

First Quarter 2012 Earnings Teleconference

May 1, 2012



Participants

Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Mark Smith Executive Director – Investor Relations



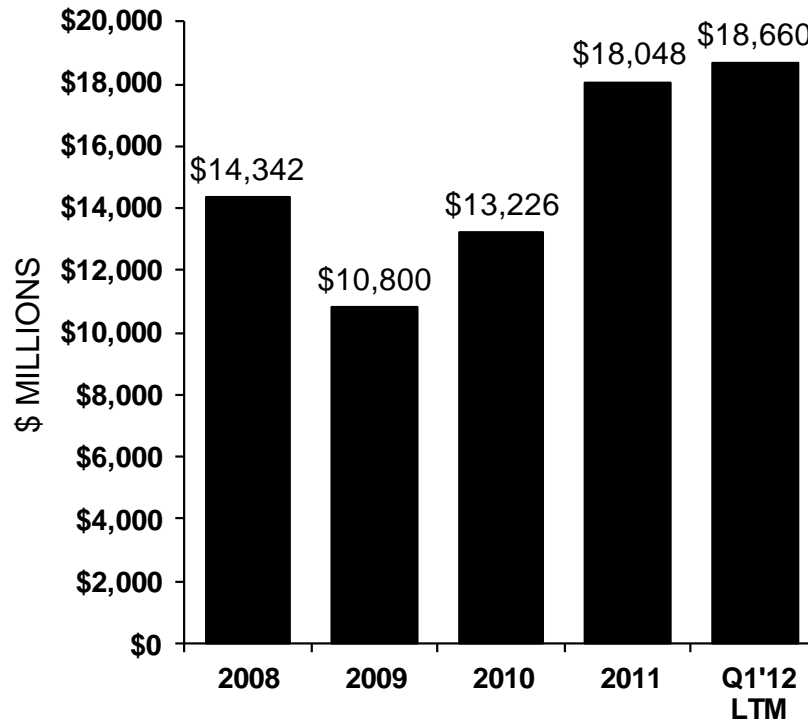
Disclosure Regarding Forward-Looking Statements

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 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.

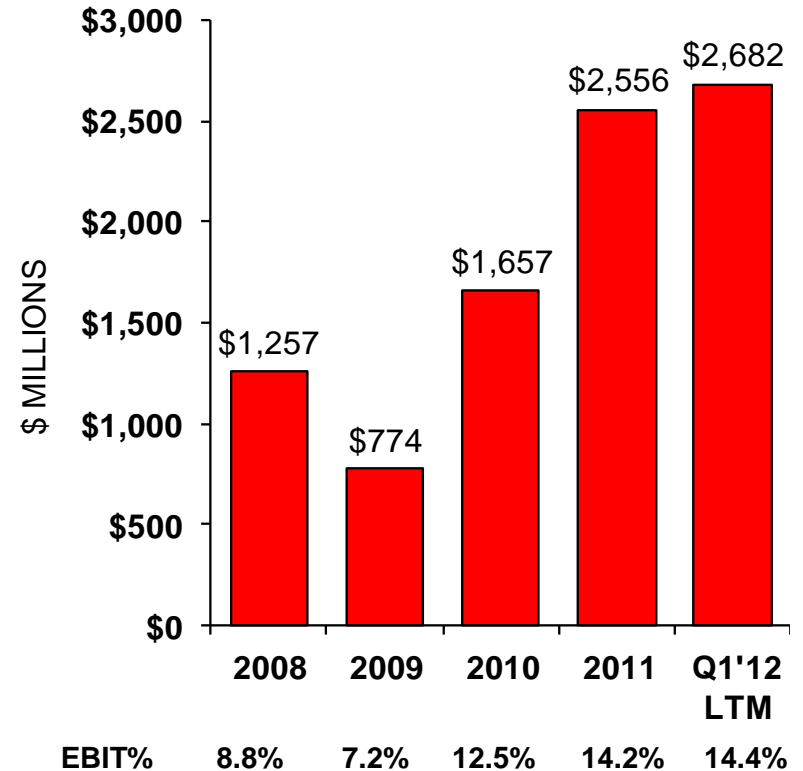


Cummins Inc.

Sales



EBIT¹



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



Cummins Inc.

Selected Financial Data

\$M	Q1-12	Q1-11	Growth	Q4-11	Growth
Sales	4,472	3,860	+16%	4,921	-9%
EBIT Excluding Special Items ¹	658	532	+24%	677	-3%
% of Sales	14.7%	13.8%		13.8%	
ROANA (LTM) ²	37%	33%		38%	
ROE (LTM) ²	31%	25%		31%	

- Year-over-year revenue growth driven by strong demand in the U.S. from both on-highway and off-highway markets. Sales in the rest of the world were essentially flat compared to the prior year.
- Compared to the prior quarter, the decrease was driven by seasonality in the Power Generation business in Asia, weaker construction markets in China, the impact of Q4'11 prebuy in Europe, and lower truck production in Brazil.

¹ Q4'11 EBIT excludes gain from divestiture of business and flood insurance recovery.

² Q4'11 ROANA and ROE calculations exclude gain from divestiture of business and flood insurance recovery



Joint Venture Income

\$M	Q1-12	Q1-11	Q4-11
Engine	38	42	40
<i>On-highway</i>	25	26	28
<i>Off-highway</i>	13	16	12
Power Generation	10	8	10
Distribution	48	38	44
Components	8	8	7
Total JV Income	104	96	101

- Year-over-year improvement driven by North American distributors and Chongqing Cummins in China, offset by lower contribution from DongFeng Cummins.
- Sequentially, improvement driven by North American distributors. Total contribution from joint ventures in China unchanged.



Cummins Inc.

Selected Income Statement Data

\$M	Q1-12	Q1-11	Q4-11
Net Income Attributable to CMI -- Excluding Special Items	455	343	491
Diluted EPS ¹	2.38	1.75	2.56
Gross Margin (% of Sales)	26.8%	24.8%	25.2%
SAR (% of Sales)	14.7%	13.4%	13.7%

- Year-over-year growth in earnings driven by stronger volume, better price realization, and improved product coverage expense.
- Sequentially margins improved due to operational improvements, better pricing, and lower material costs offsetting lower volume and higher product coverage.



¹ Q4'11 Earnings exclude gain from divestiture of business and a flood insurance recovery.

Engine Segment

Selected Financial Data

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Sales	2,859	2,391	+20%	3,061	-7%
EBIT	381	290	+31%	368	+4%
% of Sales	13.3%	12.1%		12.0%	

- Year-over-year revenue improvement driven by strong demand for on-highway markets in North America and mining markets globally. Sequentially, strength in the U.S. was more than offset by weaker construction markets in China and lower truck production in Brazil.
- Year-over-year earnings improvement driven by stronger volumes, improved pricing, and lower product coverage. Sequentially, margins improved due to operational improvements, lower material cost, and improved pricing.



Engine Segment

Sales by Market – On-highway

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Heavy-Duty Truck	892	485	+84%	865	+3%
Medium-Duty Truck & Bus	526	474	+11%	598	-12%
Light-Duty Auto & RV	286	296	-3%	299	-4%

- **Heavy Duty Truck:** Shipments up 102% Y-o-Y and 2% sequentially.
- **Medium-Duty Truck & Bus:** Shipments up 21% Y-o-Y and down 13% sequentially.
- **Light-Duty & RV:** Shipments up 1% Y-o-Y and down 9% sequentially.



Engine Segment

Sales by Market – Off-highway

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Industrial	861	855	+1%	1,030	-16%
Stationary Power	294	281	+5%	269	+9%

- **Industrial:** Shipments down 19% YoY and down 37% sequentially.
- **Stationary Power:** Shipments up 2% YoY and up 9% sequentially.



Guidance for 2012 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 29%.
- Medium-duty truck & bus revenue up 3%. Growth in North America partially offset by lower demand in Brazil.
- Light duty auto & RV revenue Up 8%.
- Industrial revenue flat. Growth, primarily in North America, offsetting weaker construction demand in China.



Key On-Highway Engine Markets - 2012

Key Market	Previous	Current
	Market Size	Market Size
Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i>	278K units	278K units
Medium Duty Truck – NAFTA	117K units	117K units
Heavy & Medium Truck – China	1.1M units	1.04M units
Heavy & Medium Truck – India	398K units	398K units
Medium Duty Truck – Brazil	201K units	171K units



Components Segment

Selected Financial Data

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Sales	1,099	924	+19%	1,092	+1%
EBIT	143	105	+36%	132	+8%
% of Sales	13.0%	11.4%		12.1%	

- Year-over-year revenue growth in U.S. on-highway markets more than offset weakness in Europe and China. YoY and sequential comparisons also improved due to demand in Brazil for aftertreatment.
- EBIT, compared to the prior year, improved due to stronger volumes, lower product coverage, and improved operating performance.



Power Generation Segment

Selected Financial Data

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Sales	780	795	-2%	920	-15%
EBIT	76	89	-15%	87	-13%
% of Sales	9.7%	11.2%		9.5%	

- Compared to the prior year, growth in North America and Brazil was offset by lower demand in Europe and the Middle East. Sequentially, improvements in India and Brazil were more than offset by weaker demand in most other regions.
- EBIT, compared to the prior year, benefitted from improved pricing offset by lower demand and additional spending on growth initiatives. Sequentially, operational improvements, pricing, and lower material cost drove the improvement.



Distribution Segment

Selected Financial Data

\$ M	Q1-12	Q1-11	Growth	Q4-11	Growth
Sales	775	642	+21%	834	-7%
EBIT	94	89	+6%	87	+8%
% of Sales	12.1%	13.9%		10.4%	

- Year-over-year revenue growth was driven by strong demand from mining and power generation markets in Asia Pacific, along with, aftermarket and construction equipment demand in North America. Sequentially, revenue was impacted by last quarter's pre-buy for industrial engines in Europe and weaker demand in North American oil & gas markets.
- Year-over-year EBIT declined due to currency and spending to build out distribution network in emerging markets. Sequential improvement driven by favorable product mix and lower operating costs.



