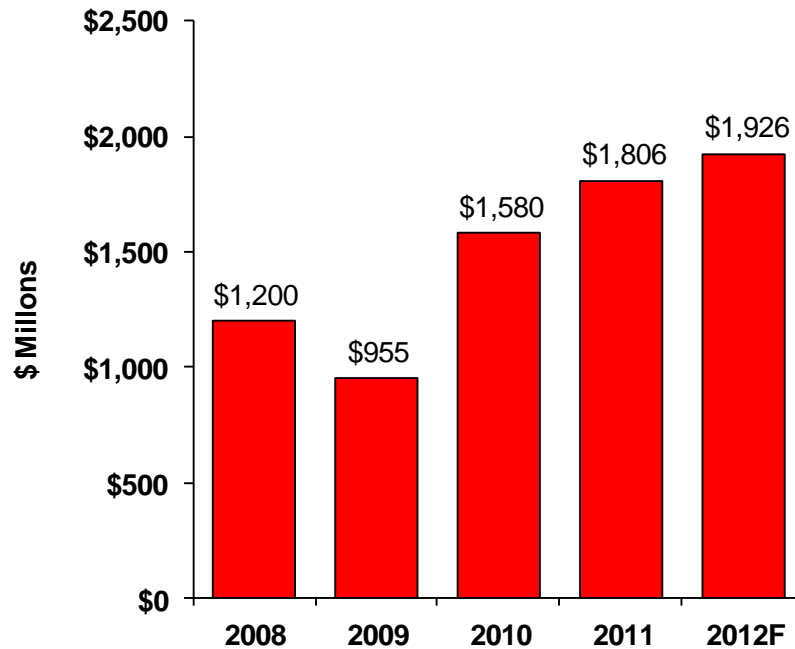
Guangdong area

- Hong Kong Distributor
- Guangzhou Distributor
- Shenzhen JV Distributor

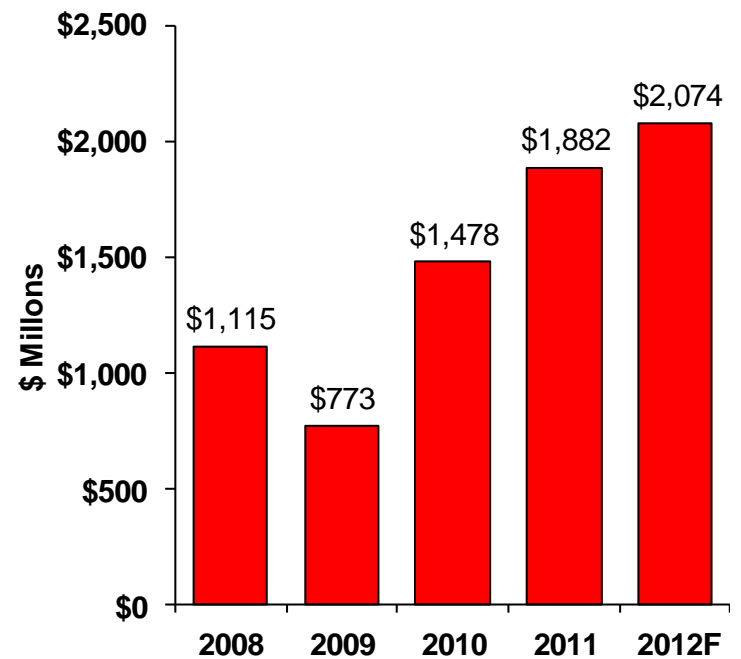


China – Historical Performance

Consolidated Sales*



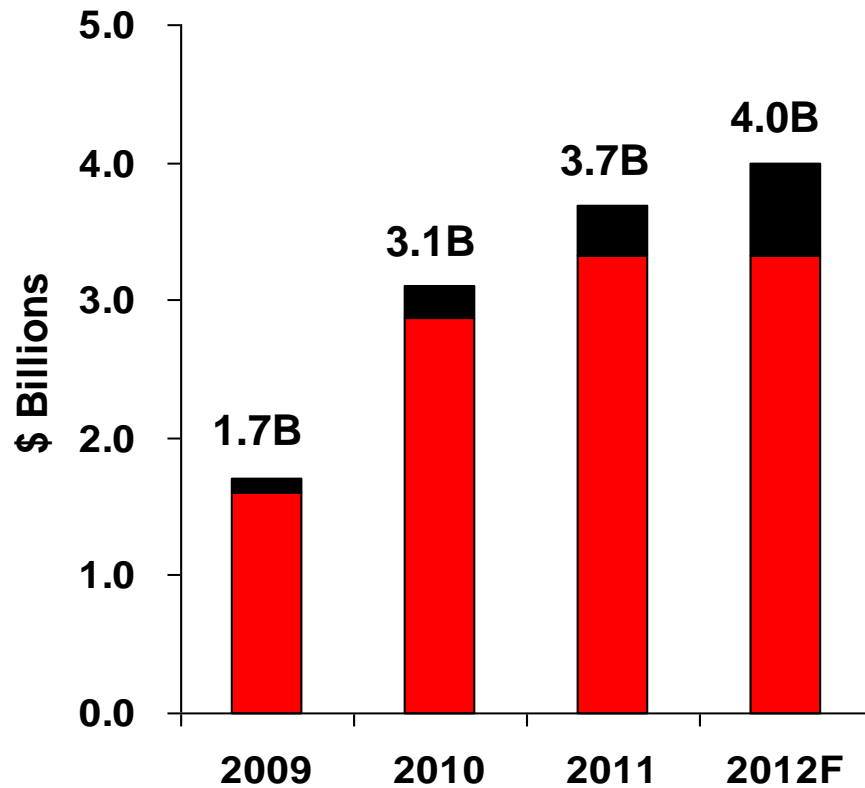
Joint Venture Sales Unconsolidated



* 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>		
	Dec 31, 2011	Sep 25, 2011	Dec 31, 2010
EBIT excluding gain on sale of businesses	\$ 677	\$ 572	\$ 541
Add: gain on sale of businesses and flood insurance recovery	91	68	0
Total EBIT	<u>768</u>	<u>640</u>	<u>541</u>
Less: interest expense	10	11	11
Income before income taxes	758	629	530
Less: Income tax expense	186	157	139
Consolidated net income	<u>572</u>	<u>472</u>	<u>391</u>
Less: Net income attributable to noncontrolling interests	24	20	29
Net Income attributable to Cummins Inc.	<u>548</u>	<u>452</u>	<u>362</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	December 31st 2011	December 31st 2010
Net assets for operating segments	<u>\$ 7,304</u>	<u>\$ 6,327</u>
Liabilities deducted in computing net assets	4,832	4,412
Pension and other postretirement liabilities	(928)	(879)
Deferred tax assets not allocated to segments	435	517
Debt-related costs not allocated to segments	<u>25</u>	<u>25</u>
Total Assets	<u>\$ 11,668</u>	<u>\$ 10,402</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	December 31st 2011	December 31st 2010
Equity used for return on equity calculation	\$ 6,216 *	\$ 5,316
Defined benefit postretirement plans	(724)	(646)
Total shareholders equity	\$ 5,492	\$ 4,670
plus Noncontrolling Interest	339	326
Total Equity	\$ 5,831	\$ 4,996

* Equity includes \$94M of Gain on Divested Businesses and Flood Proceeds (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	Dec 31, 2011	Sep 25, 2011	Dec 31, 2010
Accounts and notes receivable, net	\$ 2,526	\$ 2,666	\$ 2,243
Inventories	\$ 2,141	\$ 2,295	\$ 1,977
Less Accounts payable – trade	<u>\$ (1,546)</u>	<u>\$ (1,659)</u>	<u>\$ (1,362)</u>
Working capital measure	\$ 3,121	\$ 3,302	\$ 2,858
Working capital measure (% of Annualized Net Sales)	17.3%	18.9%	21.6%

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

