



Third Quarter 2014 Earnings Teleconference

October 28, 2014



Participants

Tom Linebarger Chairman and Chief Executive Officer

Pat Ward Chief Financial Officer

Rich Freeland President and Chief Operating Officer

Mark Smith Vice President – Investor Relations

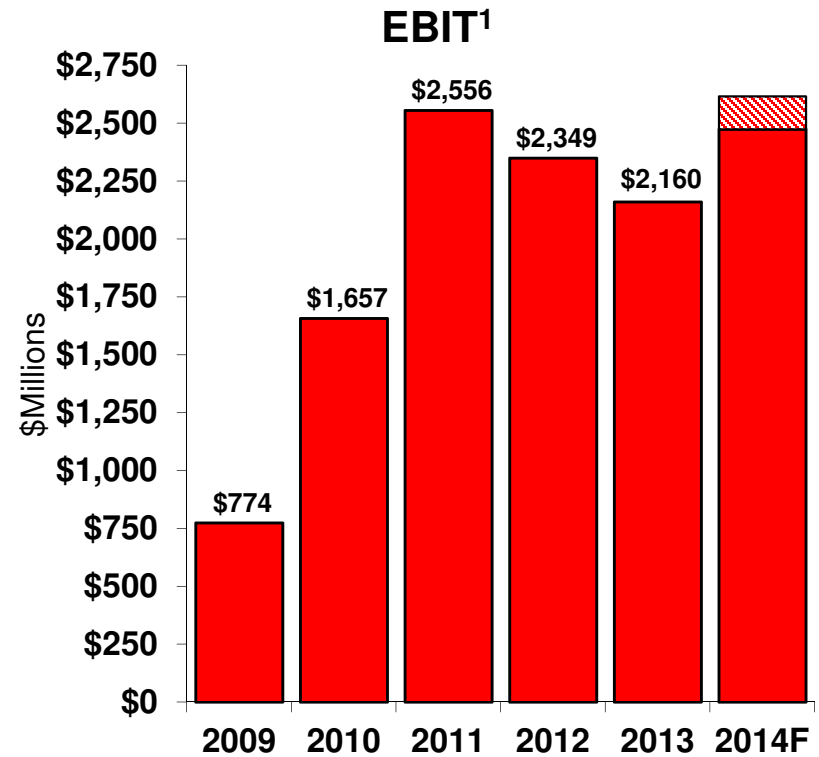
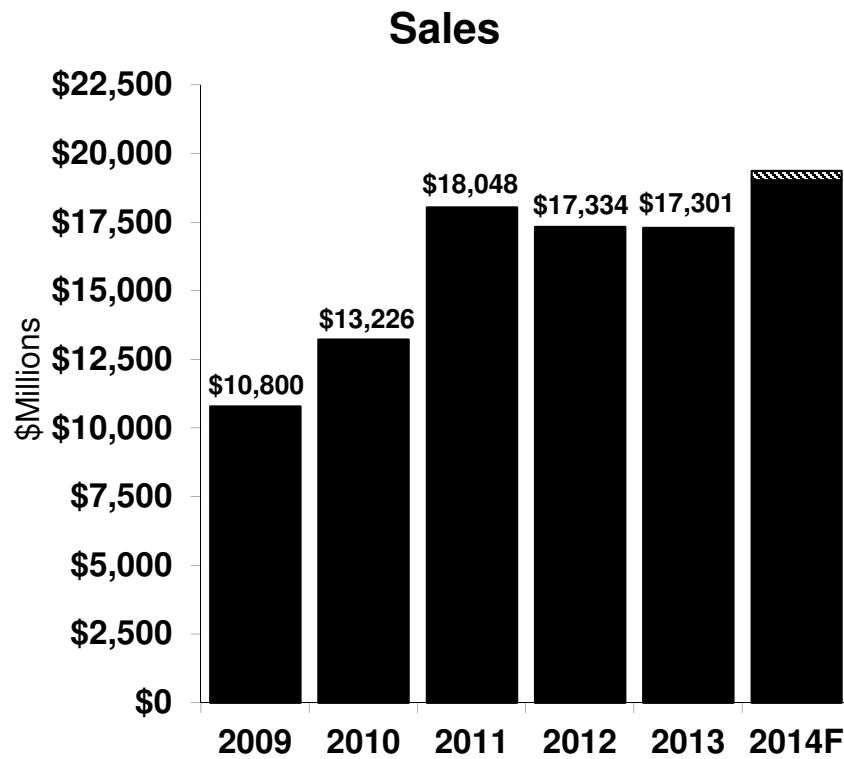


Disclosure Regarding Forward-Looking Statements

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 2013 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 10 - 12% | EBIT 13.0 - 13.5%* |

¹ EBIT excludes restructuring charges in 2009, 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.

*Excluding costs related to cost reduction activities in Power Generation



Cummins Inc. Selected Financial Data

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|-------------|-------|-------|--------|-------|--------|
| Sales | 4,890 | 4,266 | +15% | 4,835 | +1% |
| EBIT | 684 | 536 | +28% | 657 | +4% |
| % of Sales | 14.0% | 12.6% | | 13.6% | |
| ROANA (LTM) | 25% | 24% | | 25% | |
| ROE (LTM) | 20% | 19% | | 20% | |

- Compared to the prior year, the increase in revenue was driven primarily by increased demand in North American on-highway markets and the impact of acquisitions in our distribution business.
- Quarter-over-quarter increases were driven by the North American heavy duty truck market and the impact of acquisitions in our distribution business, partially offset by weaker demand in Brazilian and Chinese truck markets.



Joint Venture Income

| \$M | Q3-14 | Q3-13 | Q2-14 |
|--------------------|-------|-------|-------|
| Engine | 40 | 31 | 45 |
| <i>On-highway</i> | 29 | 19 | 29 |
| <i>Off-highway</i> | 11 | 12 | 16 |
| Power Generation | 13 | 13 | 9 |
| Distribution | 37 | 42 | 42 |
| Components | 9 | 5 | 9 |
| Total JV Income | 99 | 91 | 105 |

- Joint venture contribution increased compared to the prior year due to higher demand for light duty engines in China.

Cummins Inc. Selected Income Statement Data

| \$M | Q3-14 | Q3-13 | Q2-14 |
|--------------------------------|-------|-------|-------|
| Net Income Attributable to CMI | 423 | 355 | 446 |
| Diluted EPS | 2.32 | 1.90 | 2.43 |
| Gross Margin (% of Sales) | 26.3% | 25.3% | 24.9% |
| SAR (% of Sales) | 14.9% | 14.9% | 14.3% |

- Gross margins increased compared to the prior year, with stronger volumes, positive mix, and lower material costs being partially offset by higher warranty costs.
- Compared to the previous quarter, margins improved due to higher volumes and lower warranty.



Engine Segment Selected Financial Data

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|------------|-------|-------|--------|-------|--------|
| Sales | 2,816 | 2,492 | +13% | 2,744 | +3% |
| EBIT | 330 | 272 | +21% | 311 | +6% |
| % of Sales | 11.7% | 10.9% | | 11.3% | |

- Year-over-year, strong demand in North American on-highway markets was partially offset by weakness in global mining and Brazilian truck markets.
- EBIT margins increased, compared to the prior year, as a result of higher volumes, lower material costs, positive mix, and increased JV income, partially offset by higher warranty expense.

Engine Segment Sales by Market – On-highway

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|-------------------------|-------|-------|--------|-------|--------|
| Heavy-Duty Truck | 823 | 690 | +19% | 796 | +3% |
| Medium-Duty Truck & Bus | 631 | 570 | +11% | 646 | -2% |
| Light-Duty Auto & RV | 354 | 330 | +7% | 336 | +5% |

- Heavy Duty Truck: Shipments up 26% Y-o-Y and up 11% sequentially.
- Medium-Duty Truck & Bus: Shipments up 1% Y-o-Y and down 6% sequentially.
- Light-Duty & RV: Shipments up 6% Y-o-Y and down 2% sequentially.



Engine Segment Sales by Market – Off-highway

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|------------------|-------|-------|--------|-------|--------|
| Industrial | 788 | 709 | +11% | 757 | +4% |
| Stationary Power | 220 | 193 | +14% | 209 | +5% |

- Industrial: Shipments up 10% Y-o-Y and up 12% sequentially.
- Stationary Power: Shipments down 11% Y-o-Y and down 19% sequentially.

Guidance for 2014 Engine Markets

Revenue by market (including aftermarket):

- Heavy-duty truck revenue up 16% and shipments up 14%. NAFTA Class 8 heavy-duty truck build expected to be 265K units.
- Medium-duty truck & bus revenues up 16%. North America truck shipments up 26%. Brazil truck build expected to be down 25 to 30%.
- Light duty auto & RV revenue up 6%.
- Industrial revenue flat, with weakness in mining and international construction markets partially offset by increased demand in commercial marine and oil & gas markets.



Key On-Highway Engine Markets - 2014

| Key Market | 2013 Actual | 2014 Forecast | Change Market Size |
|---|------------------------|--------------------------|-------------------------------|
| Heavy Duty Truck – NAFTA <i>Class 8, Group 2 - Production</i> | 218K units | 265K units | Up 22% |
| Medium Duty Truck – NAFTA <i>Class 6 – 7, and Class 8 Group 1 - Production</i> | 112K units | 122K units | Up 9% |
| Heavy & Medium Truck – China <i>Sales</i> | 1,061K units | 1,010K units | Down 5% |
| Heavy & Medium Truck – India <i>Production</i> | 226K units | 247K units | Up 9% |
| Heavy & Medium Truck – Brazil <i>Production</i> | 190K units | 137K units | Down 28% |

Components Segment Selected Financial Data

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|------------|-------|-------|--------|-------|--------|
| Sales | 1,287 | 1,072 | +20% | 1,280 | +1% |
| EBIT | 172 | 132 | +30% | 185 | -7% |
| % of Sales | 13.4% | 12.3% | | 14.5% | |

- Compared to the prior year, higher revenues were primarily driven by increased demand in on-highway markets in North America, along with increased revenues for our aftertreatment systems in Europe and China related to new emissions regulations in both regions.
- EBIT margins increased, compared to the prior year, as a result of stronger volumes and lower material costs.

Power Generation Segment Selected Financial Data

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|------------|-------|-------|--------|-------|--------|
| Sales | 754 | 712 | +6% | 743 | +1% |
| EBIT | 60 | 45 | +33% | 61 | -2% |
| % of Sales | 8.0% | 6.3% | | 8.2% | |

- Year-over-year demand was flat in North America but increased in several international markets, primarily China, Africa, and the Middle East.
- EBIT margins increased, compared to the prior year, due to higher volumes and a one-time legal settlement that occurred last year, which was partially offset by the impact of currency movements.

