

Third Quarter 2017 Earnings Teleconference

October 31, 2017





Participants

Tom Linebarger	Chairman and Chief Executive Officer
Rich Freeland	President and Chief Operating Officer
Pat Ward	Vice President and Chief Financial Officer
Mark Smith	Vice President - Financial Operations



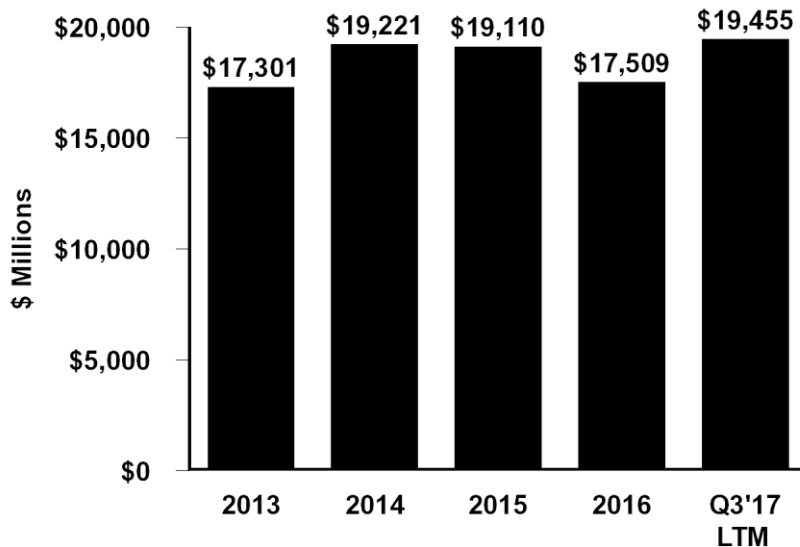
Disclosure Regarding Forward-Looking Statements

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 2016 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.

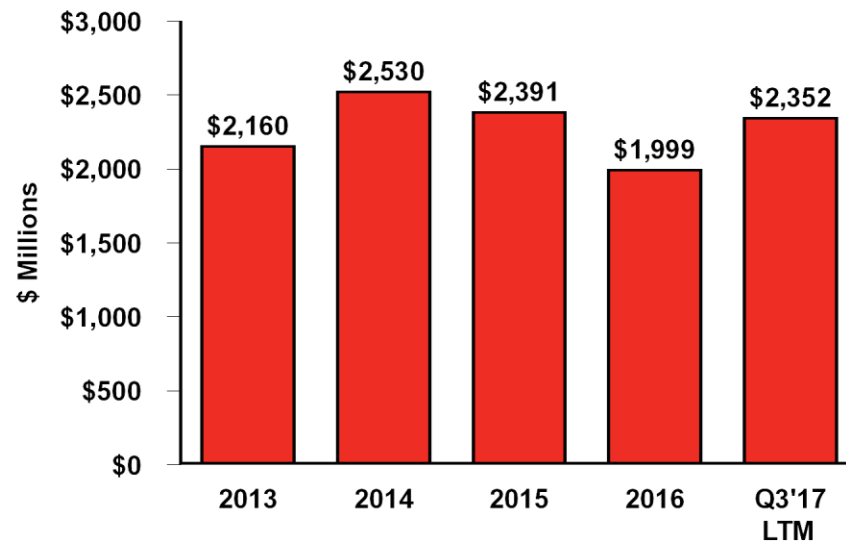


Cummins Inc.

Sales



EBIT¹



2017 Guidance	
Sales Up 14 to 15%	EBIT 11.8 to 12.2%

¹ 2014 EBIT excludes \$32 million in operating actions within PSBU. 2015 EBIT excludes \$211 million of impairment of light-duty diesel assets and \$90 million of restructuring actions and other charges.



Cummins Inc.

Selected Financial Data

\$Millions	Q3'17	Q3'16
Sales	5,285	4,187
Gross Margin (% of Sales)	25.3%	25.8%
SAR (% of Sales)	15.8%	16.0%
EBIT	640	398
EBIT (% of Sales)	12.1%	9.5%
GAAP Net Income	453	289
GAAP Net Income (% of Sales)	8.6%	6.9%
Diluted EPS	\$2.71	\$1.72
Dividend Per Share	\$1.08	\$1.025
ROANA (LTM)	24%	22%
ROE (LTM)	21%	17%



Joint Venture Income

\$Millions	Q3'17	Q3'16
Engine	58	38
Distribution	11	19
Components	12	9
Power Systems	14	8
Total JV Income	95	74



Engine Segment Selected Financial Data

\$Millions	Q3'17	Q3'16	Change
Sales	2,336	1,859	+26%
EBIT	229	89	+157%
EBIT (% of Sales)	9.8%	4.8%	

- Sales increased from a year ago due to a 25% increase in on-highway revenues and a 30% increase in off-highway revenues.
- EBIT improved due to benefits from higher volumes, stronger joint venture earnings in China, and material cost reduction programs, partially offset by higher variable compensation costs. In addition, the Engine Segment experienced higher warranty costs, which were offset by the absence of a loss contingency recorded in the prior period.



Engine Segment - Sales by Market

\$Millions	Q3'17	Q3'16	Change
Heavy-Duty Truck	776	625	+24%
Medium-Duty Truck & Bus	625	517	+21%
Light-Duty Automotive	452	345	+31%
On-Highway	1,853	1,487	+25%
Off-Highway	483	372	+30%

- On-highway revenues increased from a year ago primarily due to higher production of medium-duty and heavy-duty trucks in North America.
- Off-highway revenues increased as a result of strong demand for construction equipment in North America and China.



Key On-Highway Engine Markets - 2017

Key Market	2016	2017	Change Market Size
	Actual	Forecast	
Heavy Duty Truck - NAFTA Class 8, Group 2 - Production	201K units	218K units	Up 8%
Medium Duty Truck - NAFTA Class 6-7, and Class 8 Group 1 - Production	108K units	118K units	Up 9%
Heavy & Medium Truck - China Sales	962K units	1,370K units	Up 42%
Heavy & Medium Truck - India Production	346K units	346K units	Flat
Heavy & Medium Truck - Brazil Production	61K units	77K units	Up 26%



Distribution Segment Selected Financial Data

\$Millions	Q3'17	Q3'16	Change
Sales	1,753	1,504	+17%
EBIT	91	96	-5%
EBIT (% of Sales)	5.2%	6.4%	

- Sales increased 17%, including 6% growth resulting from an acquisition made in 2016. Organic sales increased primarily due to stronger demand in on-highway markets.
- EBIT declined primarily due to higher variable compensation resulting from stronger overall company performance which more than offset the benefits of higher sales.