Guidance for 2012 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Consolidated Revenue	Up 10%
Earnings from Joint Ventures	Up 5%
EBIT Margin	14.5-15.0%
Effective Tax Rate	27.0% 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 5%-10%	Up 20%
EBIT Margins (% of Revenue)	12-13%	12-13%	10.5-11.5%	12.5-13.5%



Cash Flow

\$ M	Q1-12	Q1-11	Q4-11
Operating Cash Inflow	21	88	705
Capital Expenditures	126	91	245
Working Capital Measure	3,335	3,146	3,121
Working Capital Measure (% of Annualized Net Sales)	18.6%	20.4%	15.9%
Debt to Capital %	10.9%	13.8%	11.8%

- Operating cash flow declined year-over-year due to increases in working capital partially offset by higher net income.



Thank You for Your Interest in



We Will Now Take Your Questions

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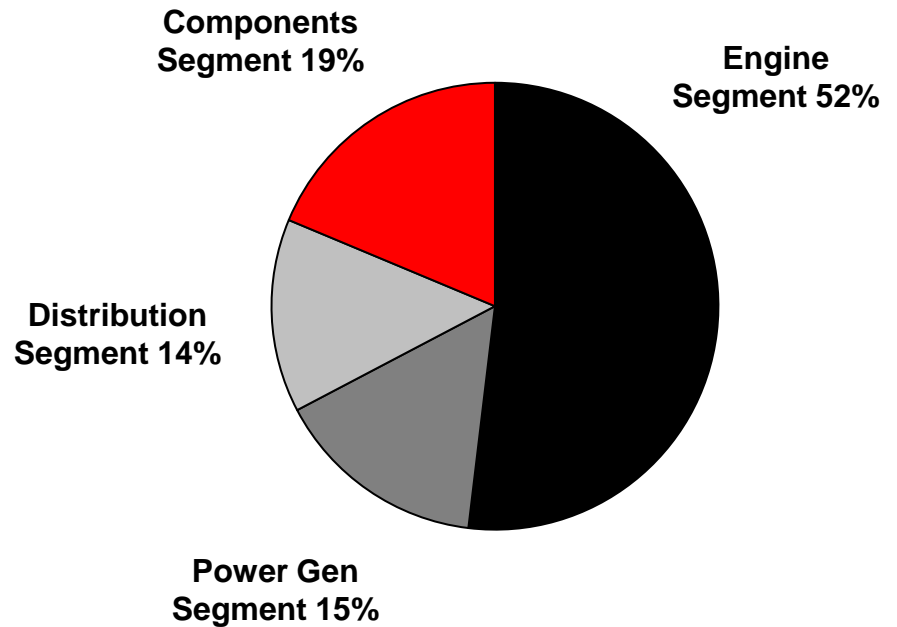
Appendix



Cummins Inc.

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

Q1'12 LTM Revenue by Segment



Q1'12 LTM Data

Sales: \$18.7 billion

EBIT : \$2.7 billion

EBIT margin: 14.4%

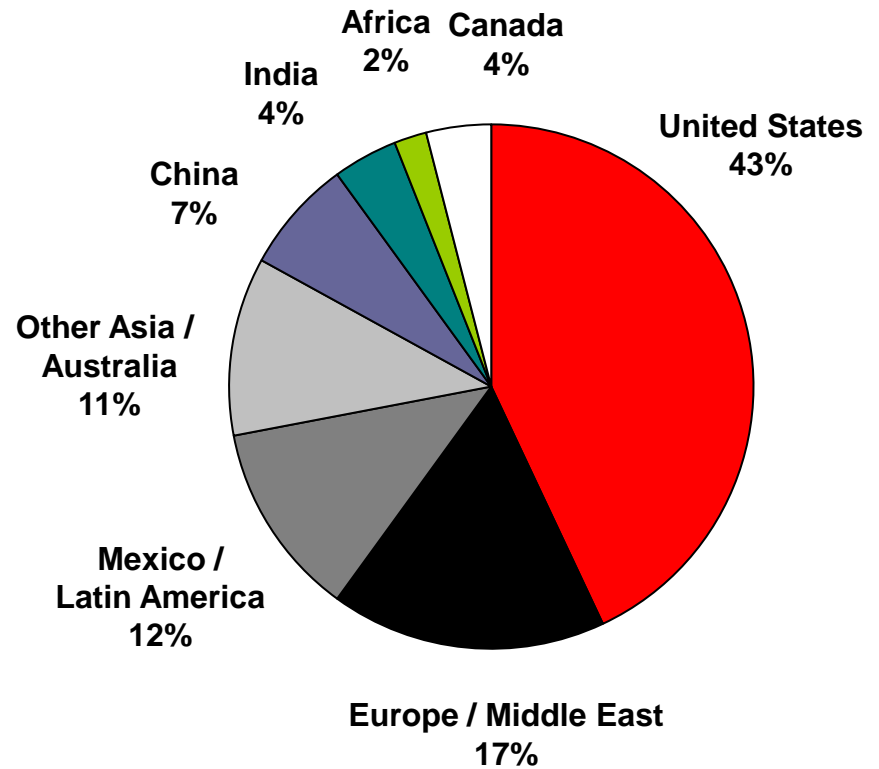
EBIT excludes gain from divestiture of business and flood insurance recovery.



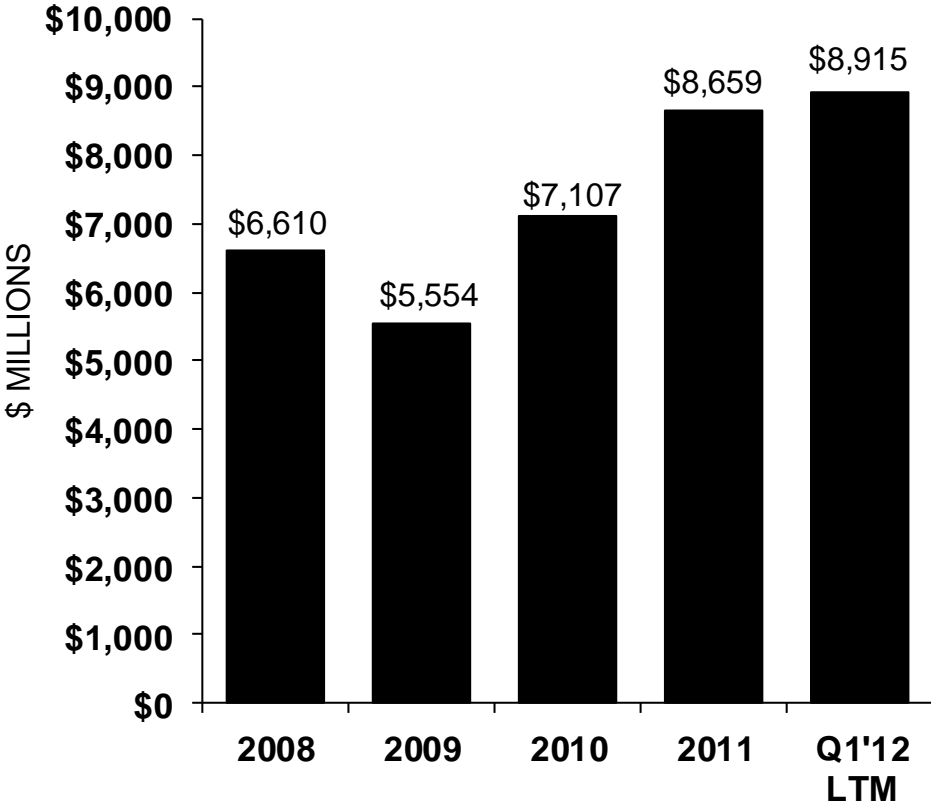
Cummins Inc.

- Strong geographic diversification and leadership across multiple end-markets.

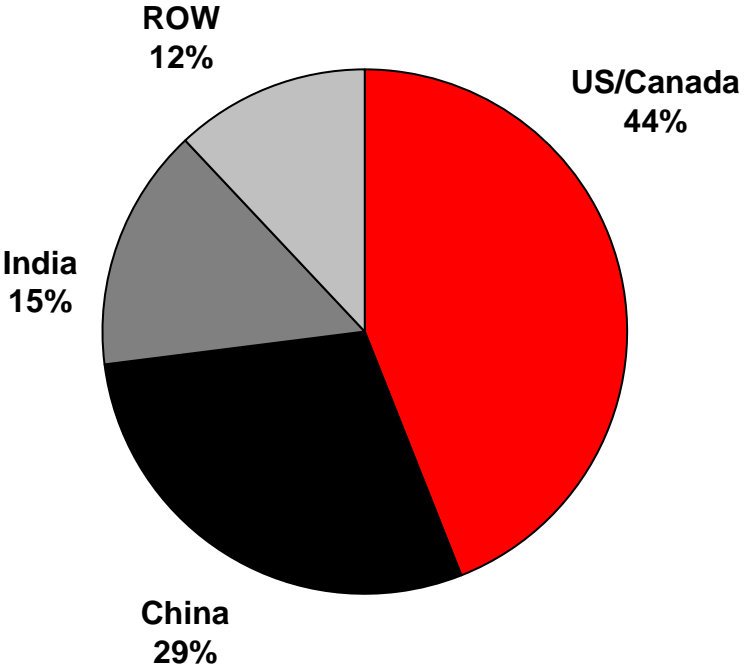
Q1'12 LTM Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