Distribution Segment Selected Financial Data

| \$M | Q3-14 | Q3-13 | Change | Q2-14 | Change |
|------------|-------|-------|--------|-------|--------|
| Sales | 1,292 | 944 | +37% | 1,238 | +4% |
| EBIT | 131 | 86 | +52% | 126 | +4% |
| % of Sales | 10.1% | 9.1% | | 10.2% | |

- Year-over-year, growth was driven by acquisitions, primarily in North America, and by increased parts demand in North America, oil and gas markets, and pre-buy related to off-highway emissions regulations in Europe and the United States.
- EBIT margin increased as a percent of sales, compared to a year ago, with improved operational performance and gains from acquisitions partially offset by lower joint venture income.

Guidance for 2014 Consolidated Results

| Item | Full Year Guidance |
|---------------------------------|---------------------------|
| Consolidated Revenue | Up 10 - 12% |
| Earnings from JVs | Flat |
| EBIT Margin | 13.0 - 13.5% ¹ |
| Effective Tax Rate ² | 29.5% |
| Capital Expenditures | \$650 - \$750M |
| Global Pension Funding | \$205M |
| Interest Expense | \$65M |

¹Excluding costs related to cost reduction activities in Power Generation

²Excluding discrete income tax items



Guidance for 2014 Segment Results

| Item | Engine | Components | Power Generation | Distribution |
|--------------------------------|--------------|-------------|-------------------------|--------------|
| Consolidated Revenue Growth | Up 7 - 9% | Up 15 - 17% | Down 3 – 5% | Up 30 - 35% |
| EBIT Margins (% of Revenue) | 11.0 - 11.5% | 13.5 -14.0% | 6.8 - 7.2% ¹ | 9.25 - 9.75% |

¹Excluding costs related to cost reduction activities in Power Generation



Cash Flow

| \$M | Q3-14 | Q3-13 | Q2-14 |
|---|-------|-------|-------|
| Operating Cash Inflow | 687 | 373 | 438 |
| Capital Expenditures | 164 | 142 | 138 |
| Working Capital Measure | 3,962 | 3,609 | 4,028 |
| Working Capital Measure <i>(% of Annualized Net Sales)</i> | 20.3% | 21.1% | 20.8% |
| Debt to Capital % | 17.3% | 19.4% | 17.2% |

- Operating cash flow increased, compared to the prior year, due to increased earnings and joint venture dividends.



Thank You for Your Interest in



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Appendix



Cummins Inc.

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

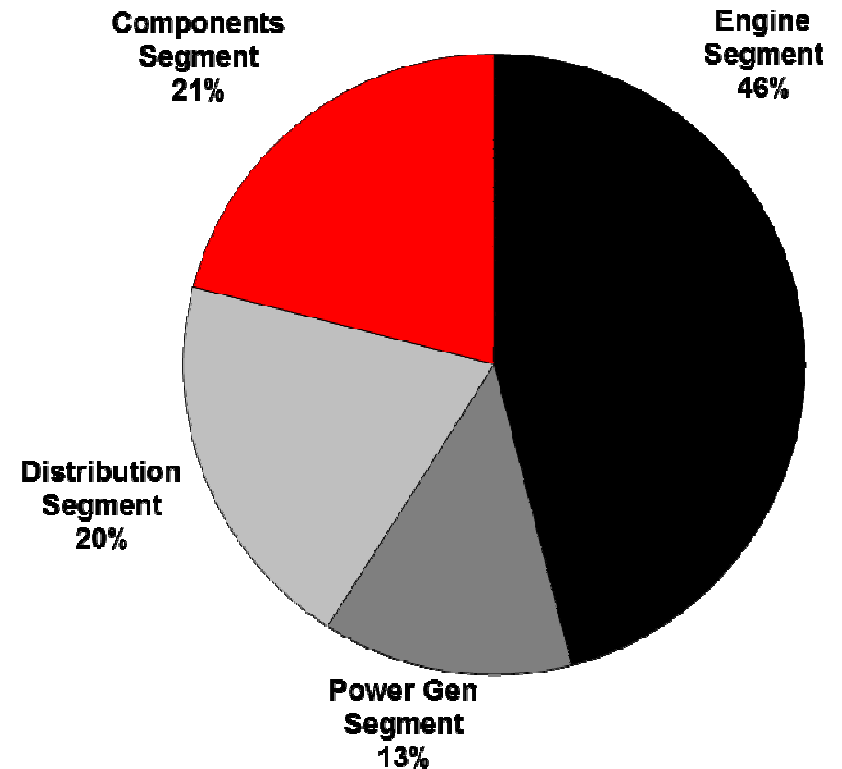
Q3'14 LTM Data

Sales: \$18.7 billion

EBIT: \$2.4 billion

EBIT%: 13.0%

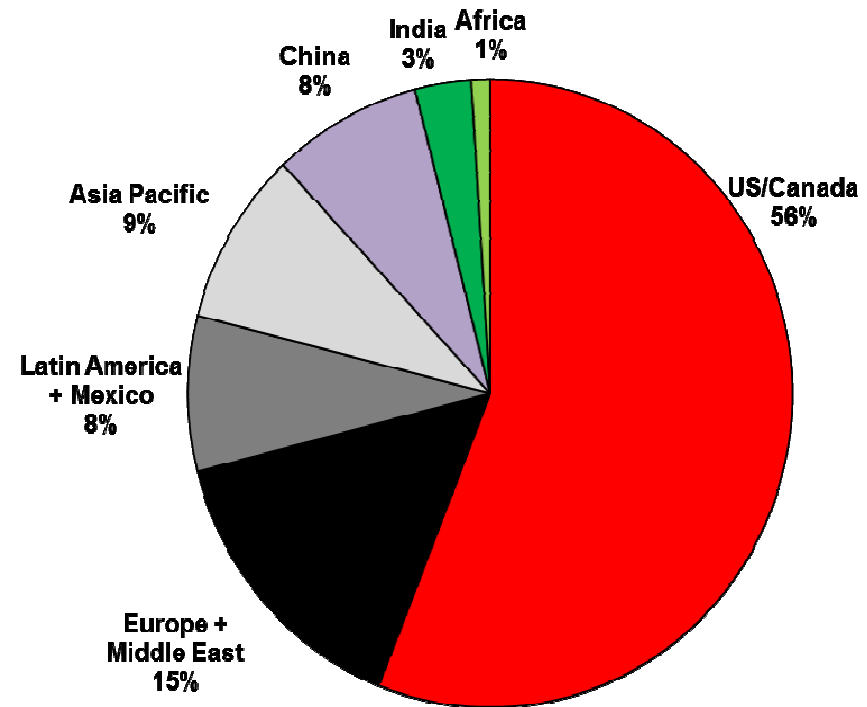
Q3'14 LTM Revenue by Segment



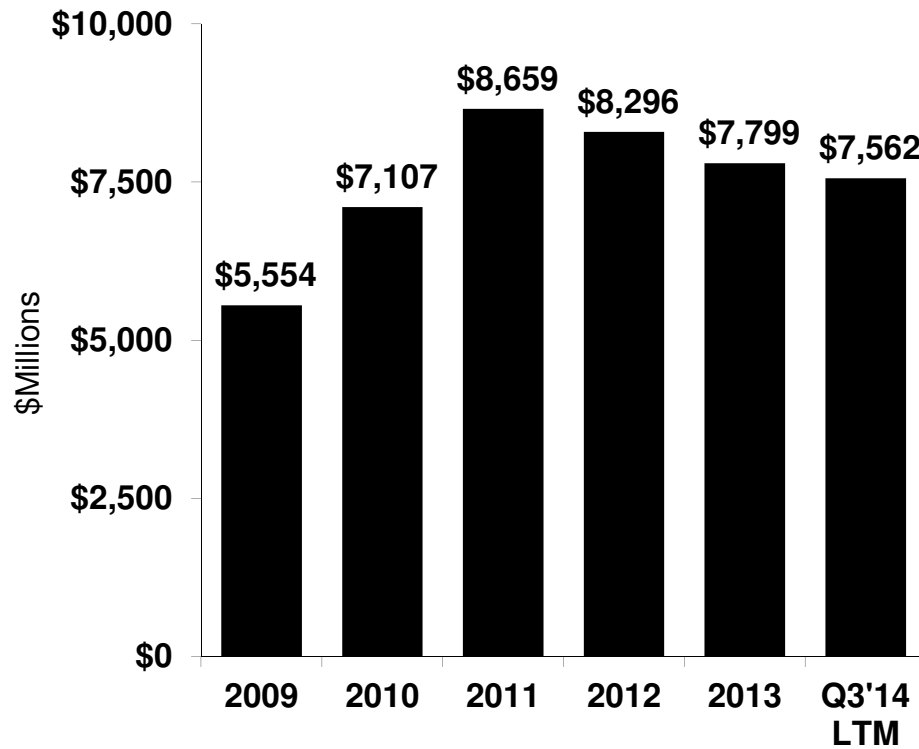
Cummins Inc.

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

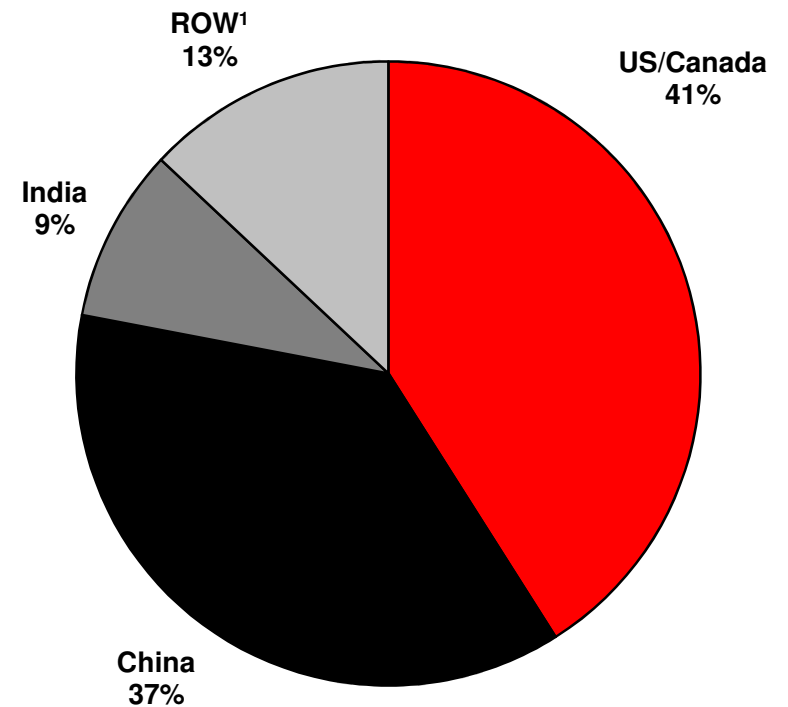
Q3'14 LTM Revenue by Marketing Territory