Components Segment Selected Financial Data

\$Millions	Q3'17	Q3'16	Change
Sales	1,533	1,143	+34%
EBIT	217	148	+47%
EBIT (% of Sales)	14.2%	12.9%	

- International sales increased by 45%, due to strong market growth in China and the new product sales in India. Revenues in North America grew 26% due to higher industry truck production.
- EBIT increased as a result of higher volumes and material cost reduction programs, partially offset by higher warranty and variable compensation costs.



Power Systems Segment Selected Financial Data

\$Millions	Q3'17	Q3'16	Change
Sales	1,056	856	+23%
EBIT	81	59	+37%
EBIT (% of Sales)	7.7%	6.9%	

- Industrial revenue increased 64% primarily due to increased demand in mining and oil & gas markets. Power generation sales increased 6% due to stronger demand in Europe, China and North America.
- EBIT increased primarily due to higher volumes and favorable currency impact, partially offset by higher variable compensation and commodity costs.



Guidance for 2017 Segment Results

Item	Engine	Distribution	Components	Power Systems
Consolidated Revenue Growth	Up 12 to 14%	Up 11 to 13%	Up 20 to 22%	Up 11 to 13%
EBIT Margins (% of Revenue)	10.5 to 11.0%	5.25 to 5.75%	13.0 to 13.5%	6.5 to 7.0%



Guidance for 2017 Consolidated Results

Item	Full Year Guidance
Consolidated Revenue	Up 14 to 15%
Earnings from JVs	Up 25%
EBIT Margin	11.8 to 12.2%
Effective Tax Rate ¹	26.0%
Capital Expenditures	\$500 to \$530 M
Global Pension Funding	\$135 M
Interest Expense	\$76 M

¹ Excluding discrete income tax items



Cash Flow

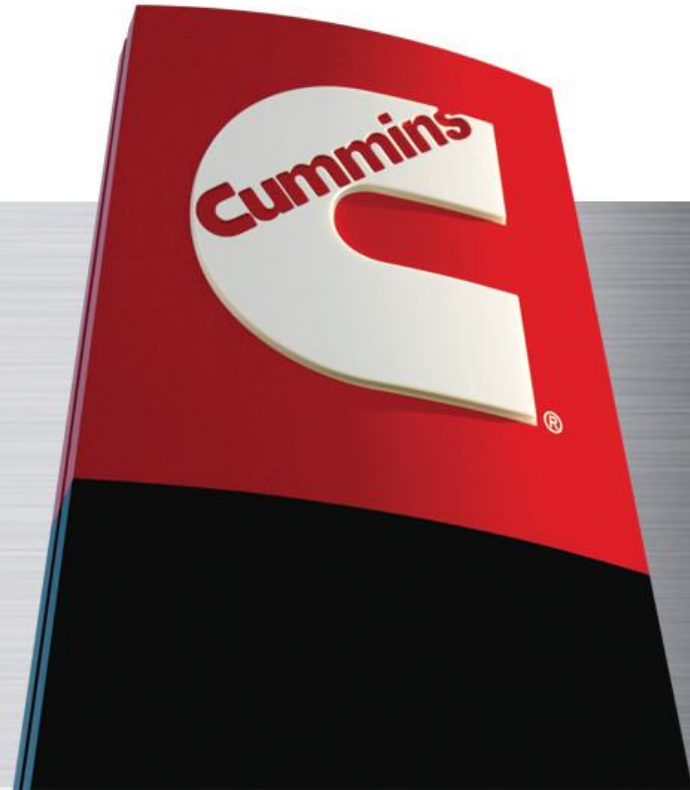
\$Millions	Q3'17	Q3'16
Operating Cash Inflow	645	576
Capital Expenditures	100	123
Working Capital Measure	4,470	3,912
Working Capital Measure (% of Annualized Net Sales)	21.1%	23.4%
Debt to Capital %	20.8%	21.2%

Thank You for Your Interest in



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Appendix





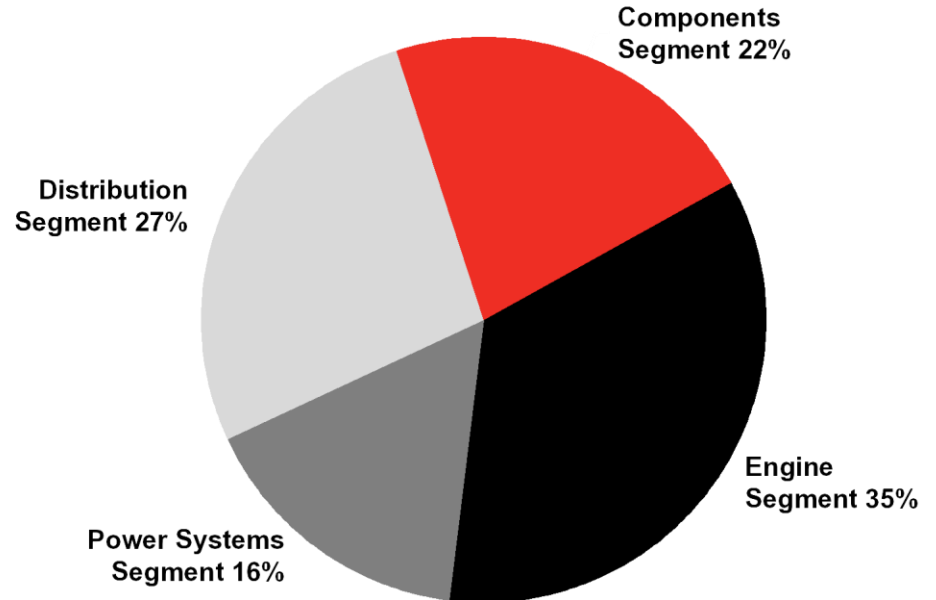
Cummins Inc.

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

Q3'17 LTM Results

Sales: \$19.5 billion
EBIT: \$2.4 billion
EBIT%: 12.1%

Q3'17 LTM Revenue by Segment

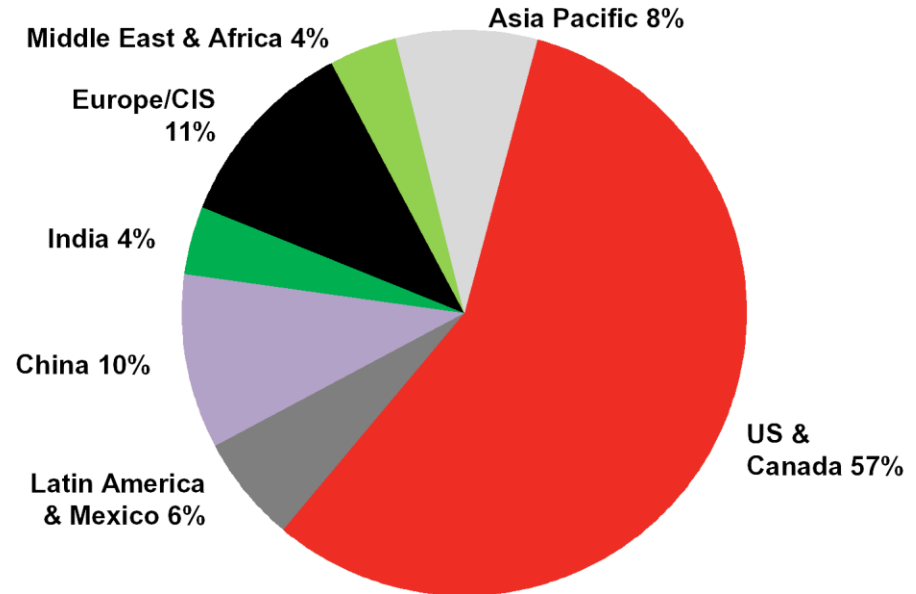




Cummins Inc.