Q1'12 LTM Revenues



Note: 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

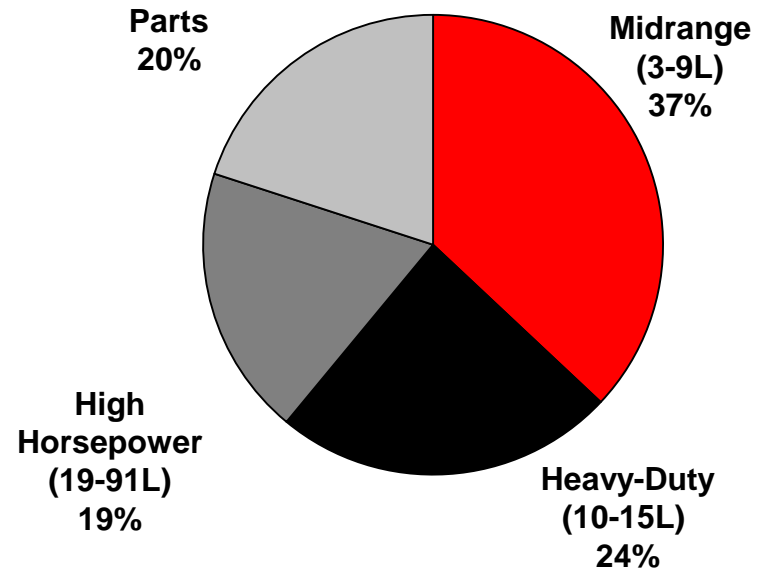
Q1'12 LTM Segment Data

Sales: \$11.8 billion

EBIT: \$1.5 billion

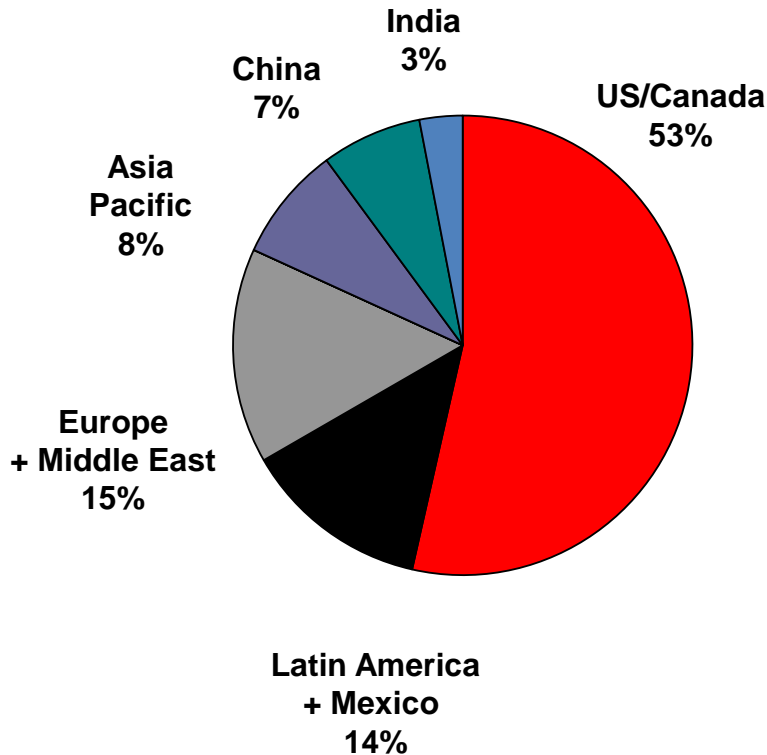
EBIT Margin: 12.5%

Q1'12 LTM Revenue by Product

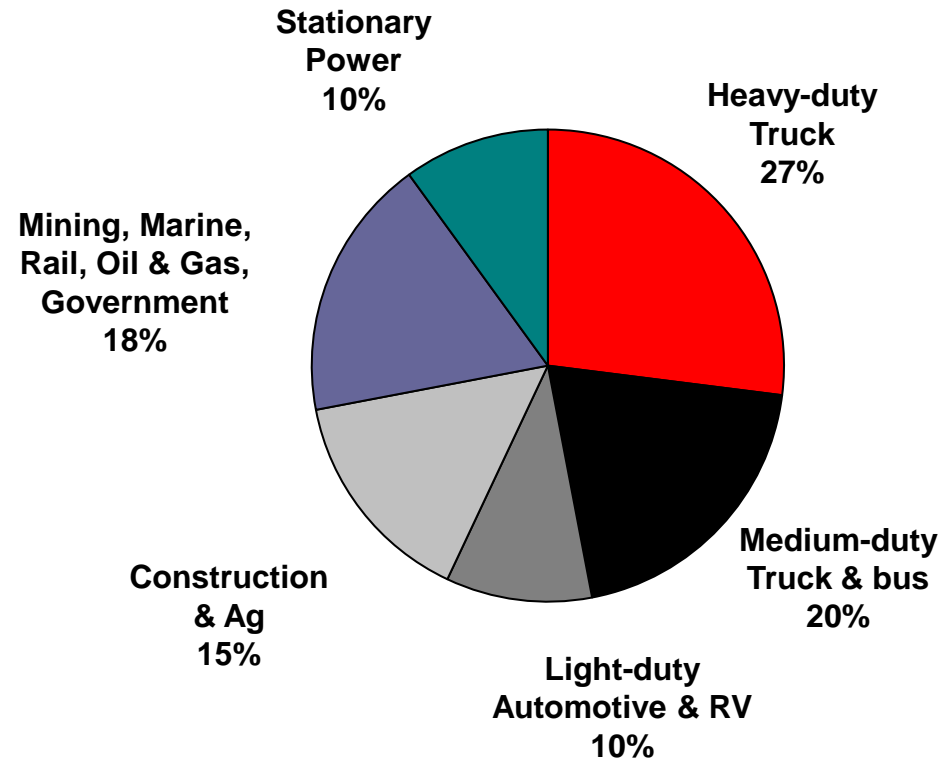


Engine Segment – Sales Mix

Geographic



Application

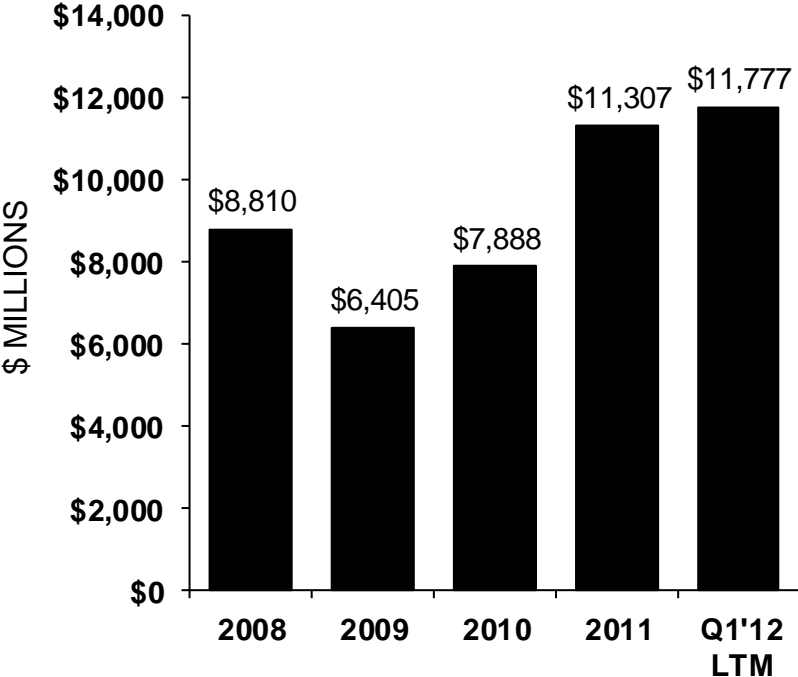


Q1'12 LTM Revenue: \$11.8B

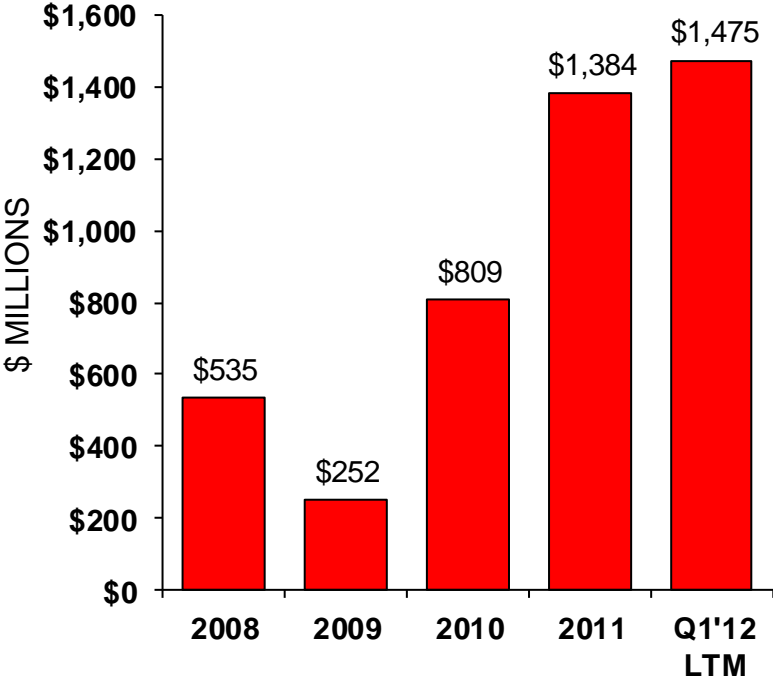


Engine Segment – Historical Performance

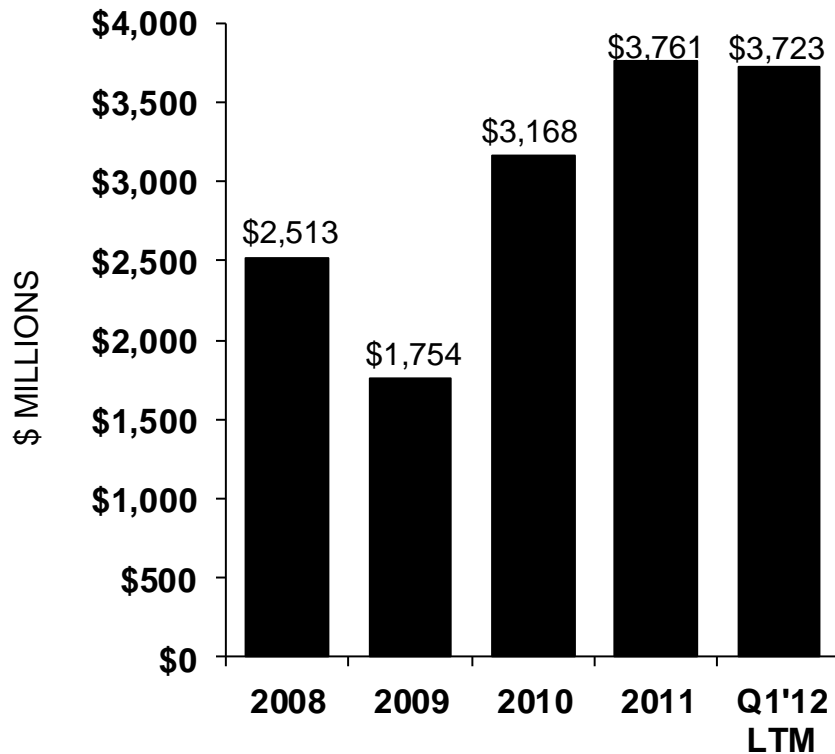
Sales