Cummins – Joint Venture Sales Unconsolidated



Q3'14 LTM Revenue



¹ 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

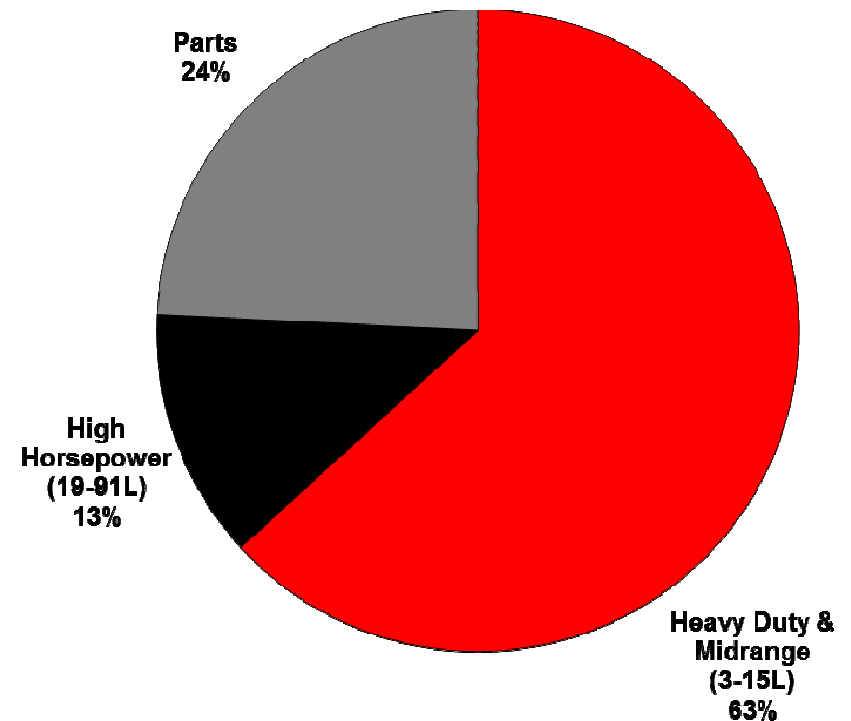
Q3'14 LTM Data

Sales: \$10.7 billion

EBIT: \$1.1 billion

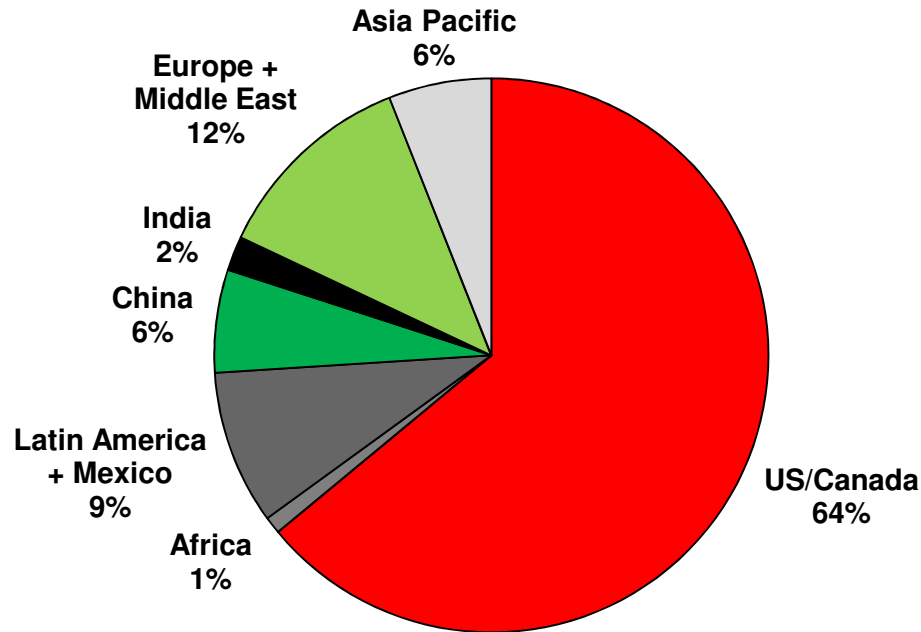
EBIT% : 10.7%

Q3'14 LTM Revenue by Product

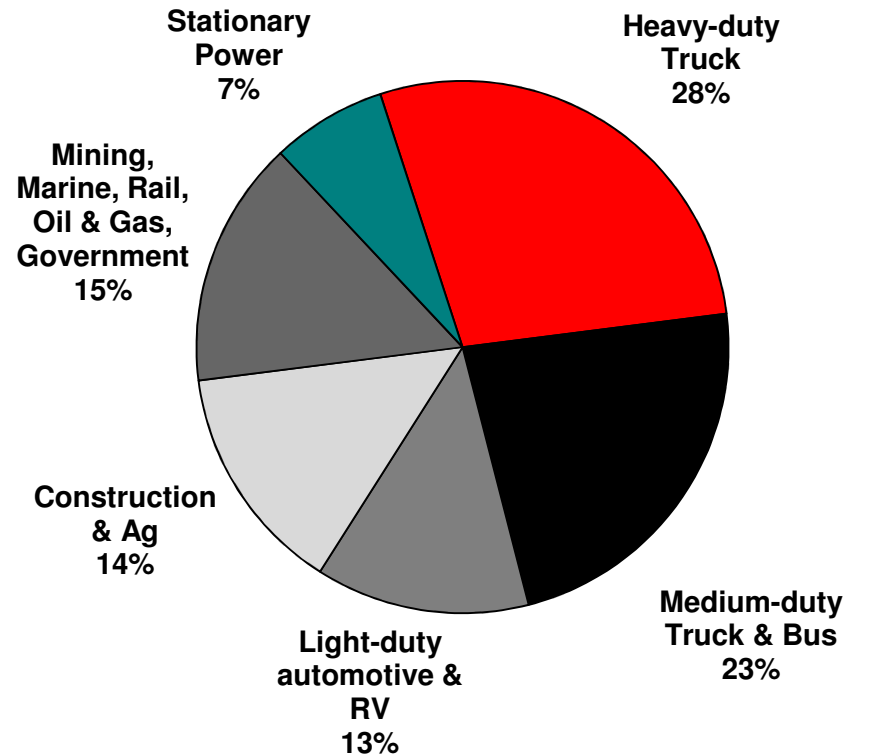


Engine Segment – Sales Mix

Geographic



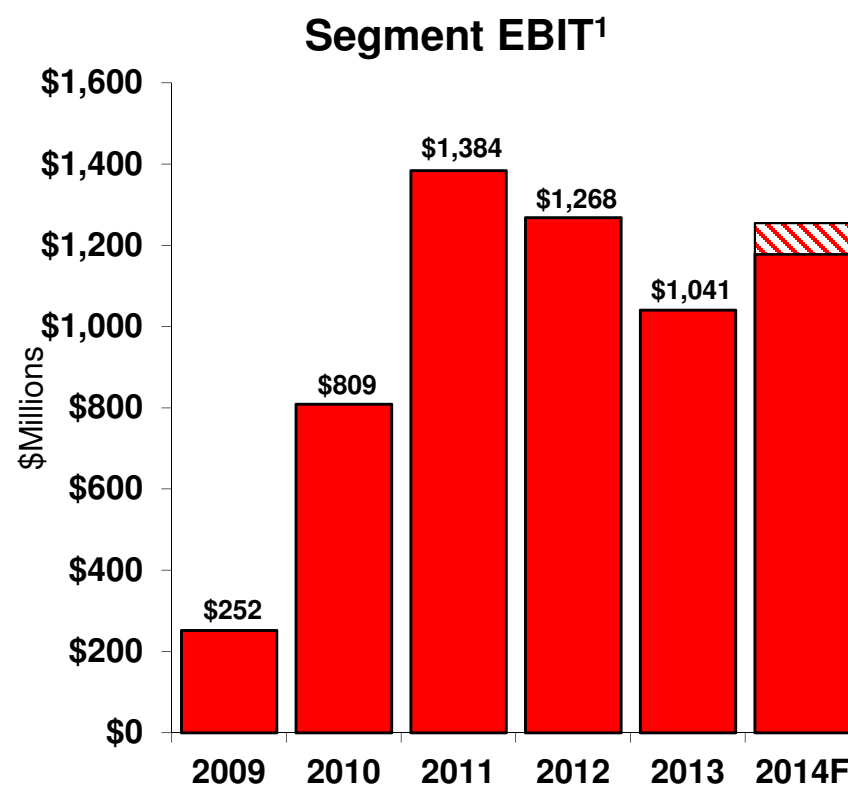
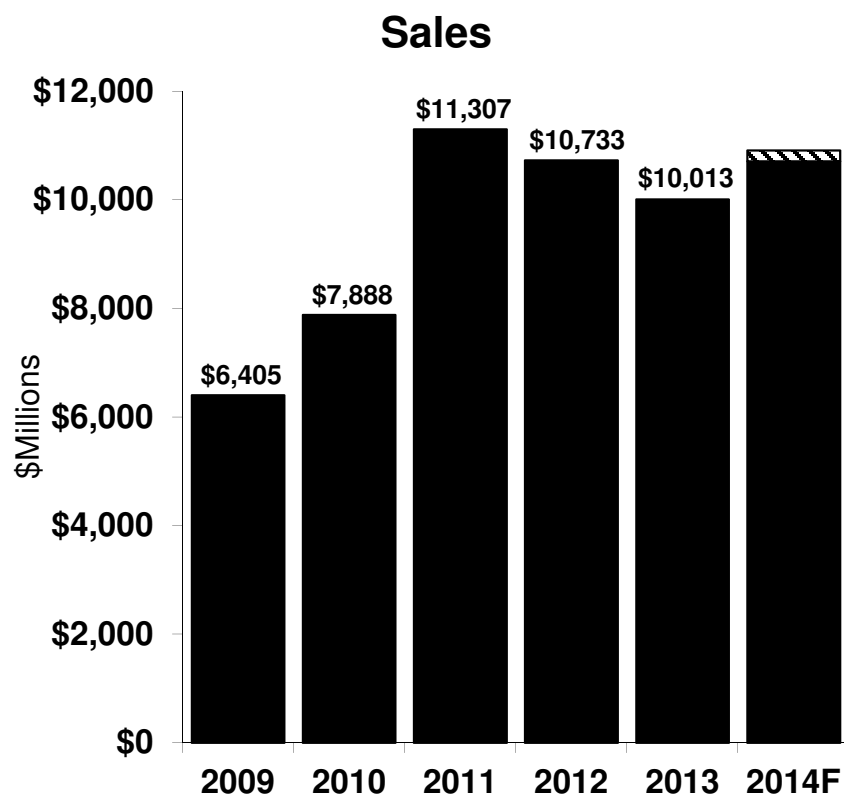
Application