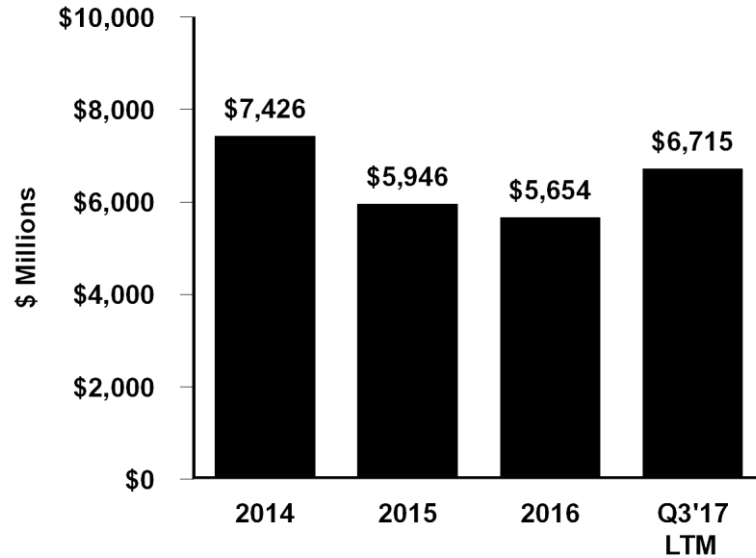
- Capitalizing on global emissions regulations
- Strong geographic diversification and leadership across multiple end-markets
- Global distribution network with presence in more than 190 countries and territories

Q3'17 LTM Revenue by Marketing Territory

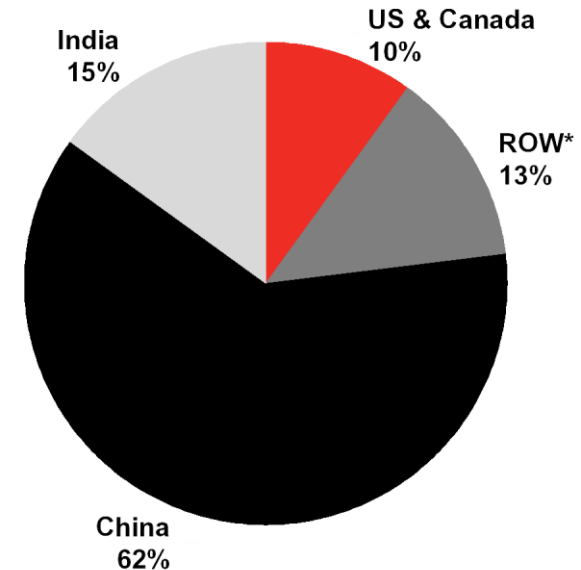




Cummins - Joint Venture Sales Unconsolidated



Q3'17 LTM Revenue



- Increased demand in China for off-highway equipment and commercial vehicles is the primary driver of the increase in revenues.

* Rest of world



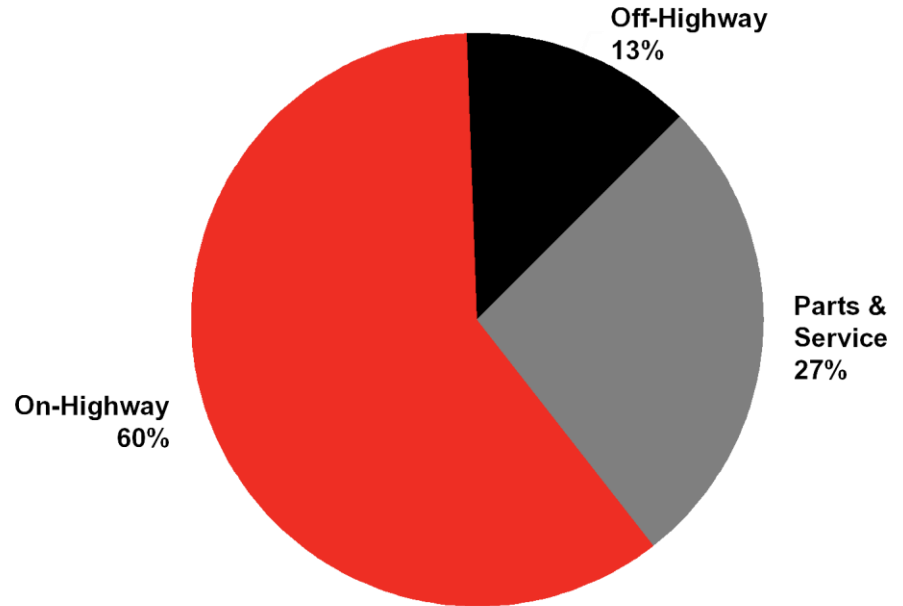
Engine Segment - Overview

- Diesel and natural gas engines from 2.8L to 15L and 48 hp to 715 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