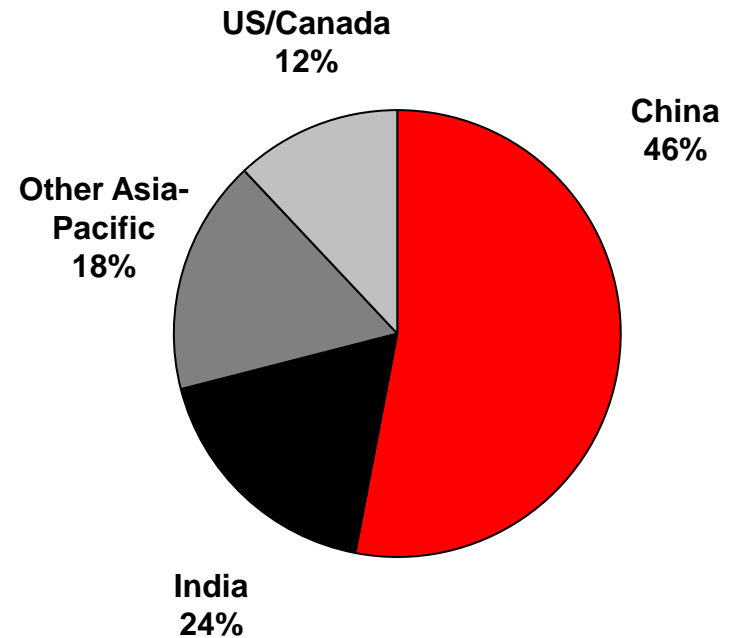
Segment EBIT



Engine Segment – Joint Venture Sales Unconsolidated



Q1'12 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

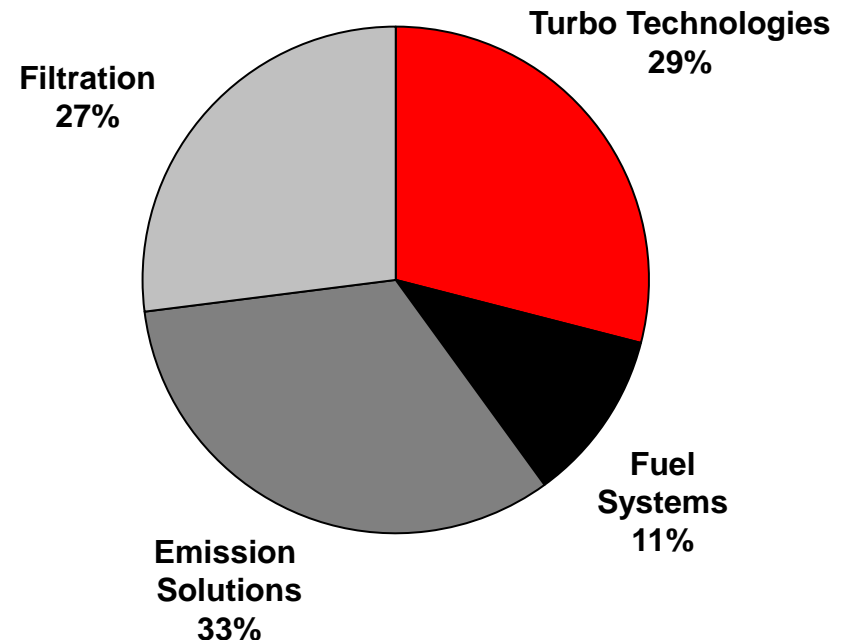
Q1'12 LTM Segment Data

Sales: \$4.2 billion

EBIT: \$508 million

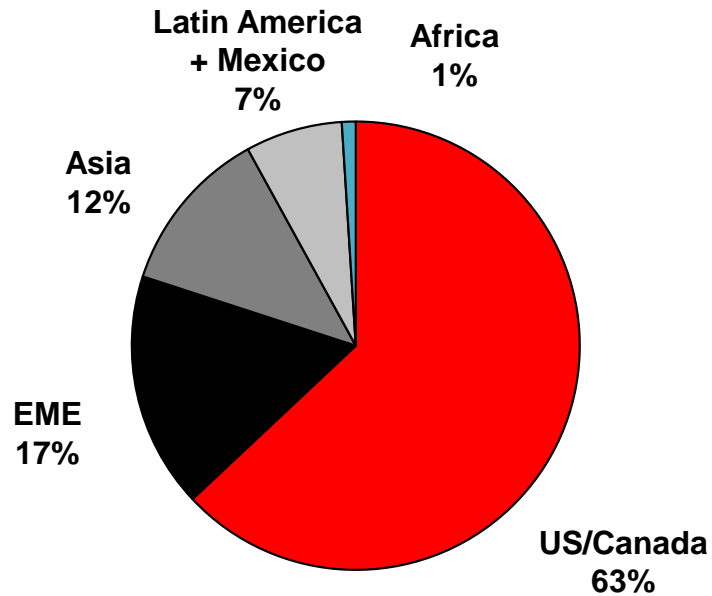
EBIT Margin: 12.0%

Q1'12 LTM Revenue by Business

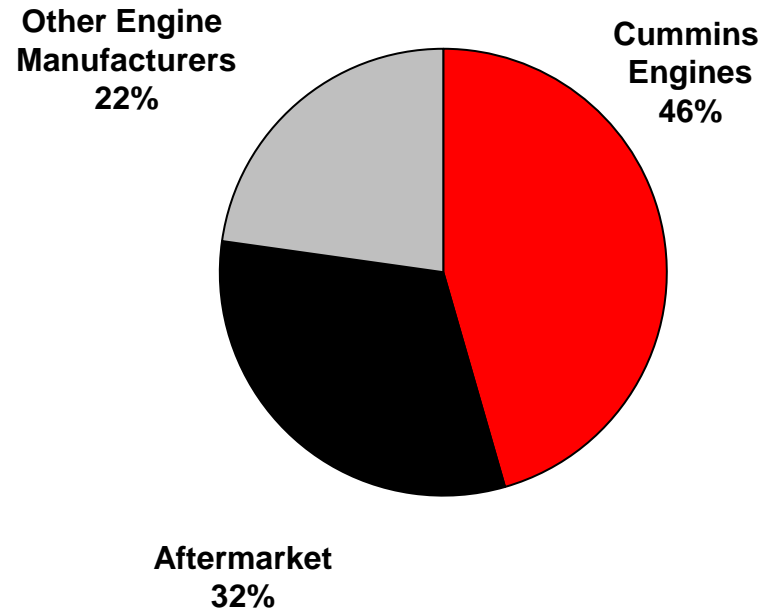


Components Segment – Sales Mix

Geographic



Application

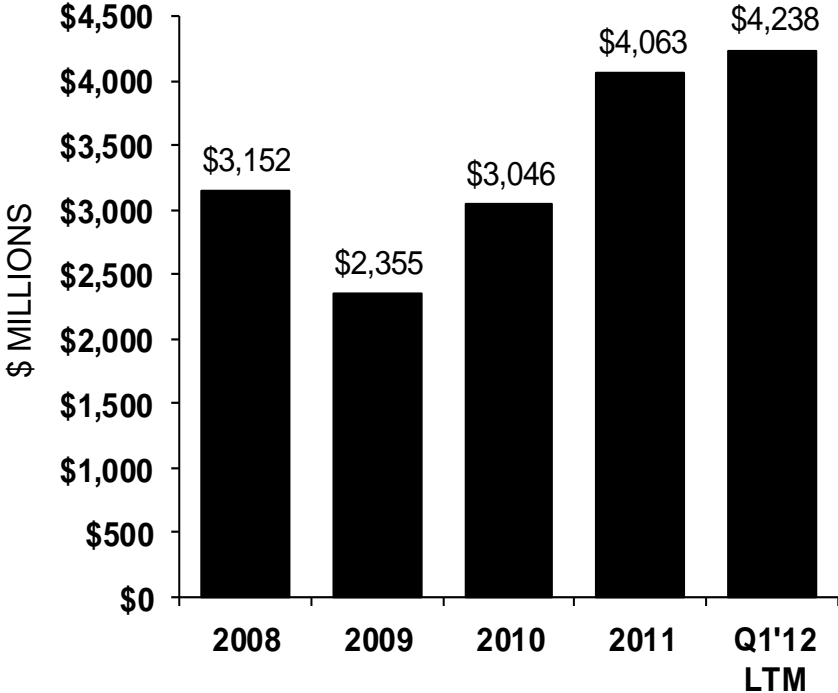


Q1'12 LTM Revenue: \$4.2B

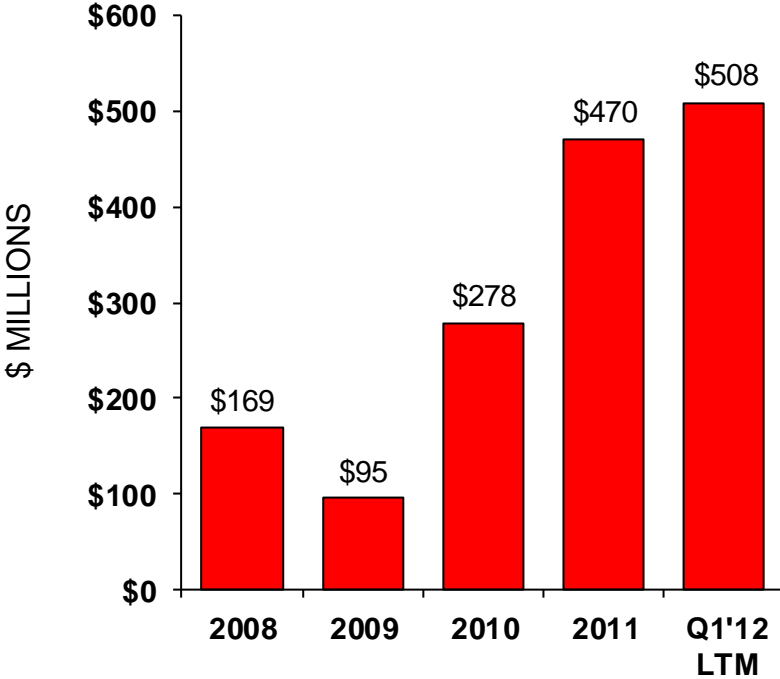


Components – Historical Performance