Q3'14 LTM Revenue: \$10.7 B



Engine Segment – Historical Performance



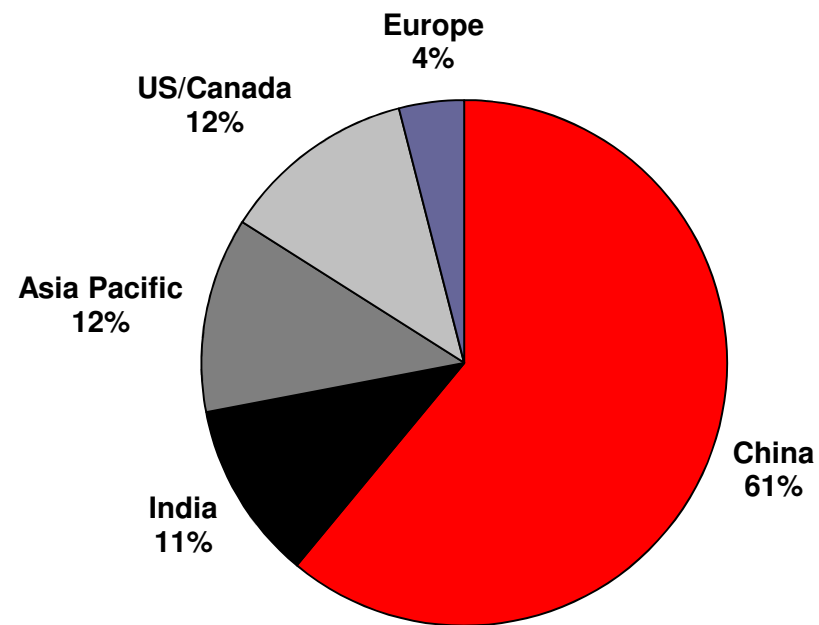
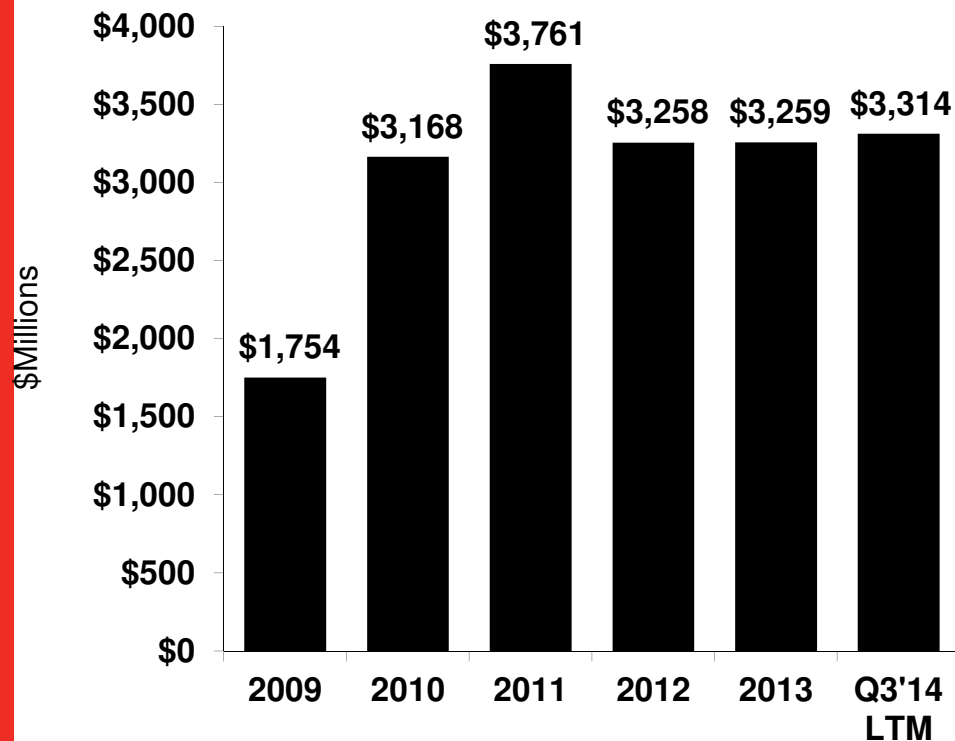
| 2014 Guidance | |
|-----------------|-------------------|
| Sales Up 7 - 9% | EBIT 11.0 - 11.5% |

¹ 2012 EBIT excludes \$20 million in restructuring charges.