Q3'17 LTM Results

Sales: \$8.6 billion
EBIT: \$929 million
EBIT%: 10.8%

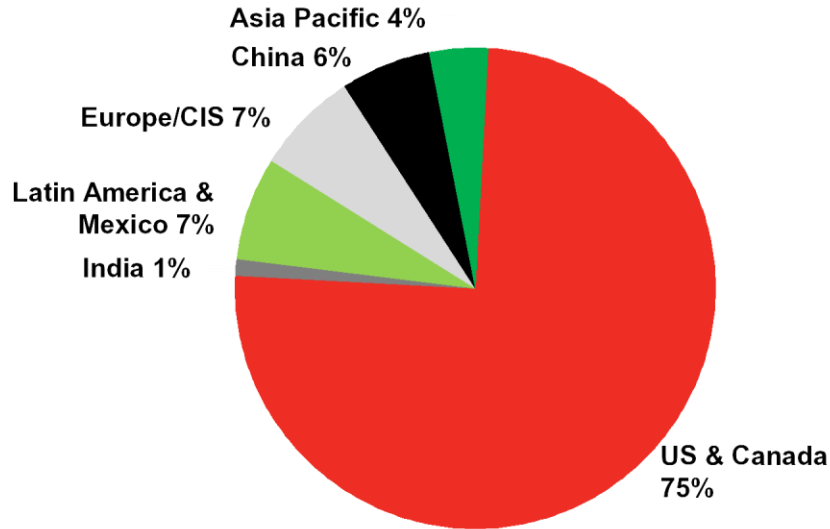
Q3'17 LTM Revenue by Product



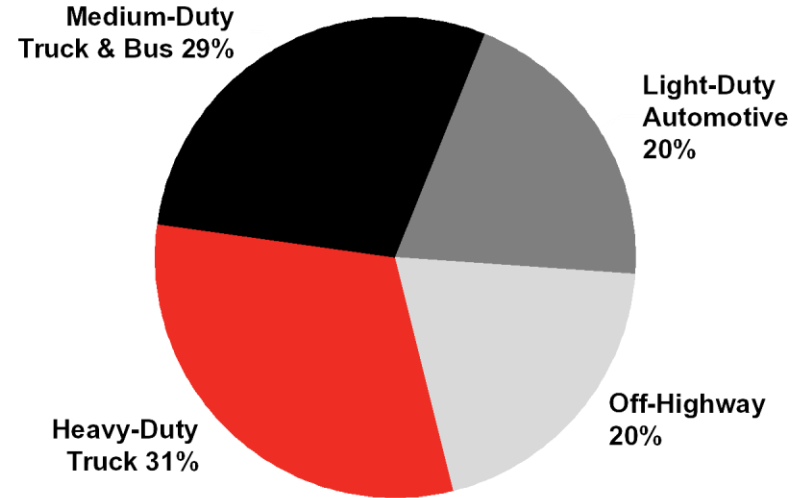


Engine Segment - Sales Mix

Geographic



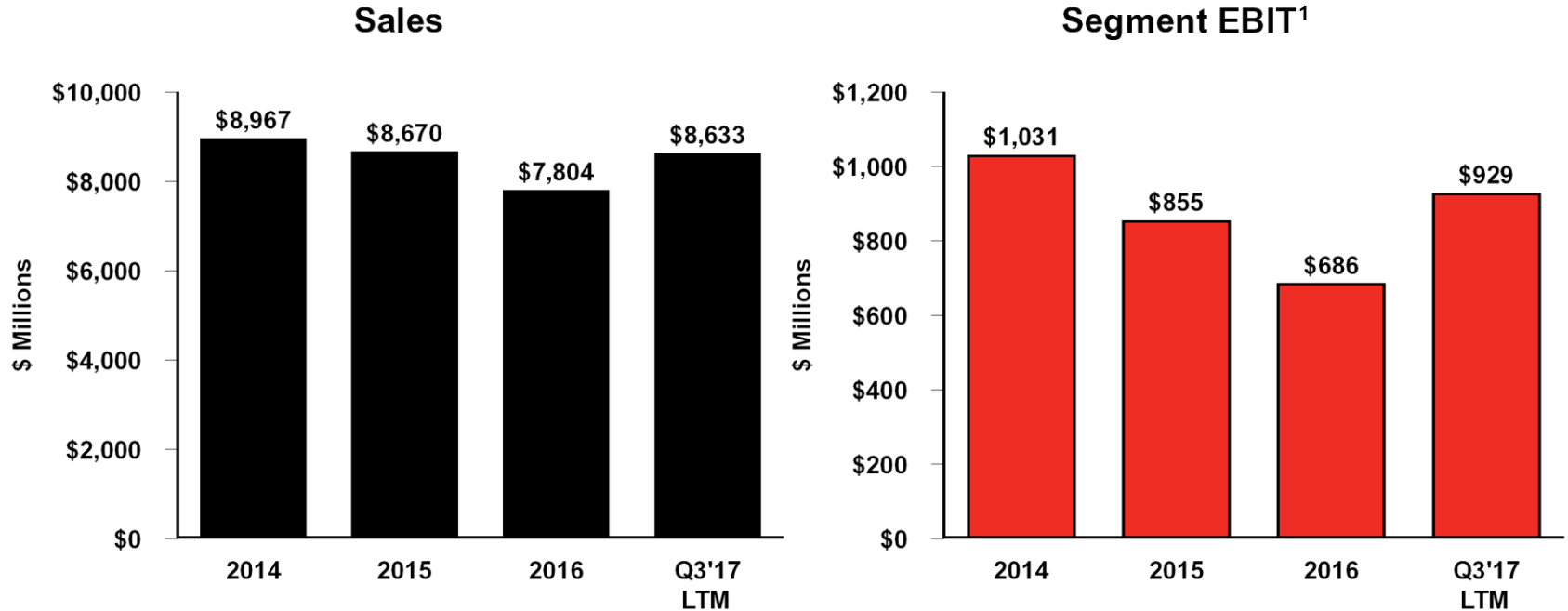
Application



Q3'17 LTM Revenue: \$8.6 billion



Engine Segment - Historical Performance

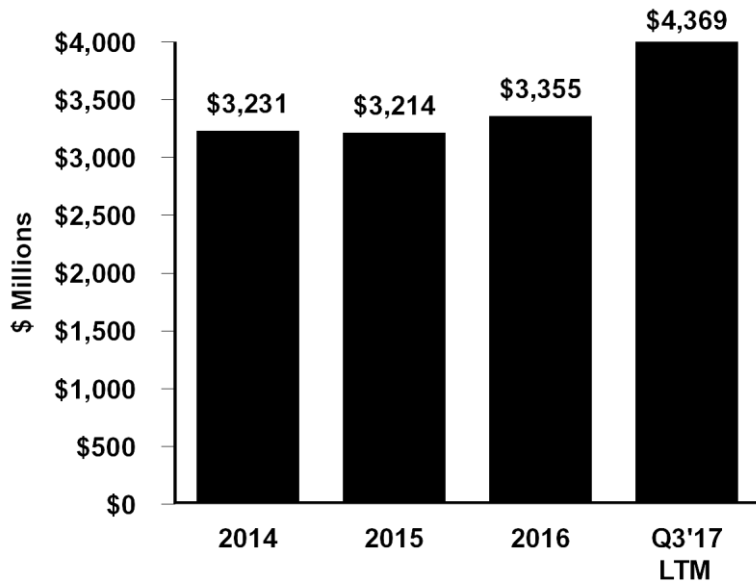


2017 Guidance	
Sales Up 12 to 14%	EBIT 10.5 to 11.0%

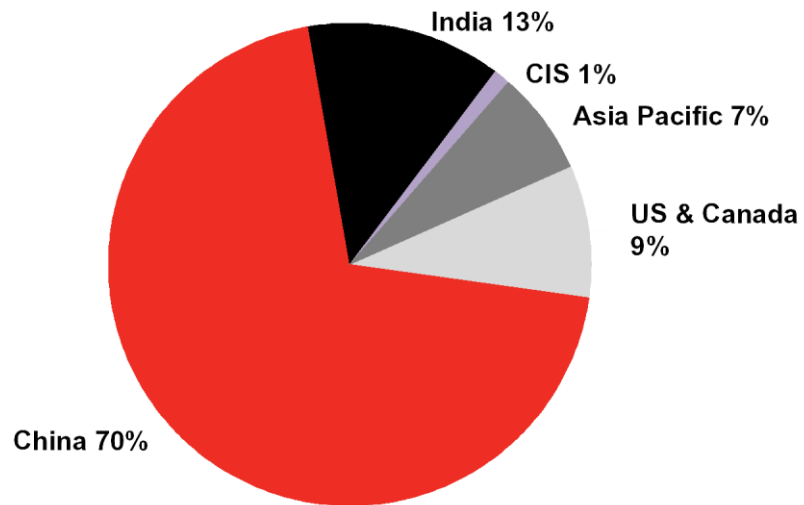