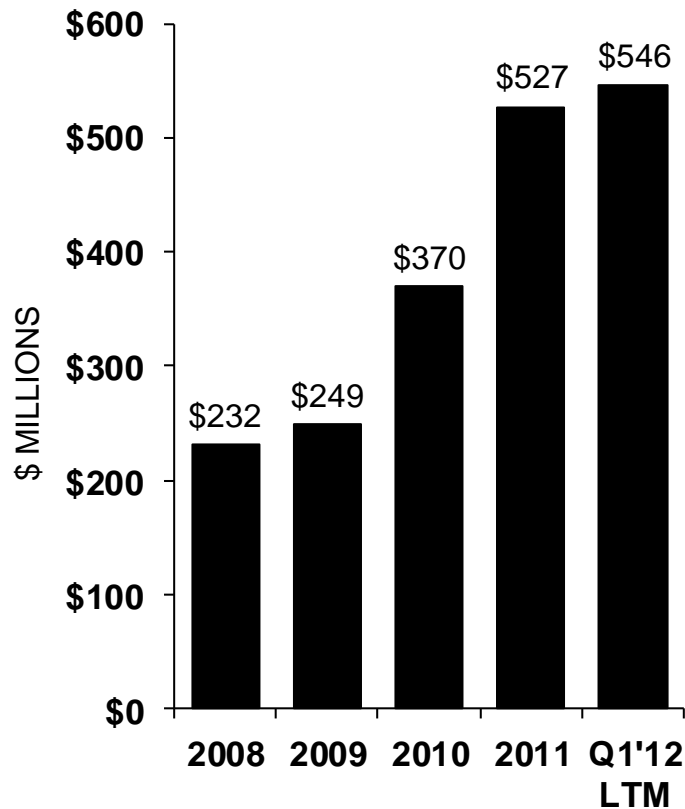
Sales



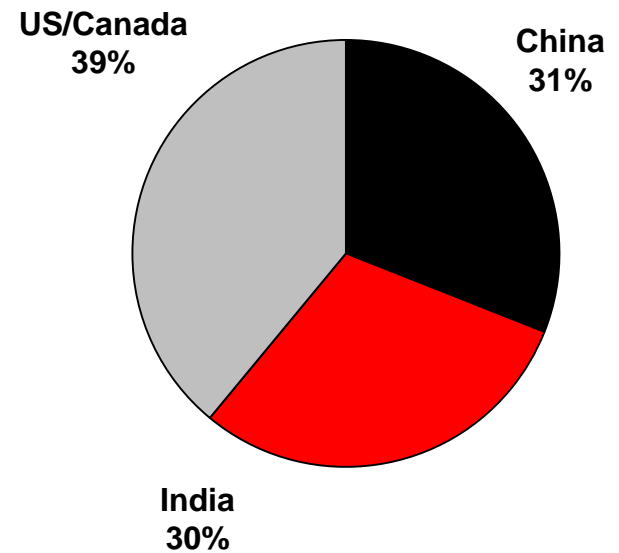
Segment EBIT



Components Segment – Joint Venture Sales Unconsolidated



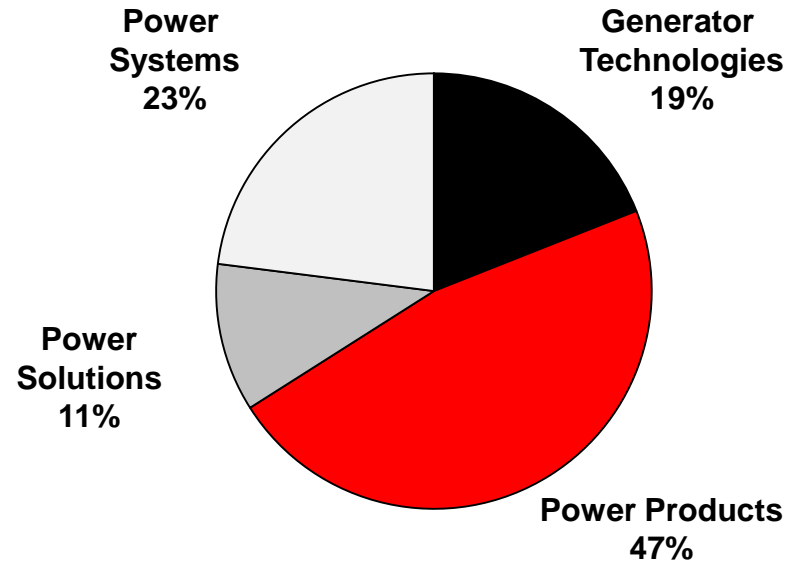
Q1'12 LTM Revenues



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

Q1'12 LTM Revenue
by Product



Q1'12 LTM Segment Data

Sales: \$3.5 billion

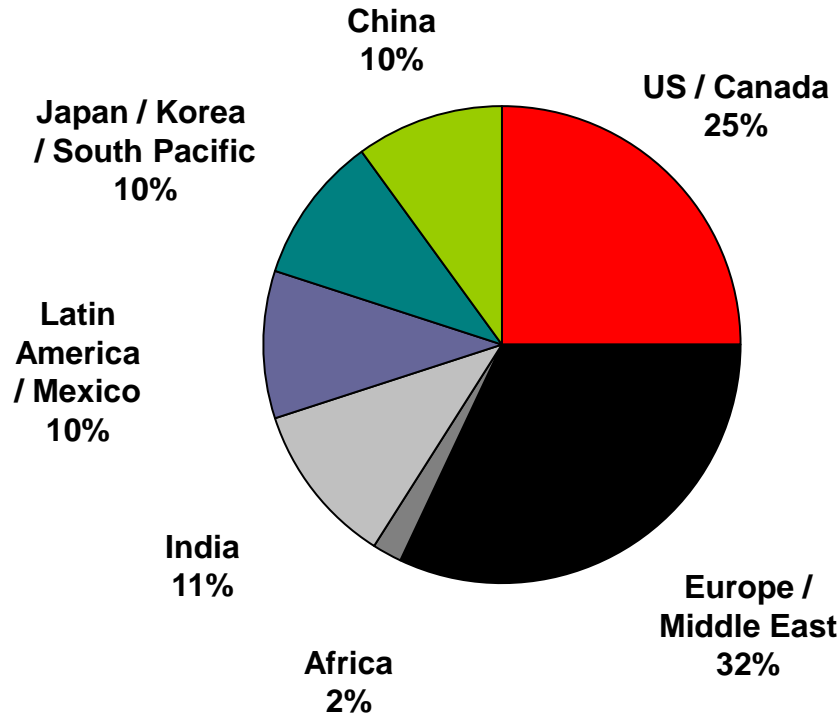
EBIT: \$360 million

EBIT Margin: 10.3%



Power Generation Segment – Sales Mix

Geographic



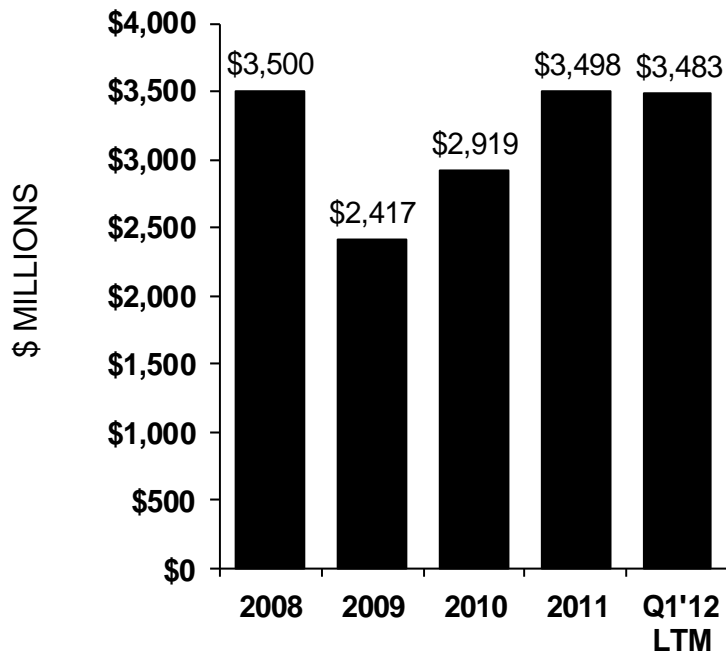
- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