Engine Segment – Joint Venture Sales Unconsolidated

Q3'14 LTM 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

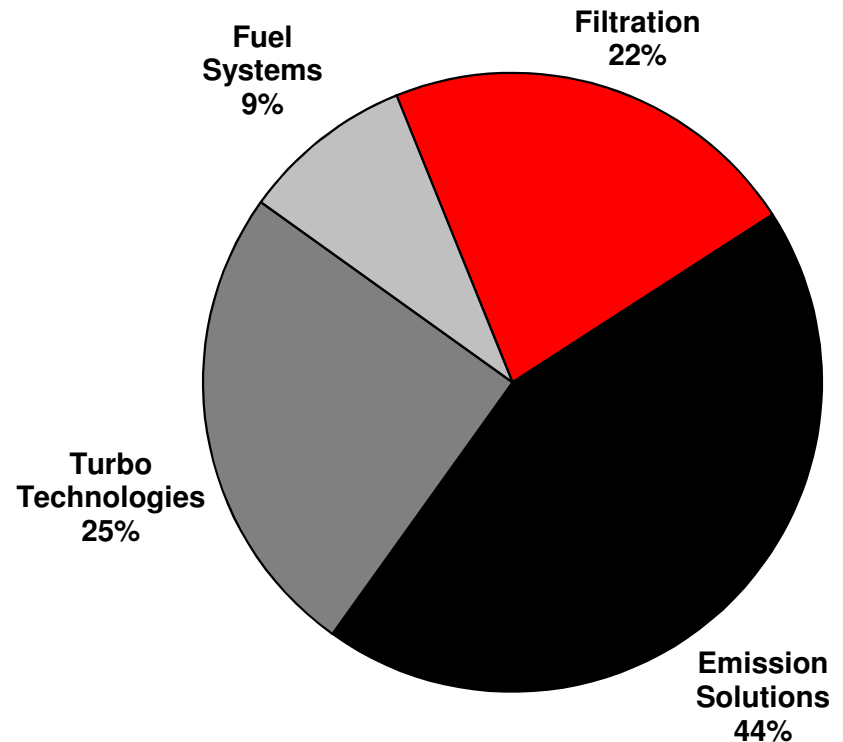
Q3'14 LTM Data

Sales: \$4.9 billion

EBIT: \$664 million

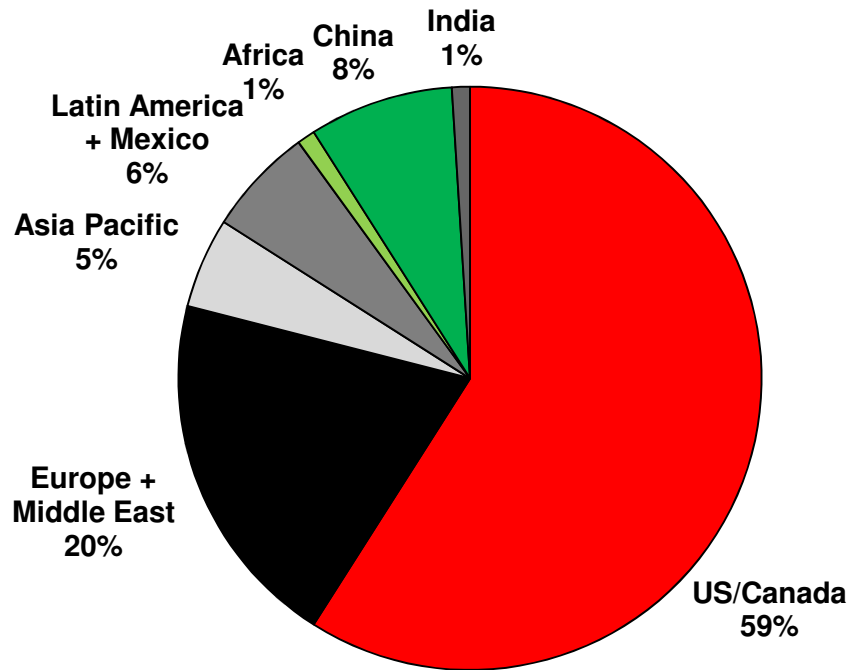
EBIT%: 13.5%

Q3'14 LTM Revenue by Business

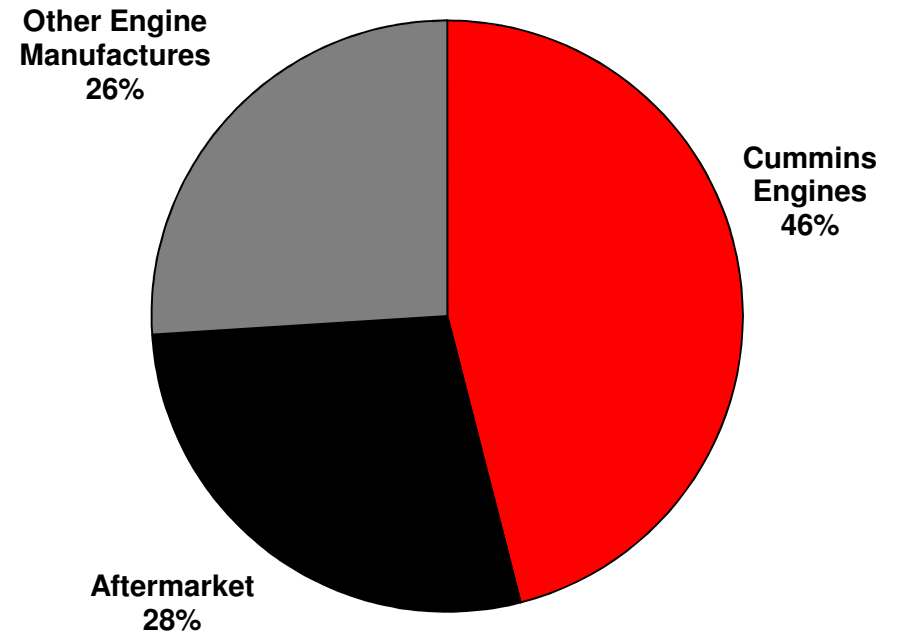


Components Segment – Sales Mix

Geographic



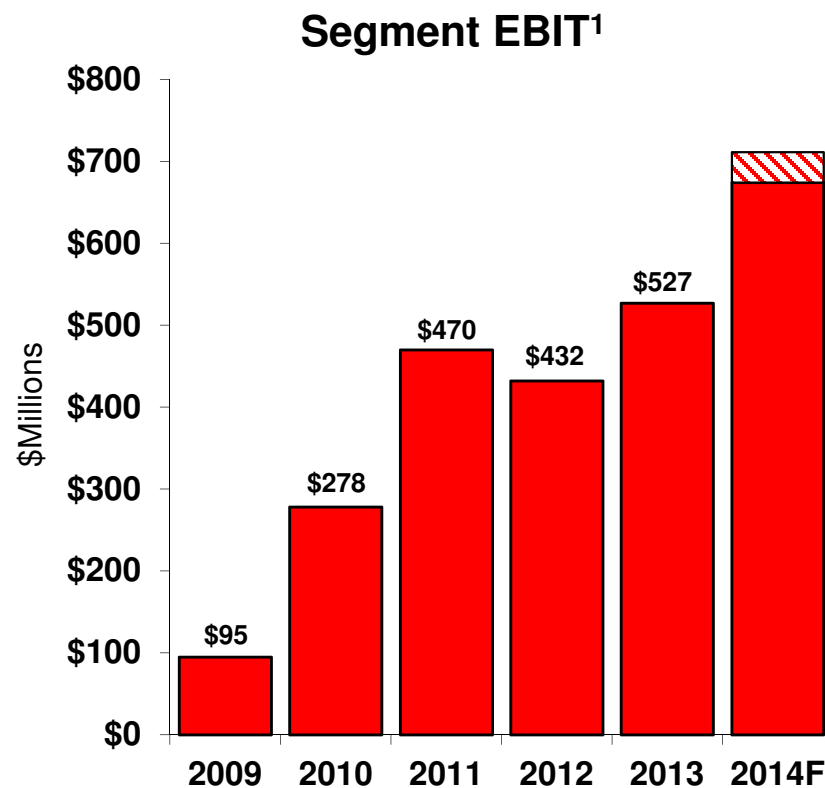
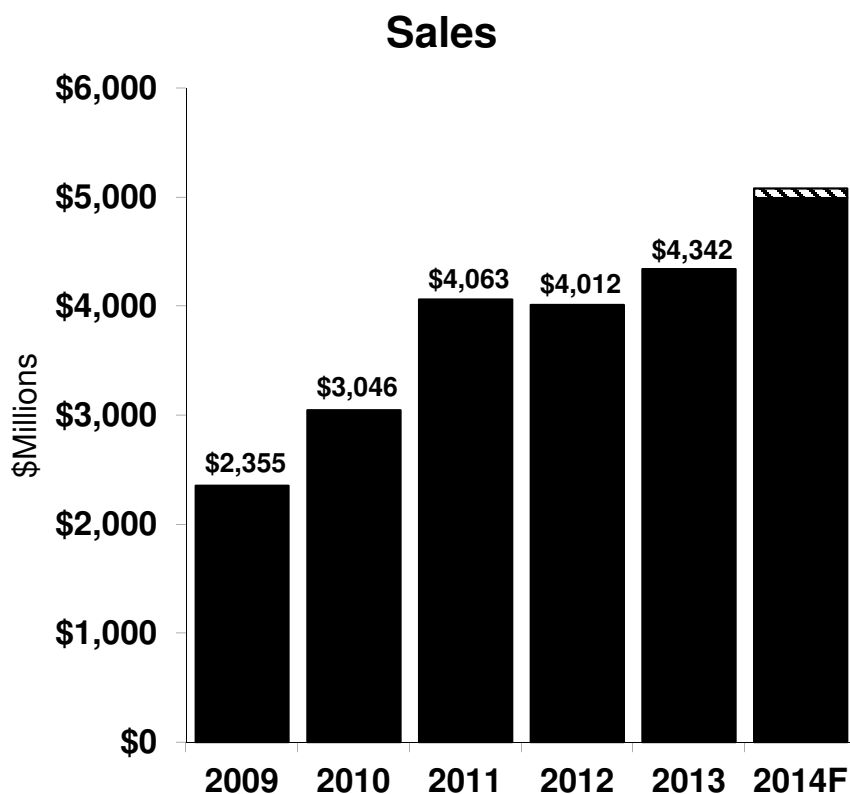
Application



Q3'14 LTM Revenue: \$4.9 B



Components – Historical Performance

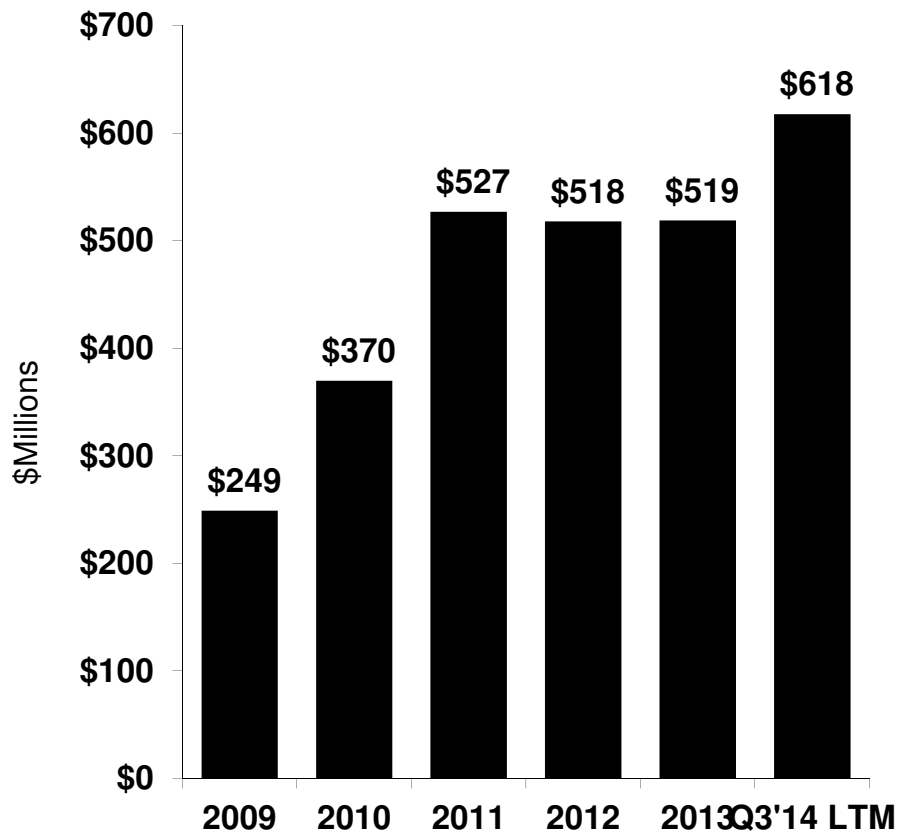


| 2014 Guidance | |
|-------------------|------------------|
| Sales Up 15 - 17% | EBIT 13.5 -14.0% |

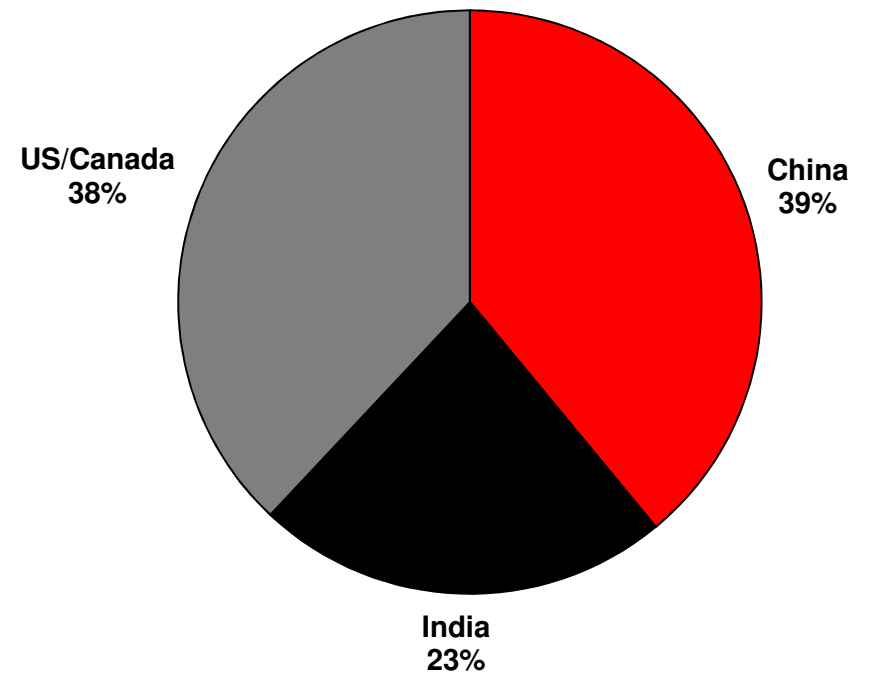
¹ 2012 EBIT excludes \$6 million in restructuring charges.