¹ 2015 EBIT excludes \$202 million of impairment of light-duty diesel assets and \$17 million of restructuring actions and other charges.



Engine Segment - Joint Venture Sales Unconsolidated



Q3'17 LTM Revenue





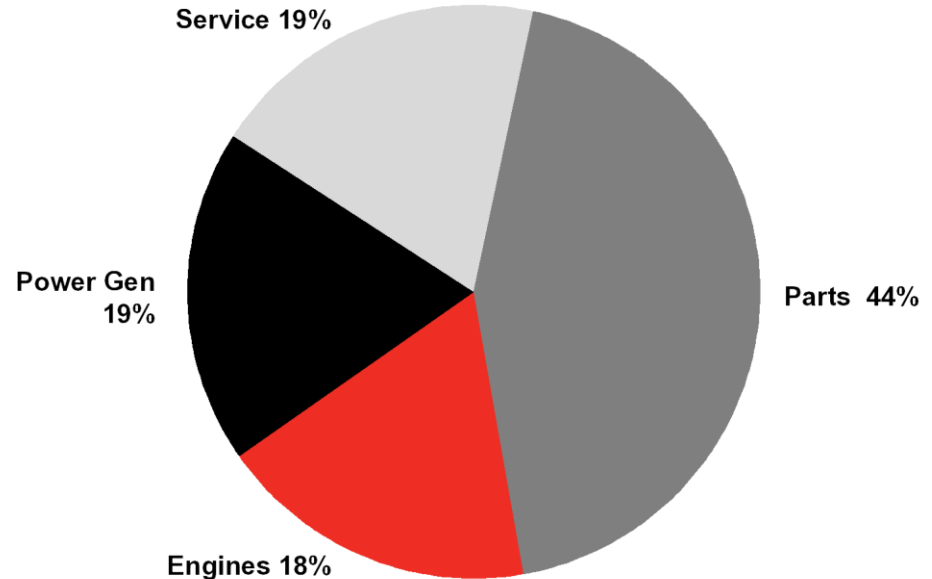
Distribution Segment - Overview

- Provide aftermarket support and increase solution-based revenue
- Acquired our North American distributors
- Increasing network capabilities in emerging markets to capture profitable growth

Q3'17 LTM Results

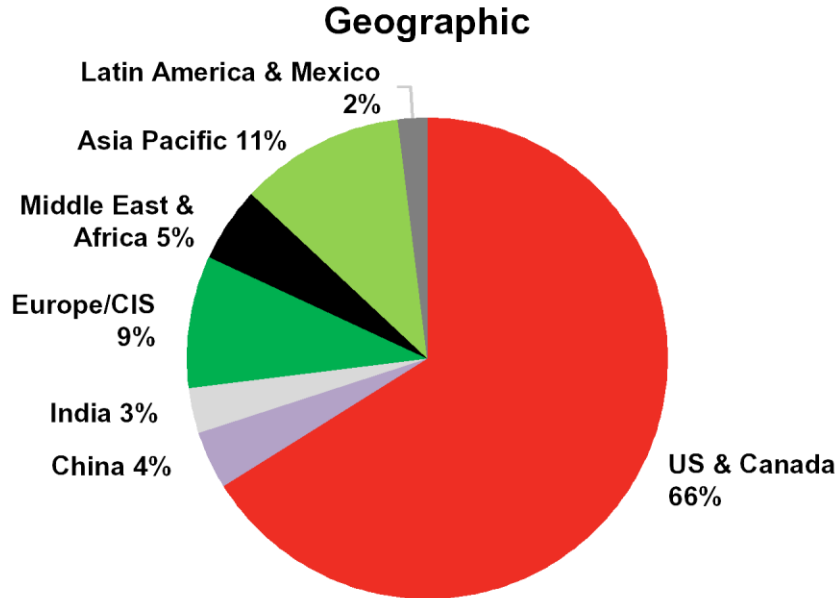
Sales: \$6.8 billion
EBIT: \$409 million
EBIT%: 6.0%