Q1'12 LTM Revenue: \$3.5B

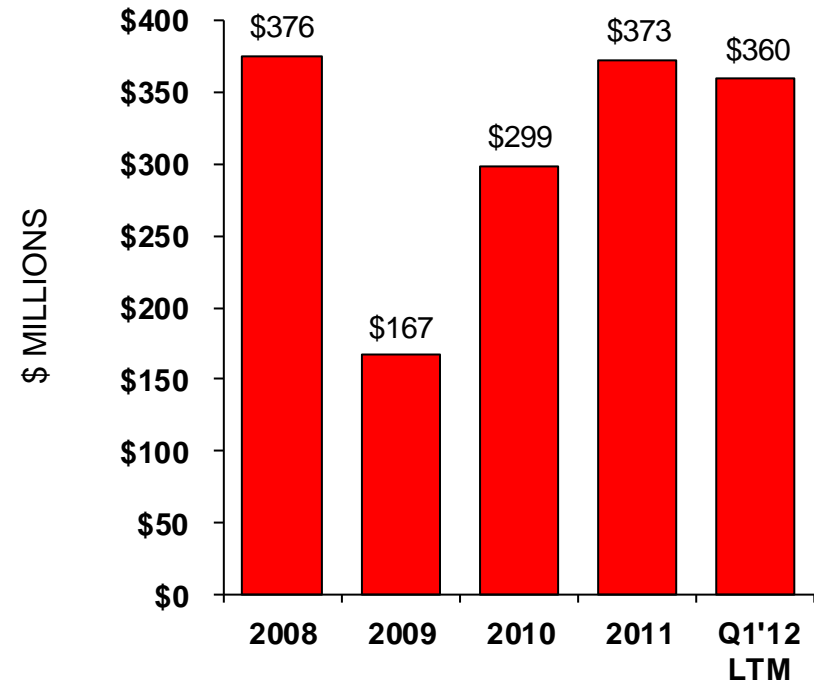


Power Generation – Historical Performance

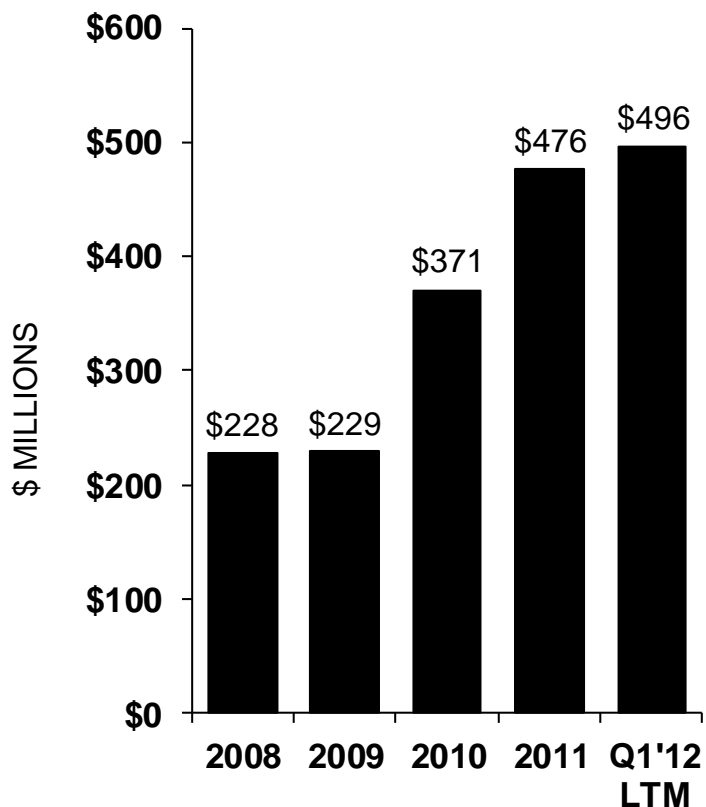
Sales



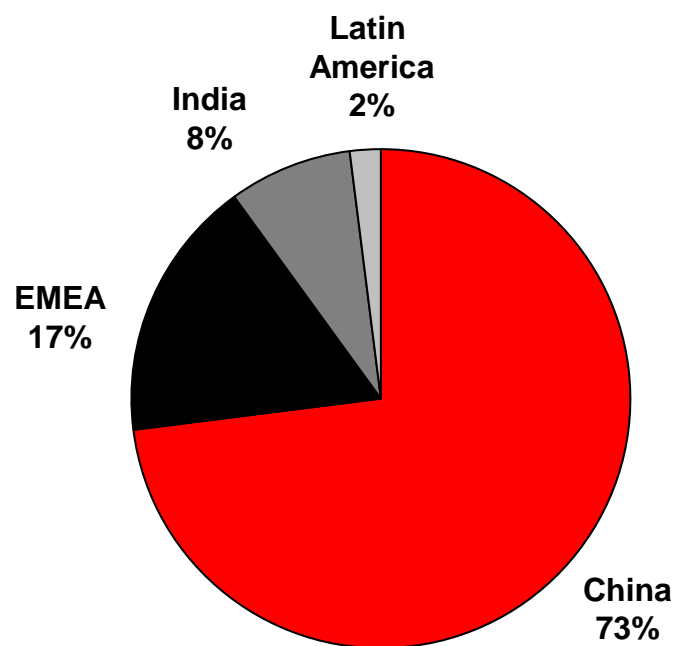
Segment EBIT



Power Generation Segment – Joint Venture Sales Unconsolidated



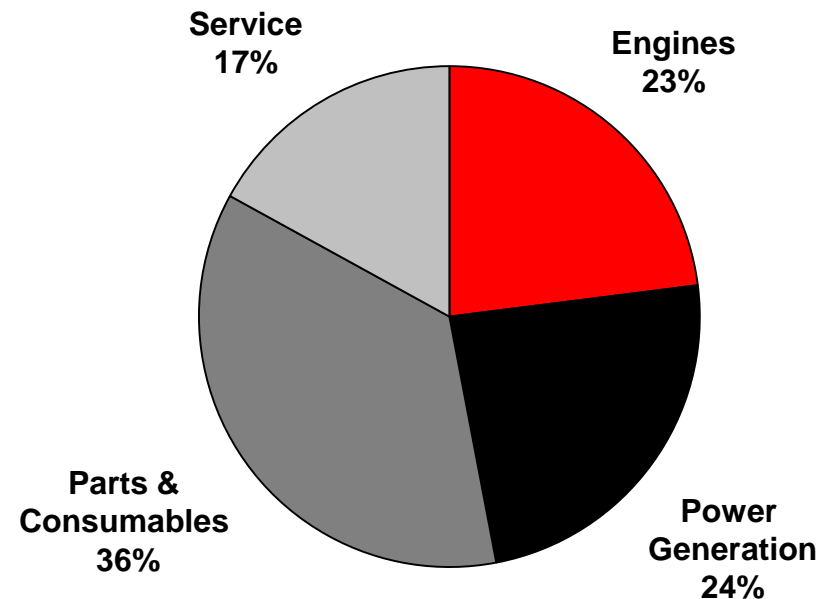
Q1'12 LTM Revenues



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



Q1'12 LTM Segment Data

Sales: \$3.2 billion

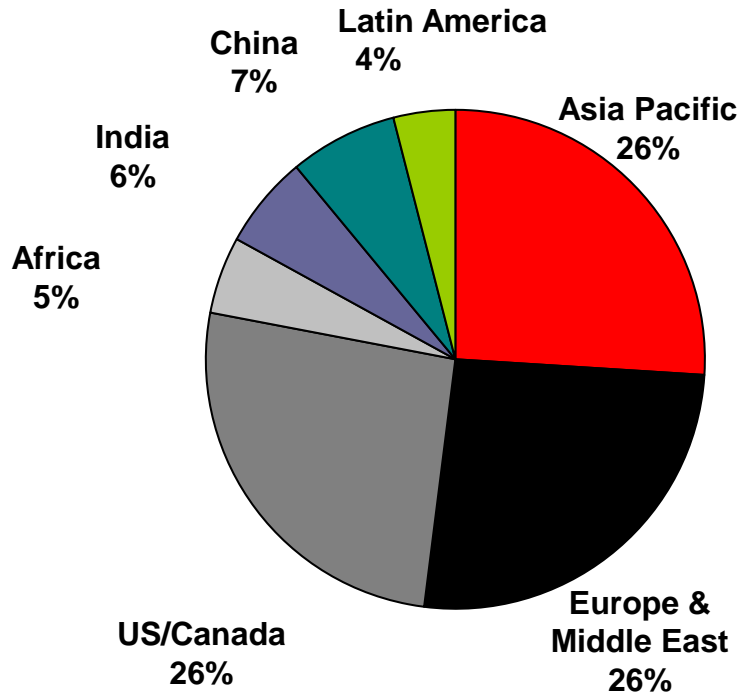
EBIT: \$391 million

EBIT Margin: 12.3%



Distribution Segment – Sales Mix

Geographic



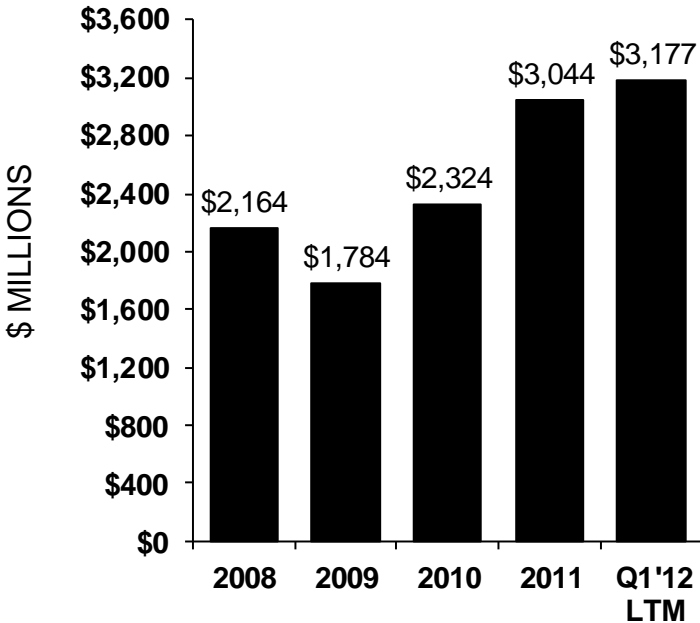
- Less cyclical
- Key enabler for Cummins growth
- Benefitting from increased population of product in the field