Components Segment – Joint Venture Sales Unconsolidated



Q3'14 LTM 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

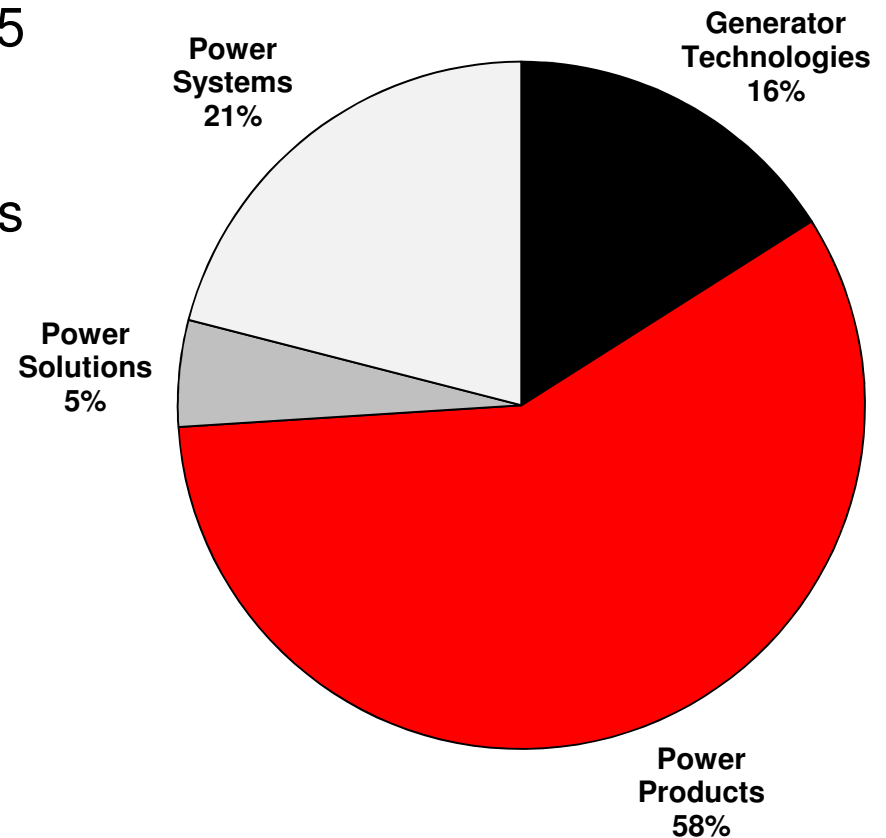
Q3'14 LTM Data

Sales: \$2.9 billion

EBIT: \$192 million

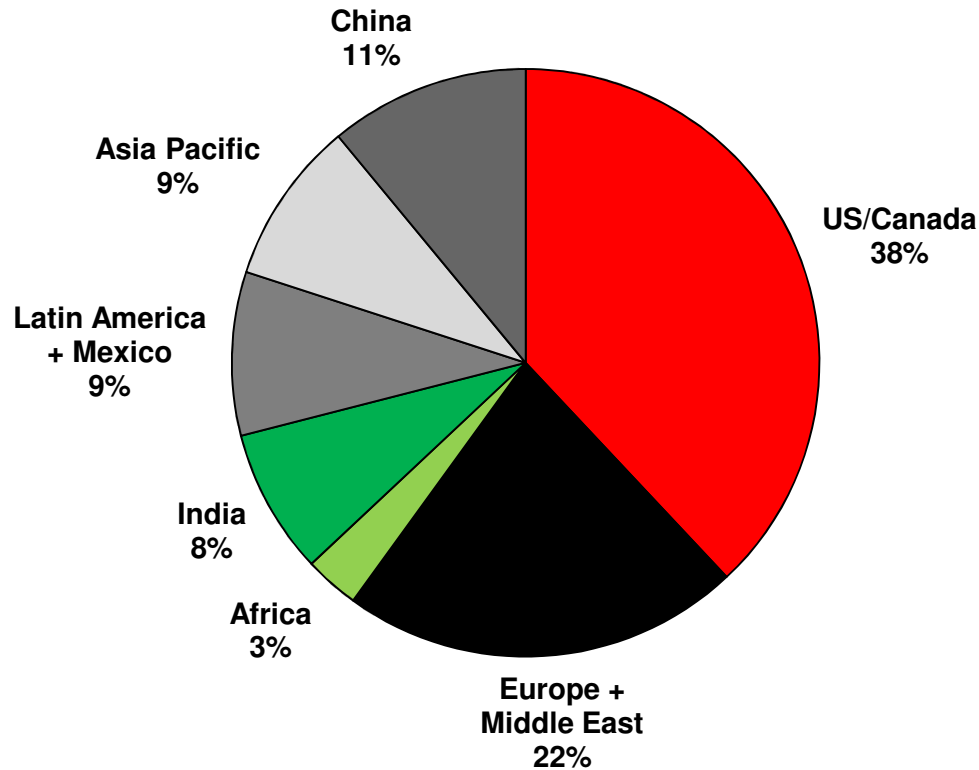
EBIT%: 6.6%

Q3'14 LTM Revenue by Product



Power Generation Segment – Sales Mix

Geographic

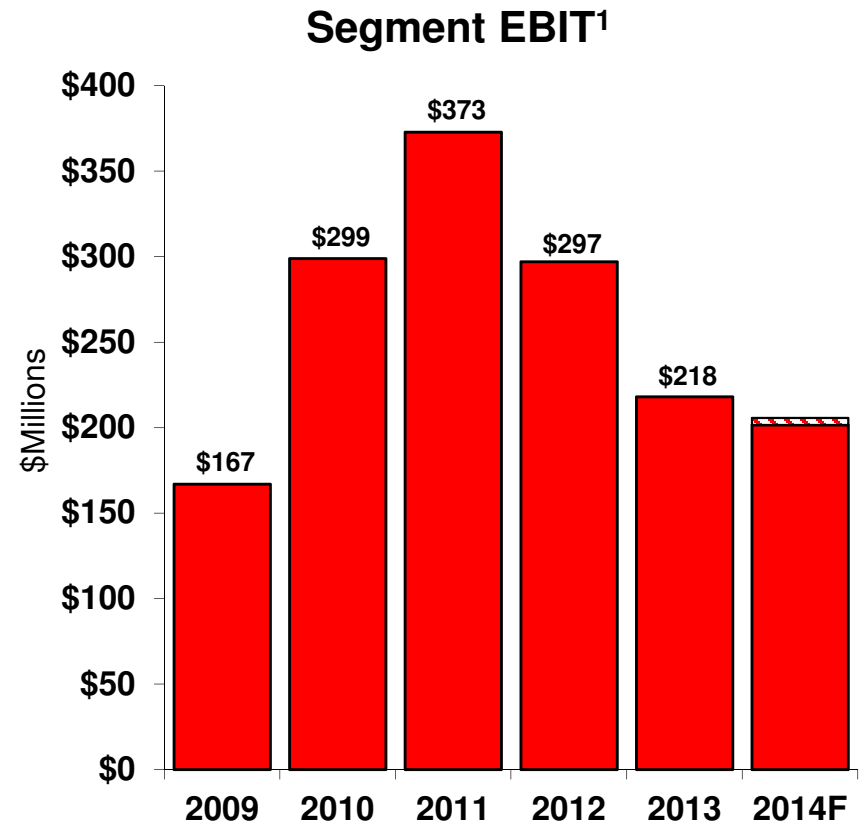
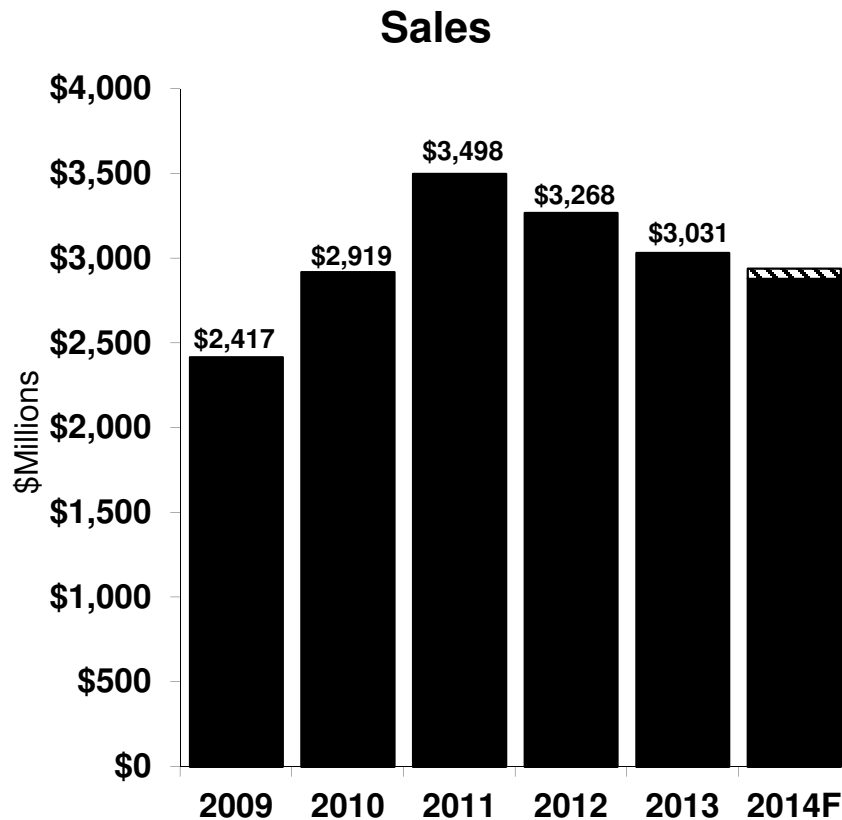


- Market leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

Q3'14 LTM Revenue: \$2.9 B



Power Generation – Historical Performance

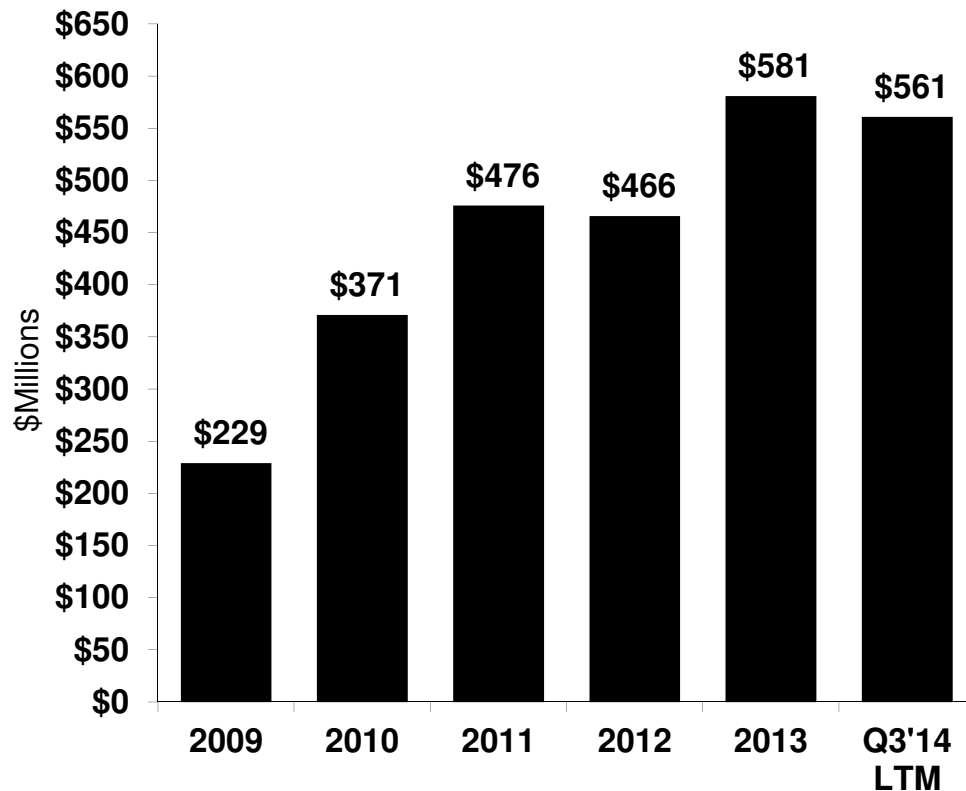


| 2014 Guidance | |
|-------------------|-----------------|
| Sales Down 3 - 5% | EBIT 6.8 - 7.2% |

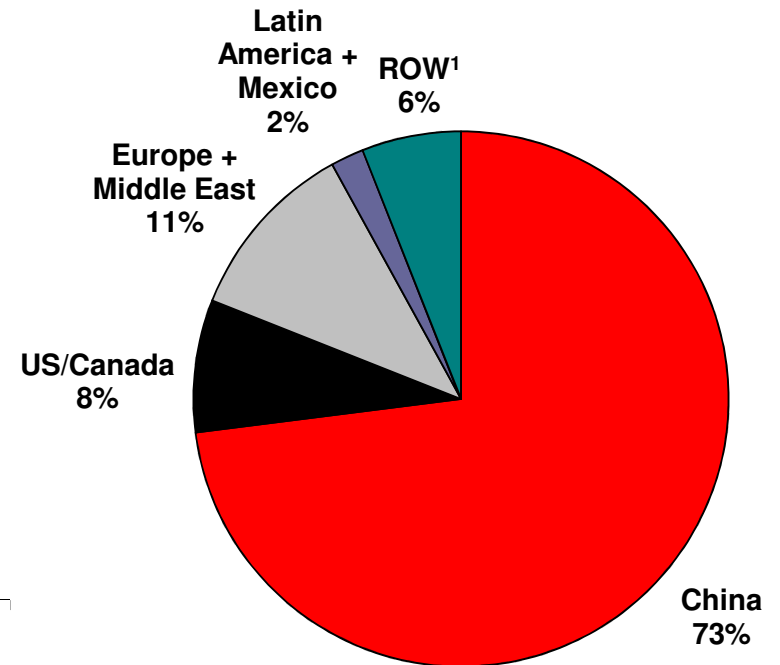
¹ 2012 EBIT excludes \$12 million in restructuring charges.