Q3'17 LTM Revenue by Product





Distribution Segment - Sales Mix

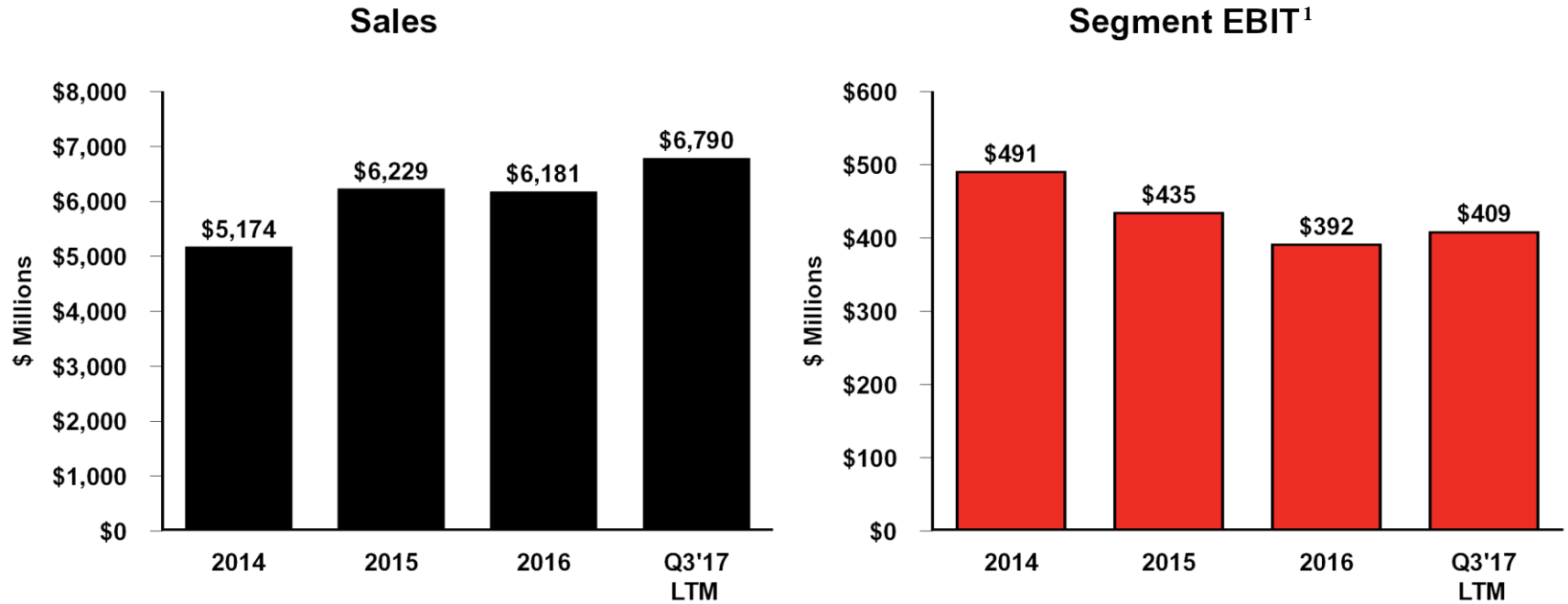


- Key enabler for Cummins growth
- Benefiting from increased population of product in the field

Q3'17 LTM Revenue: \$6.8 billion



Distribution Segment - Historical Performance

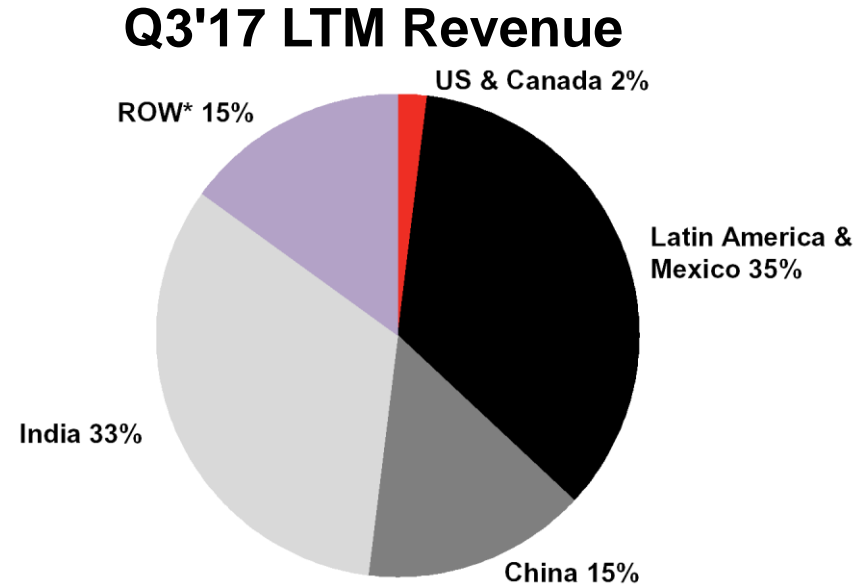
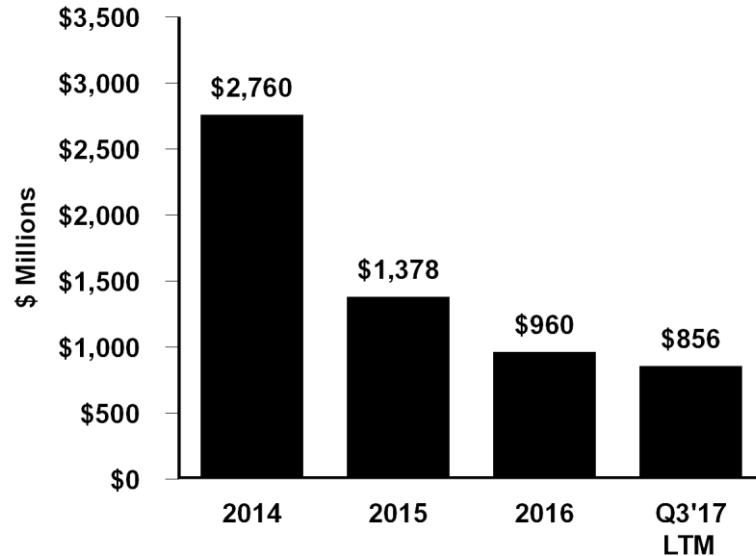


2017 Guidance	
Sales Up 11 to 13%	EBIT 5.25 to 5.75%

¹ 2015 EBIT excludes \$23 million of restructuring actions and other charges.



Distribution Segment - Joint Venture Sales Unconsolidated



- In 2013, we announced our plans to acquire our North American distributors. This is the driver of the multi-year decline in joint venture sales.