Q1'12 LTM Revenue: \$3.2B

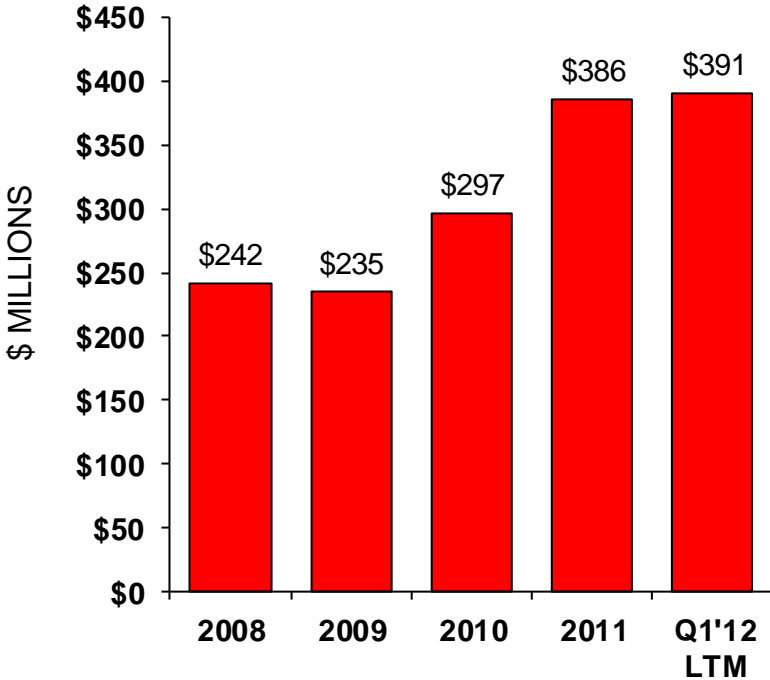


Distribution – Historical Performance

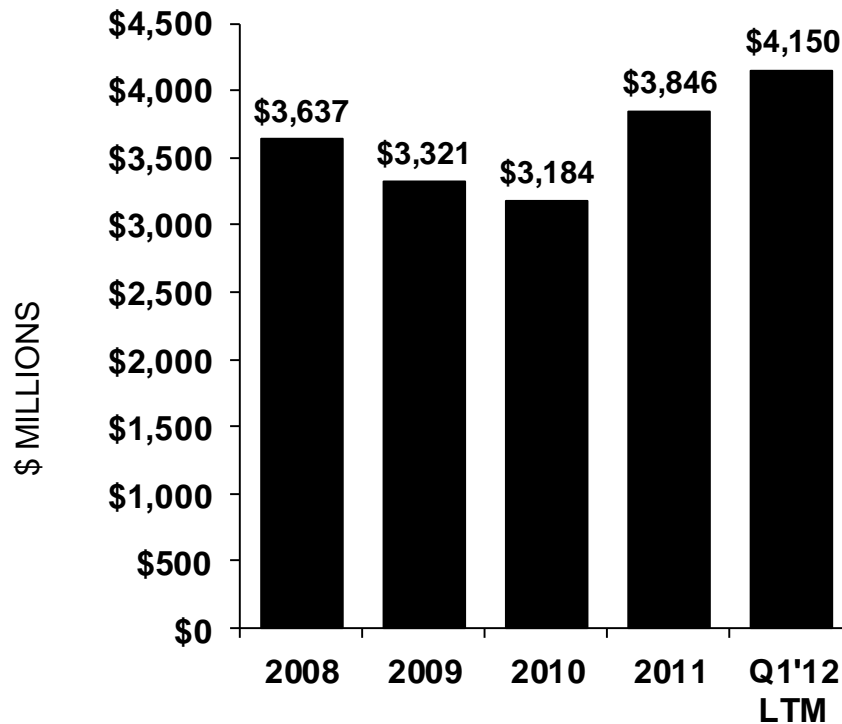
Sales



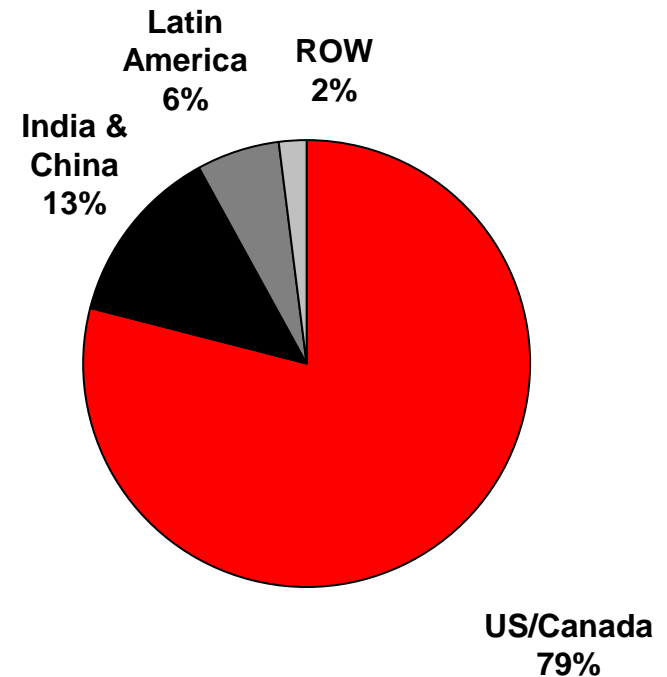
Segment EBIT



Distribution Segment – Joint Venture Sales Unconsolidated



Q1'12 LTM Revenues

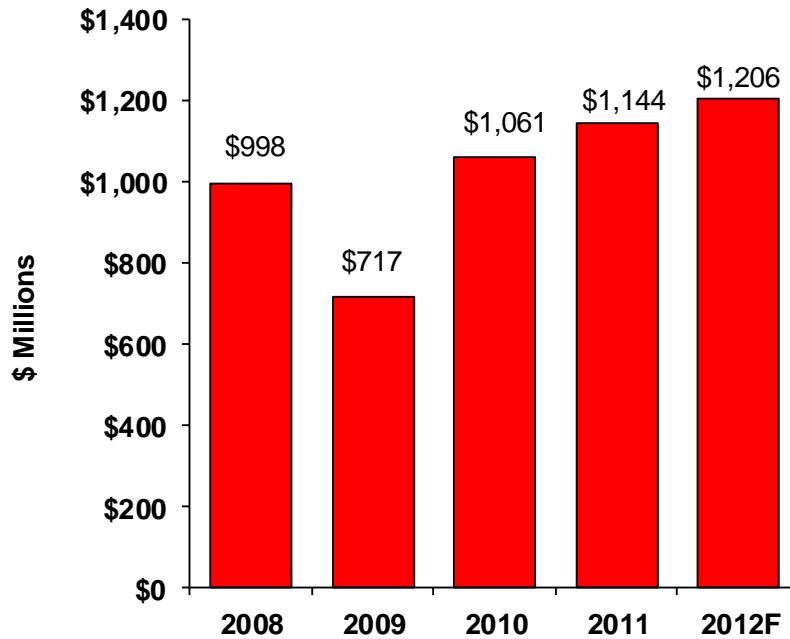


Note: ROW = Rest of World

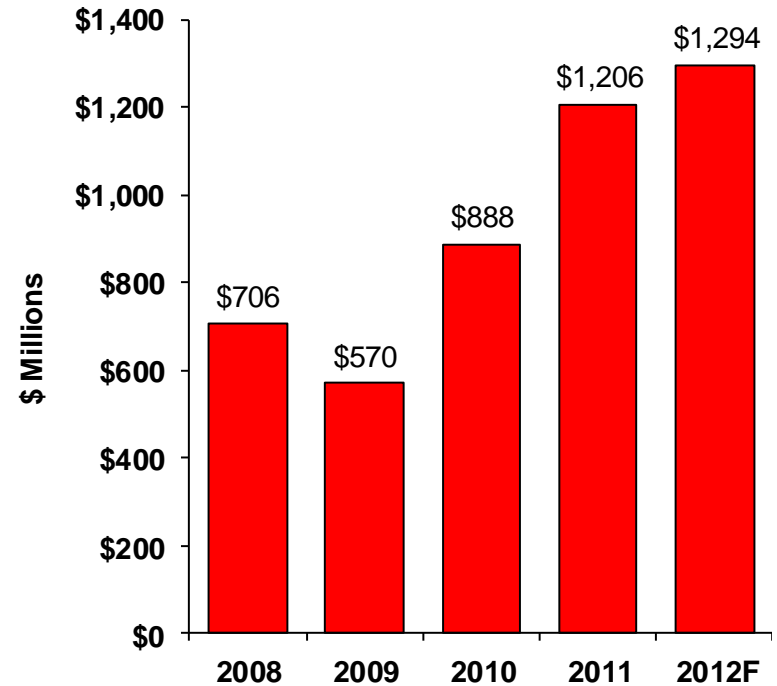


India – Historical Performance

Consolidated Sales*



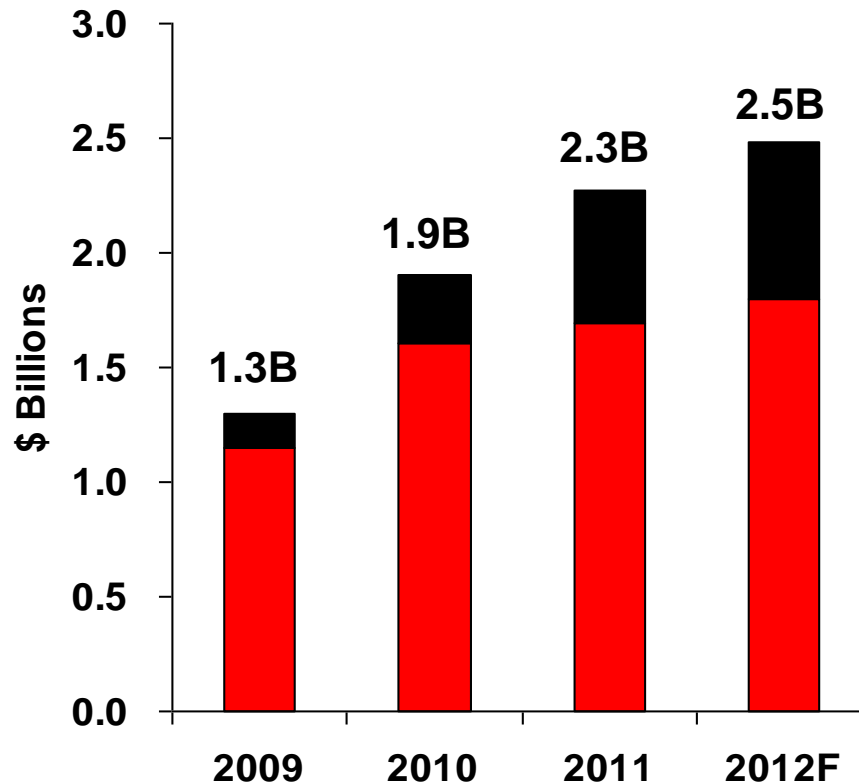
Joint Venture Sales Unconsolidated



* 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

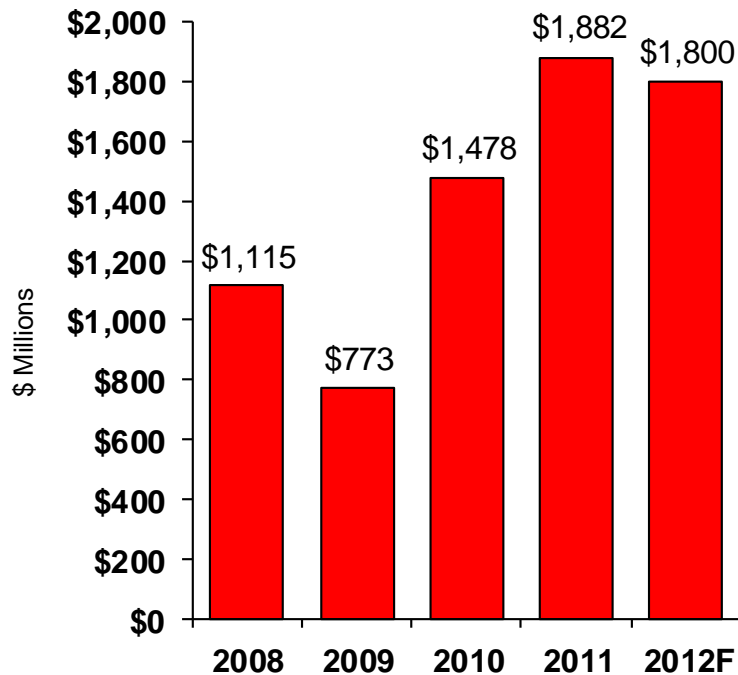
■ Export Revenue
■ Domestic Revenue

*Consolidated + Unconsolidated Revenue

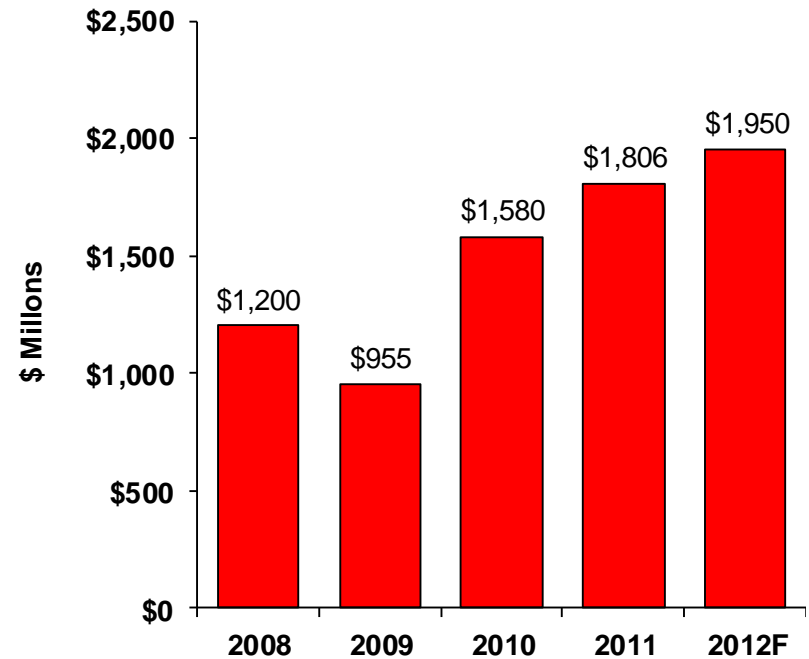


China – Historical Performance

Consolidated Sales*



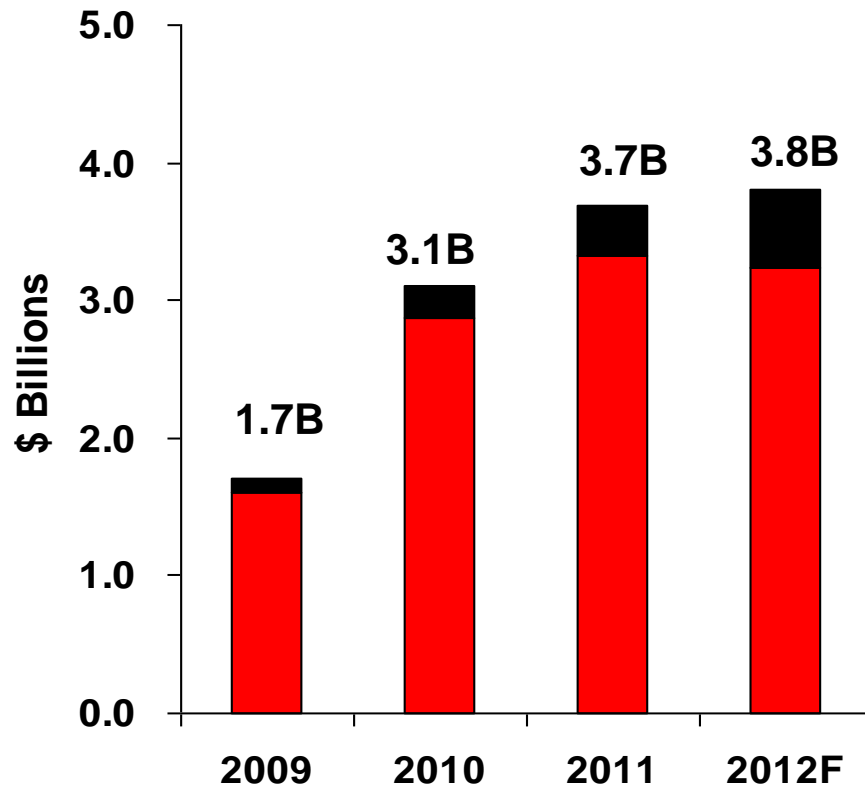
Joint Venture Sales Unconsolidated



* Before intercompany eliminations. Figures also include exports



Strong Growth in Emerging Markets: China*



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

■ Export Revenue
■ Domestic Revenue

*Consolidated + Unconsolidated Revenue



Non-GAAP Reconciliations



Non-GAAP Reconciliation – EBIT

Millions	<u>Three Months Ended</u>		
	Apr 1, 2012	Dec 31, 2011	Mar 27, 2011
EBIT excluding gain on sale of businesses	\$ 658	\$ 677	\$ 532
Add: gain on sale of businesses and flood insurance recovery	0	91	0
Total EBIT	<u>658</u>	<u>768</u>	<u>532</u>
Less: interest expense	8	10	10
Income before income taxes	650	758	522
Less: Income tax expense	175	186	157
Consolidated net income	<u>475</u>	<u>572</u>	<u>365</u>