Power Generation Segment – Joint Venture Sales Unconsolidated



Q3'14 LTM Revenue



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

Q3'14 LTM Data

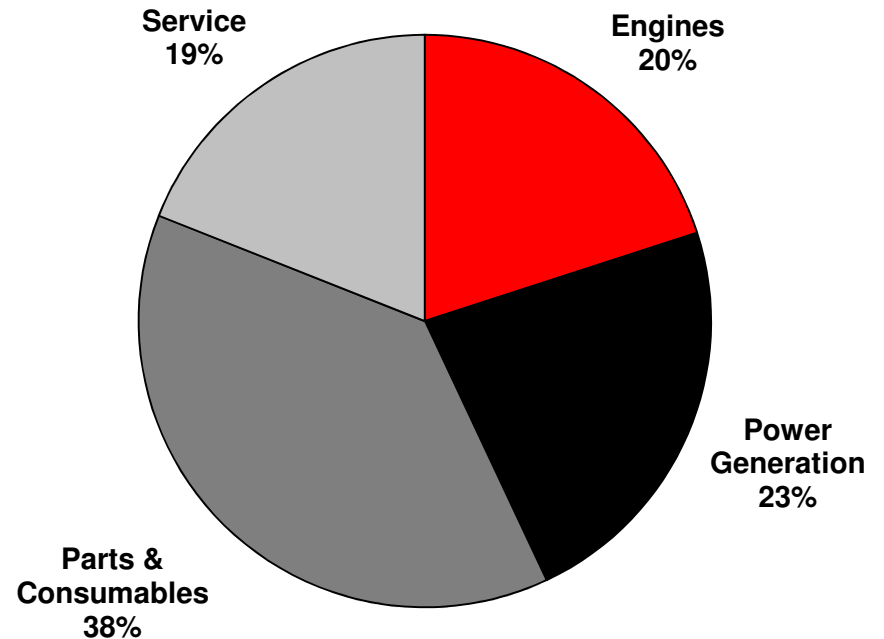
Sales: \$4.6 billion

EBIT: \$440 million

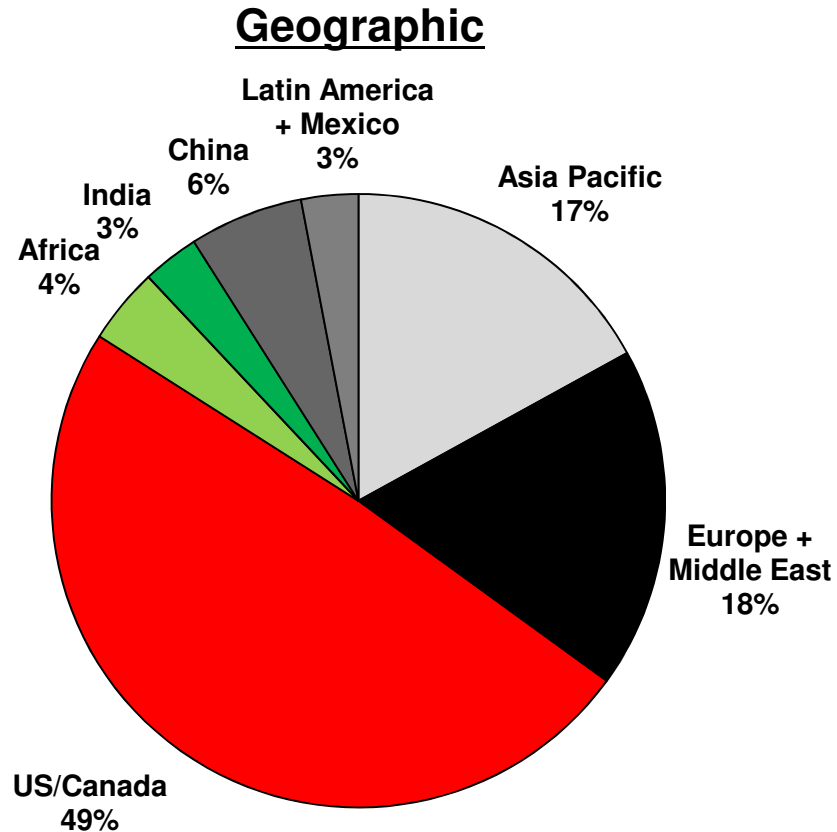
EBIT%: 9.7%

Q3'14 LTM Revenue

Application



Distribution Segment – Sales Mix

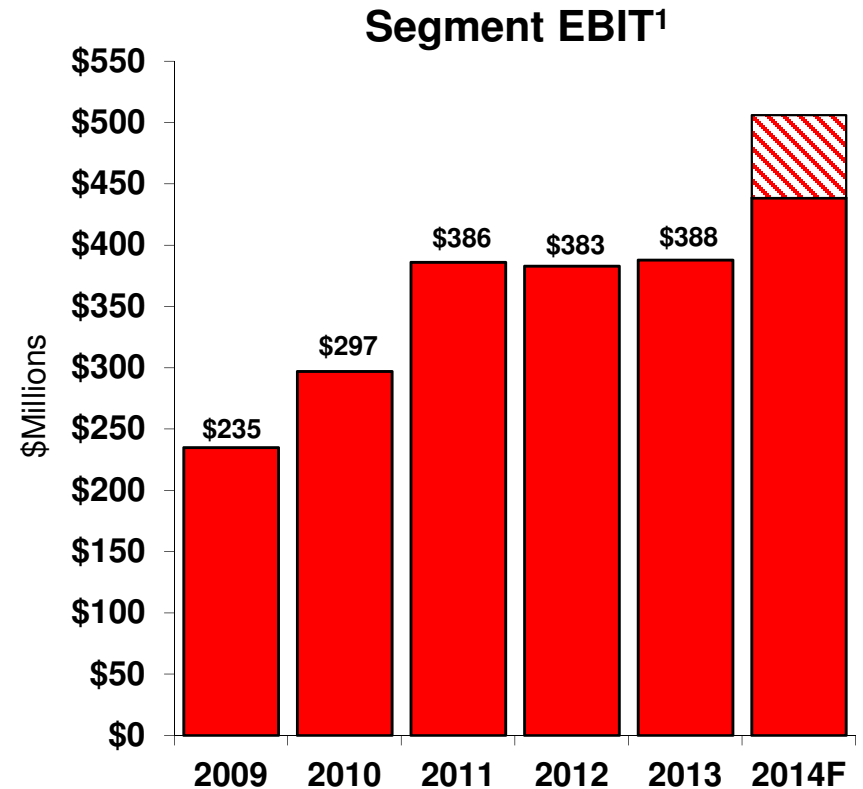
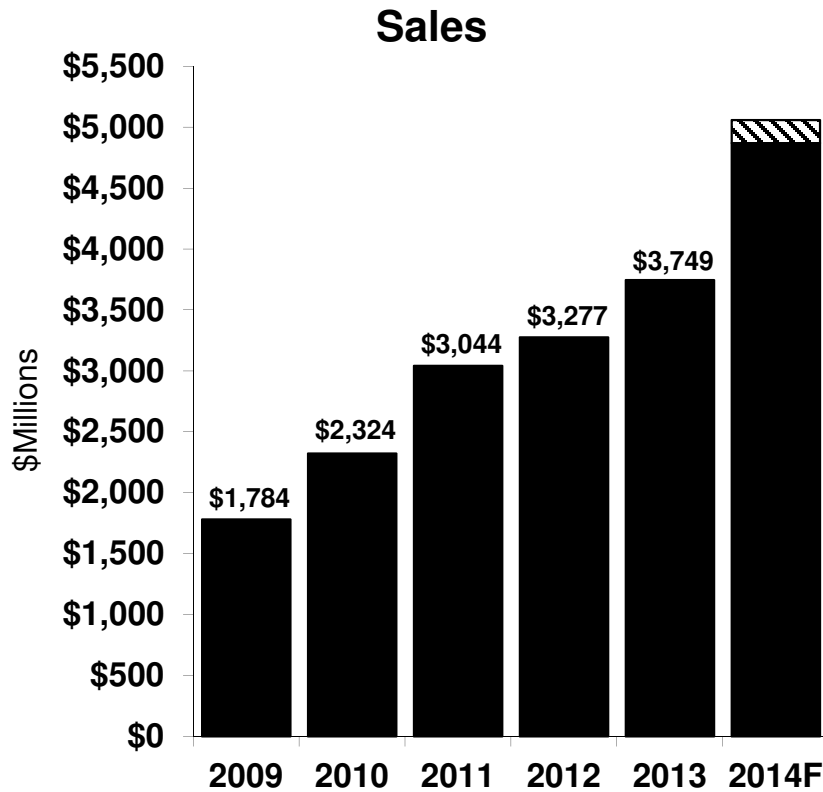


- Key enabler for Cummins growth
- Benefitting from increased population of product in the field
- International sales growth

Q3'14 LTM Revenue: \$4.6 B



Distribution – Historical Performance

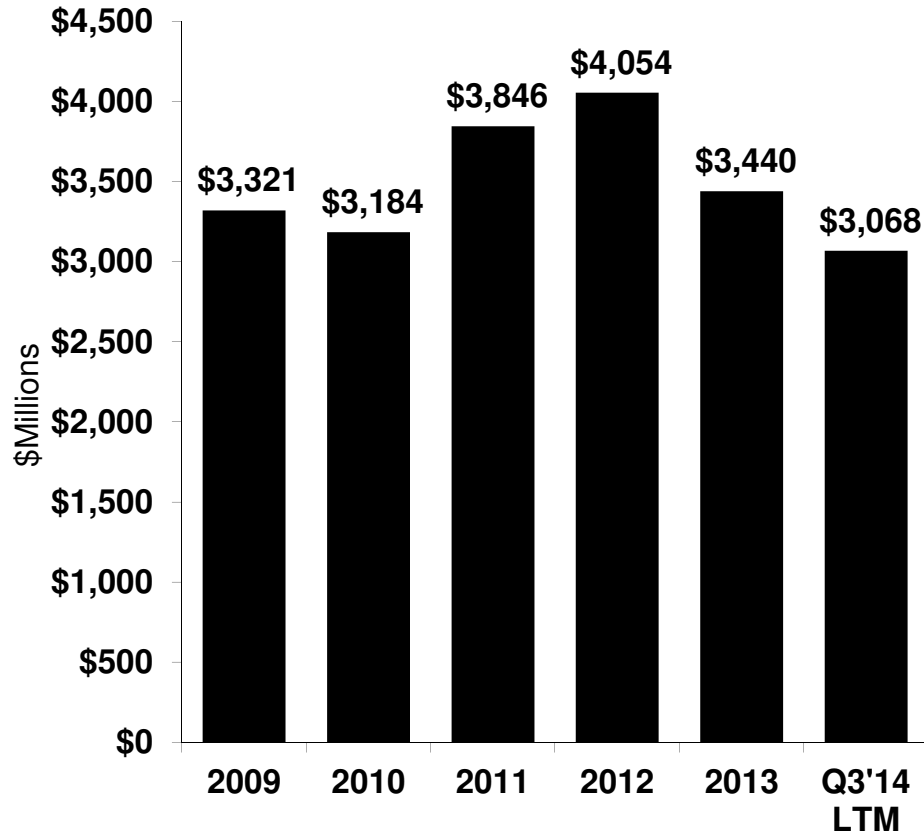


| 2014 Guidance | |
|-------------------|-------------------|
| Sales Up 30 - 35% | EBIT 9.25 - 9.75% |