* Rest of World



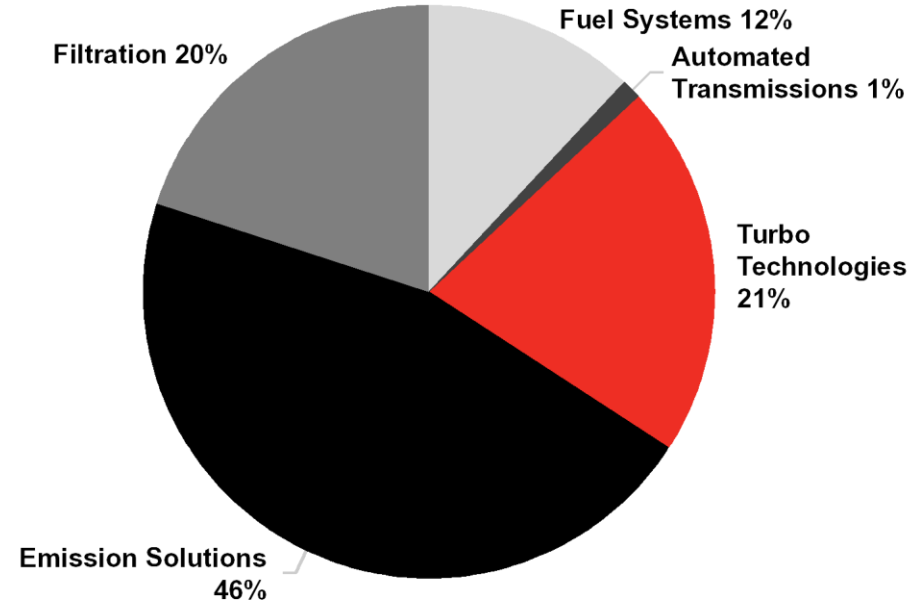
Components Segment - Overview

- 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

Q3'17 LTM Results

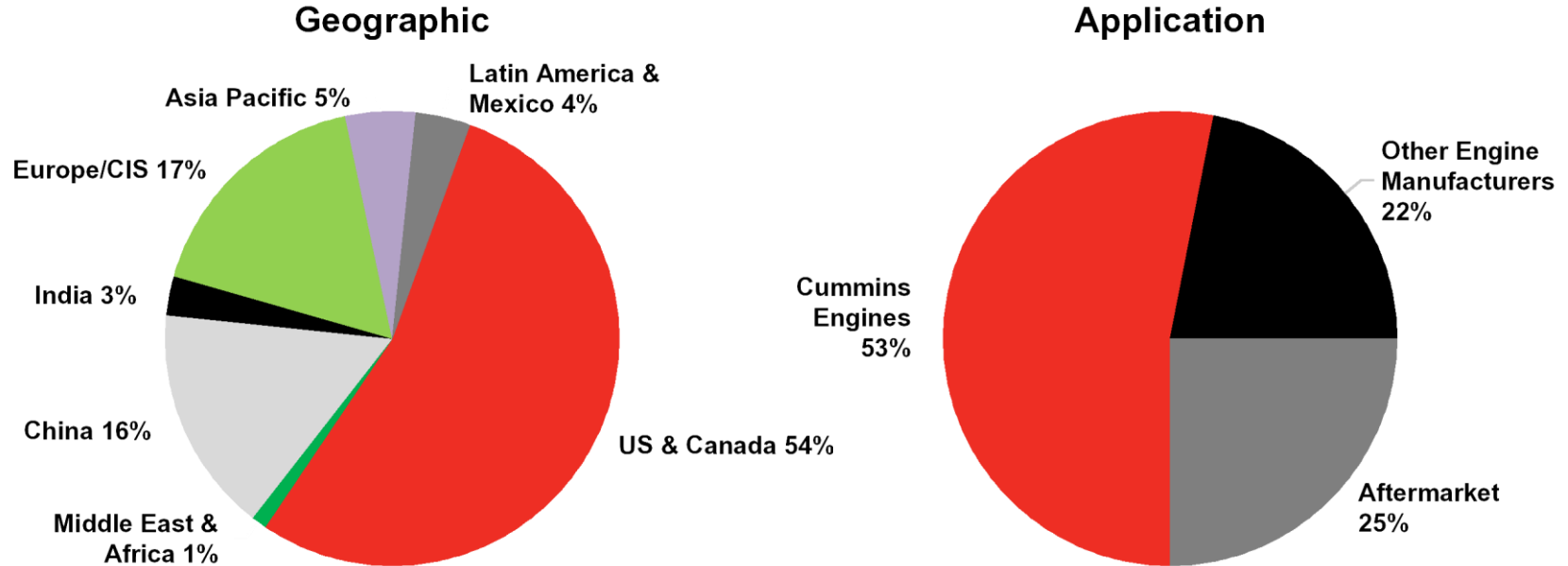
Sales: \$5.5 billion
EBIT: \$726 million
EBIT%: 13.2%