Less: Net income attributable to noncontrolling interests	20	24	22
Net Income attributable to Cummins Inc.	<u>455</u>	<u>548</u>	<u>343</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	April 1st 2012	March 27th 2011
Net assets for operating segments	<u>\$ 7,802</u>	<u>\$ 6,522</u>
Liabilities deducted in computing net assets	4,751	4,517
Pension and other postretirement liabilities	(919)	(832)
Deferred tax assets not allocated to segments	460	495
Debt-related costs not allocated to segments	<u>25</u>	<u>24</u>
Total Assets	<u><u>\$ 12,119</u></u>	<u><u>\$ 10,726</u></u>

NOTE: 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	April 1st 2012	March 27th 2011
Equity used for return on equity calculation	\$ 6,723	\$ 5,487
Defined benefit postretirement plans	(713)	(620)
Total shareholders equity	\$ 6,010	\$ 4,867
plus Noncontrolling Interest	348	332
Total Equity	\$ 6,358	\$ 5,199

NOTE: A reconciliation of equity used for return on equity calculation to total shareholders' equity in our Condensed Consolidated Financial Statements is shown in the table above.



Non-GAAP Reconciliation – Working Capital Measure

Three Months Ended

Millions	Apr 1, 2011	Dec 31, 2011	March 27, 2011
Accounts and notes receivable, net	\$ 2,684	\$ 2,526	\$ 2,570
Inventories	\$ 2,382	\$ 2,141	\$ 2,202
Less Accounts payable – trade	<u>\$ (1,731)</u>	<u>\$ (1,546)</u>	<u>\$ (1,626)</u>
Working capital measure	\$ 3,335	\$ 3,121	\$ 3,146
Working capital measure (% of Annualized Net Sales)	18.6%	17.3%	20.4%

NOTE: 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.