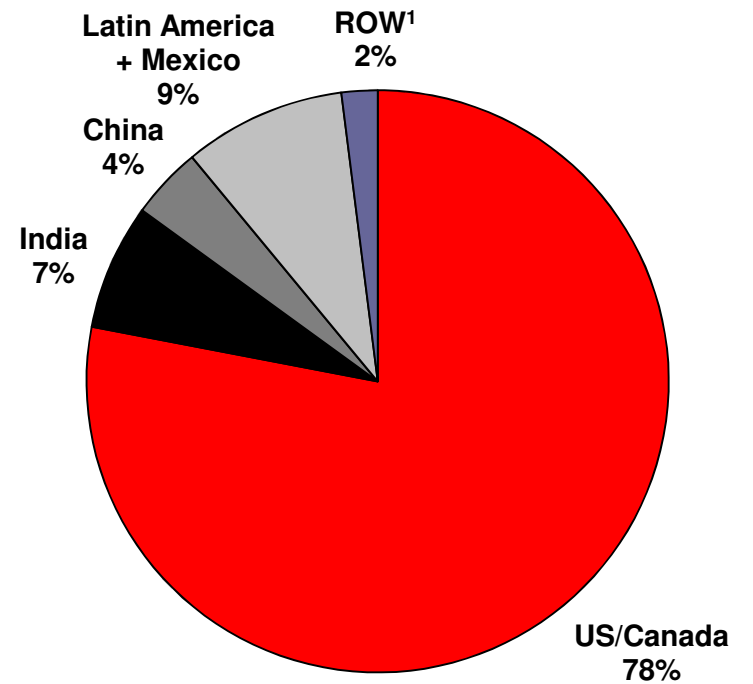


¹ 2012 EBIT excludes \$14 million in restructuring charges.

Distribution Segment – Joint Venture Sales Unconsolidated



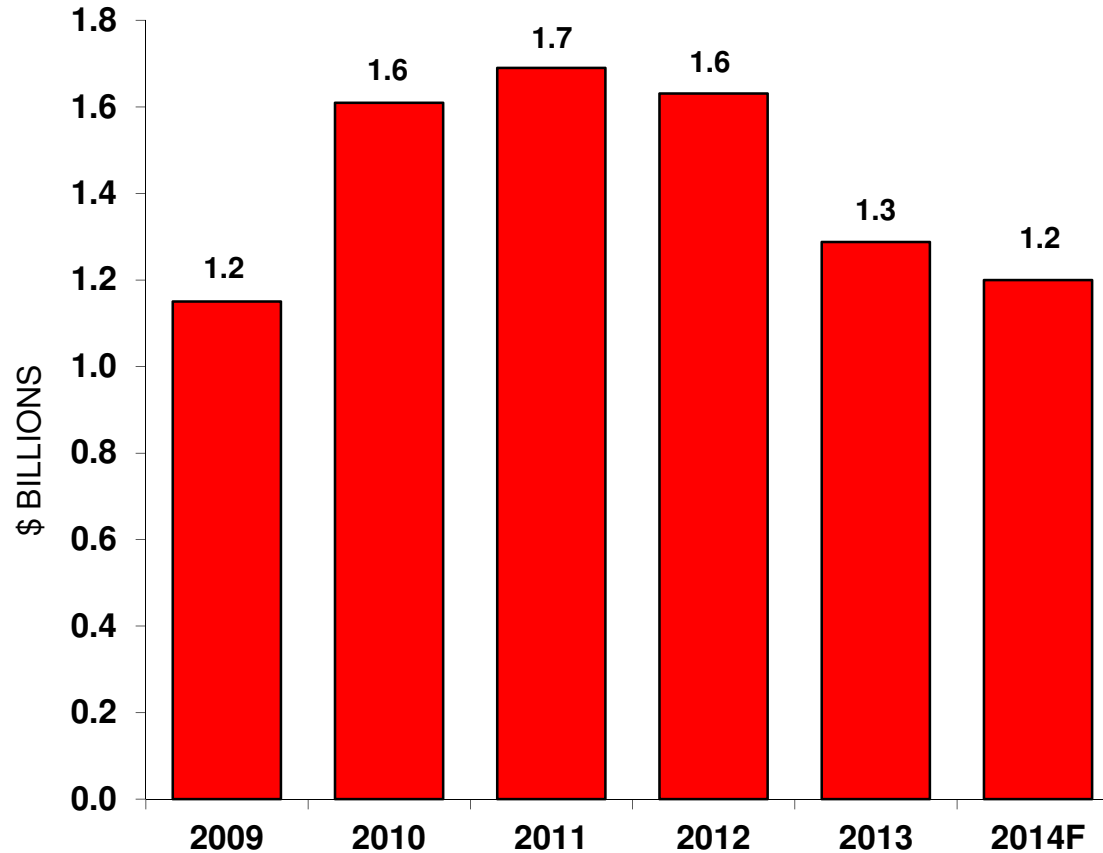
Q3'14 LTM Revenue



¹ ROW = Rest of World



Emerging Market Sales – India¹



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

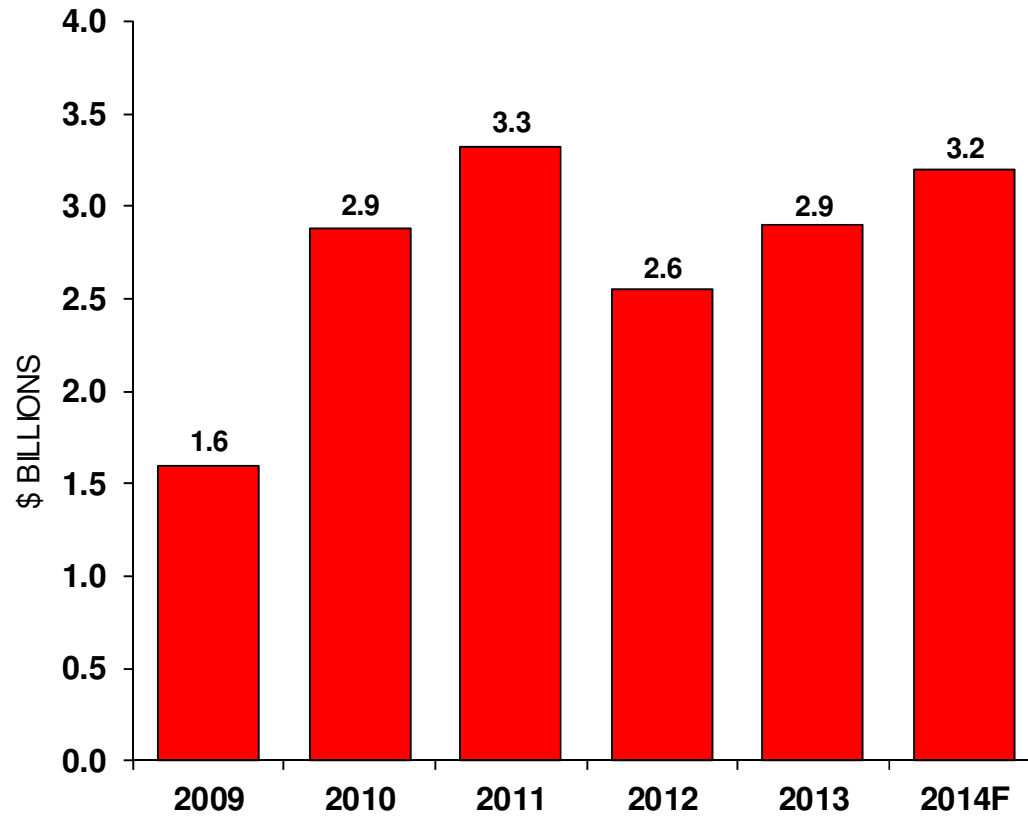
Domestic consolidated + unconsolidated revenue.

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

¹ Before intercompany eliminations.



Emerging Market Sales – China¹



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

Domestic consolidated + unconsolidated revenue.

¹ Before intercompany eliminations.



Non-GAAP Reconciliation – EBIT

Three Months Ended

| Millions | September 28 2014 | June 29 2014 | September 29 2013 |
|---|----------------------|-----------------|----------------------|
| EBIT excluding restructuring charges | \$ 684 | \$ 657 | \$ 536 |
| Add: Special Items | 0 | 0 | 0 |
| Less: Restructuring charges | 0 | 0 | 0 |
| Total EBIT | <u>684</u> | <u>657</u> | <u>536</u> |
| Less: Interest Expense | 15 | 15 | 8 |
| Income before taxes | <u>669</u> | <u>642</u> | <u>528</u> |
| Less: Income tax expense | 230 | 170 | 154 |
| Consolidated net income | <u>439</u> | <u>472</u> | <u>374</u> |
| Less: Net income attributable to noncontrolling interests | 16 | 26 | 19 |
| Net income attributable to Cummins Inc. | <u>423</u> | <u>446</u> | <u>355</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 program. 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 for 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

| Millions | September 28 2014 | June 29 2014 | September 29 2013 |
|--|----------------------|-----------------|----------------------|
| Accounts and notes receivable, net | \$ 3,059 | \$ 3,188 | \$ 2,709 |
| Inventories | 2,833 | 2,745 | 2,513 |
| Less: Accounts Payable - trade | <u>(1,930)</u> | <u>(1,905)</u> | <u>(1,613)</u> |
| Working capital measure | <u>\$ 3,962</u> | <u>\$ 4,028</u> | <u>\$ 3,609</u> |
| Working capital measure (% of Annualized Net Sales) | 20.3% | 20.8% | 21.1% |

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 | September 28 2014 | September 29 2013 |
|---|----------------------|----------------------|
| Net assets for operating segments | \$ 9,620 | \$ 9,643 |
| Liabilities deducted in computing net assets | 5,748 | 5,045 |
| Pension and other postretirement liabilities | (122) | (721) |
| Deferred tax assets not allocated to segments | 363 | 334 |
| Debt-related costs not allocated to segments | 35 | 35 |
| Total Assets | \$ 15,644 | \$ 14,336 |

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 | September 28 2014 | September 29 2013 |
|--|----------------------|----------------------|
| Equity used for return on equity calculation | \$ 8,331 | \$ 7,834 |
| Defined benefit postretirement plans | (583) | (738) |
| Total shareholders equity | 7,748 | 7,096 |
| Noncontrolling Interest | 349 | 368 |
| Total Equity | \$ 8,097 | \$ 7,464 |

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.