Q3'17 LTM Revenue by Business





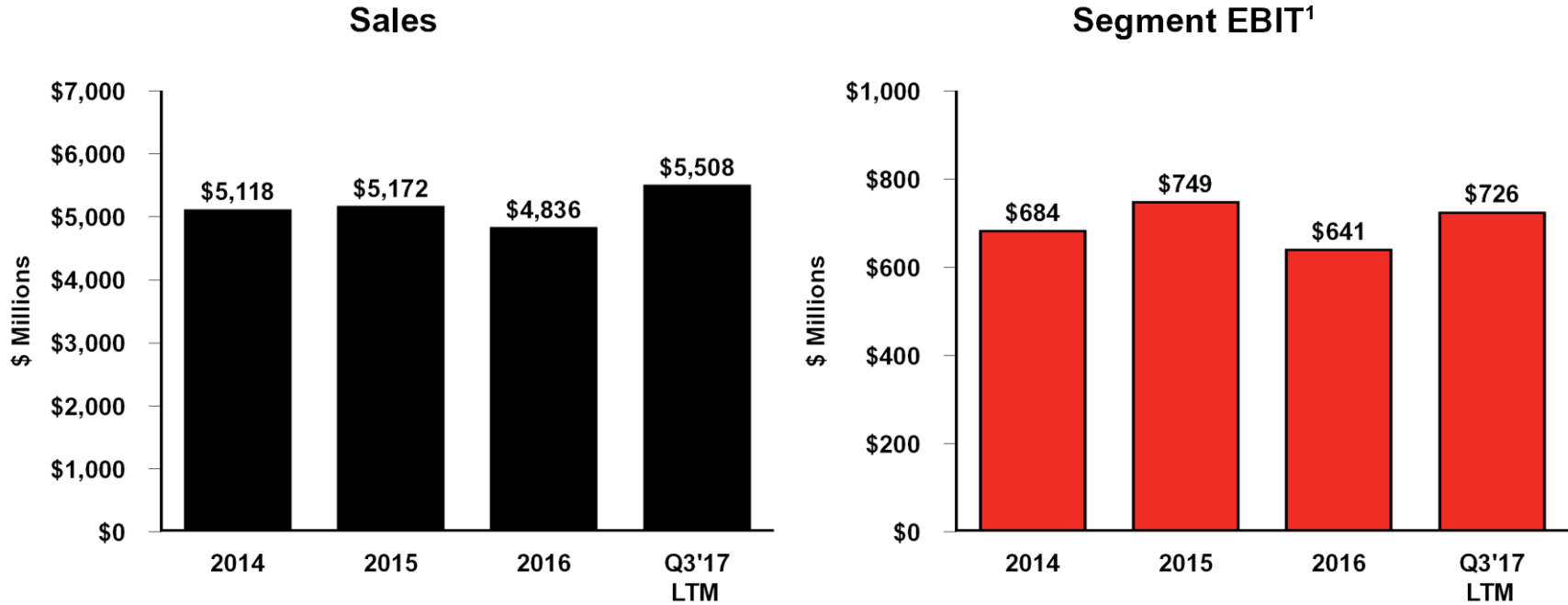
Components Segment - Sales Mix



Q3'17 LTM Revenue: \$5.5 billion



Components Segment - Historical Performance

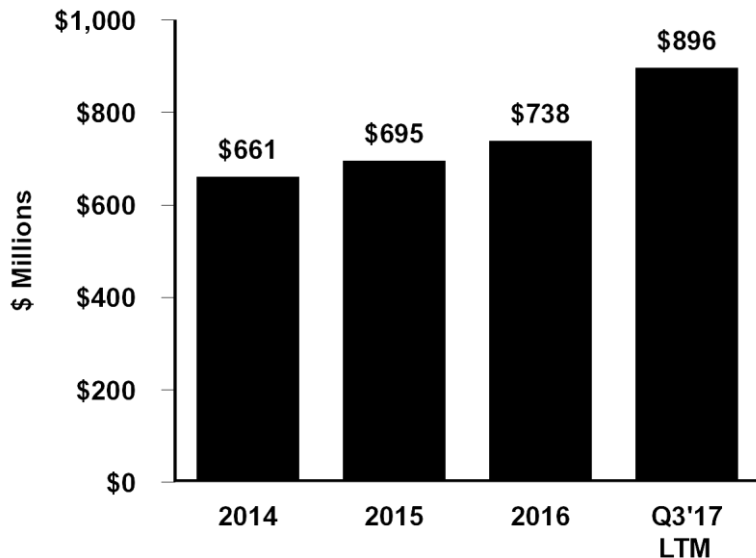


2017 Guidance	
Sales Up 20 to 22%	EBIT 13.0 to 13.5%

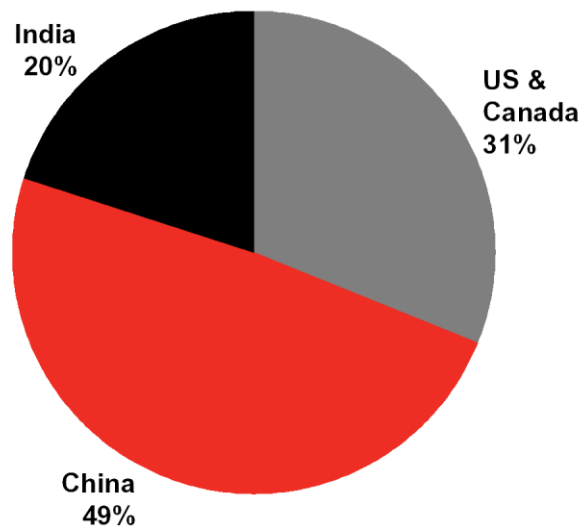
¹ 2015 EBIT excludes \$9 million of impairment of light-duty diesel assets and \$13 million of restructuring actions and other charges.



Components Segment - Joint Venture Sales Unconsolidated



Q3'17 LTM Revenue





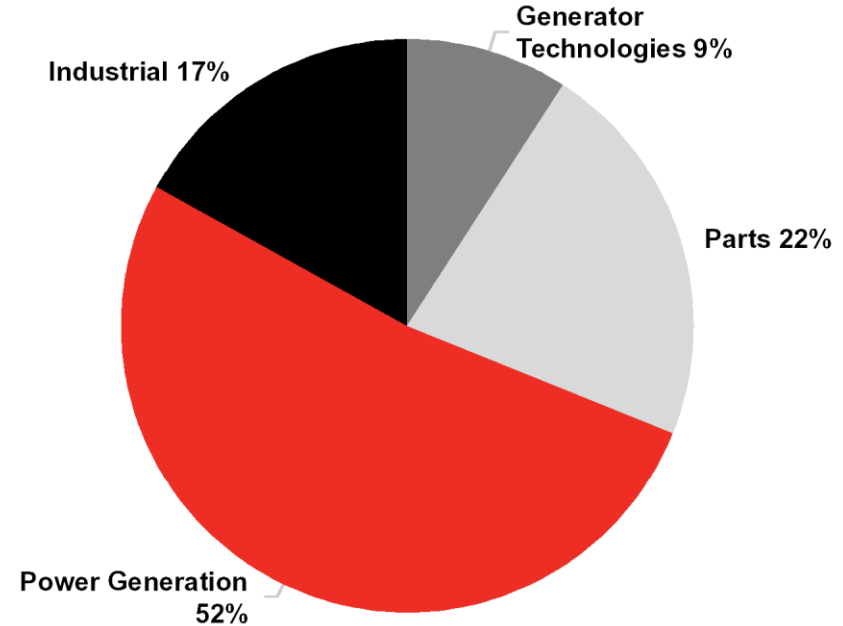
Power Systems Segment - Overview

- Global provider of power generation systems, components and services from 2kW to 3.5 Megawatts (MW)
- Leading supplier of alternators from 3kVA to 12,000kVa
- Leading market share in multiple geographies

Q3'17 LTM Results

Sales: \$3.9 billion
EBIT: \$267 million
EBIT%: 6.9%

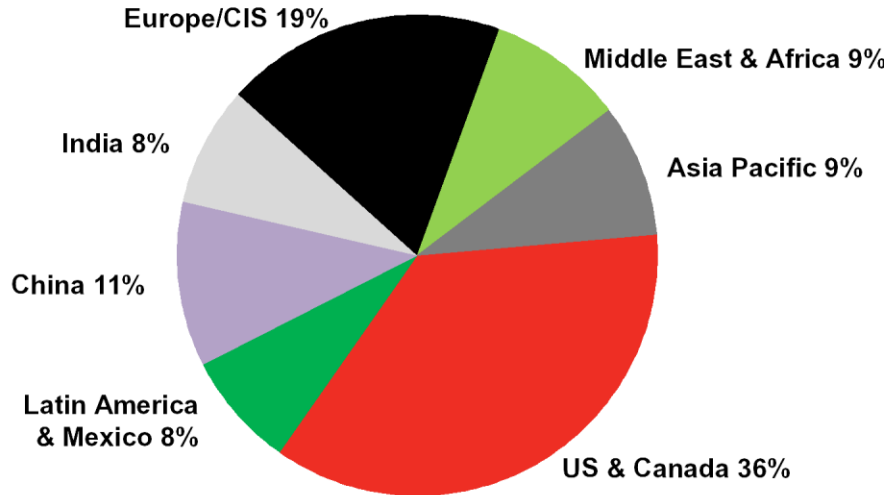
Q3'17 LTM Revenue by Product



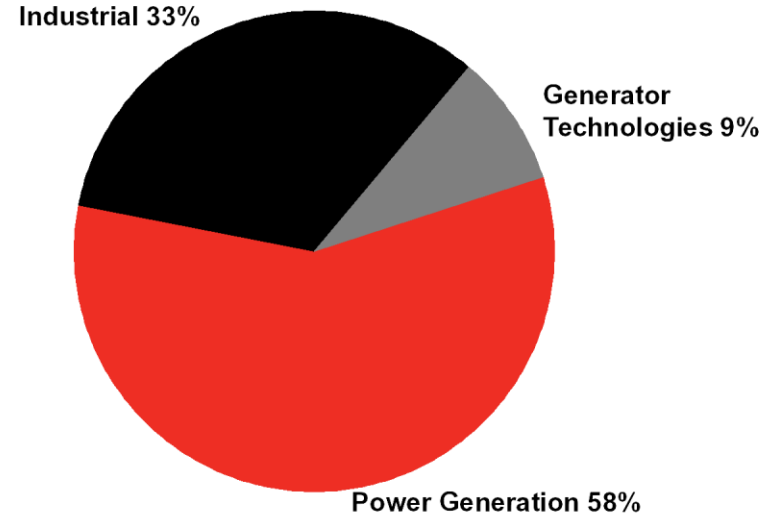


Power Systems Segment - Sales Mix

Geographic



Product Lines

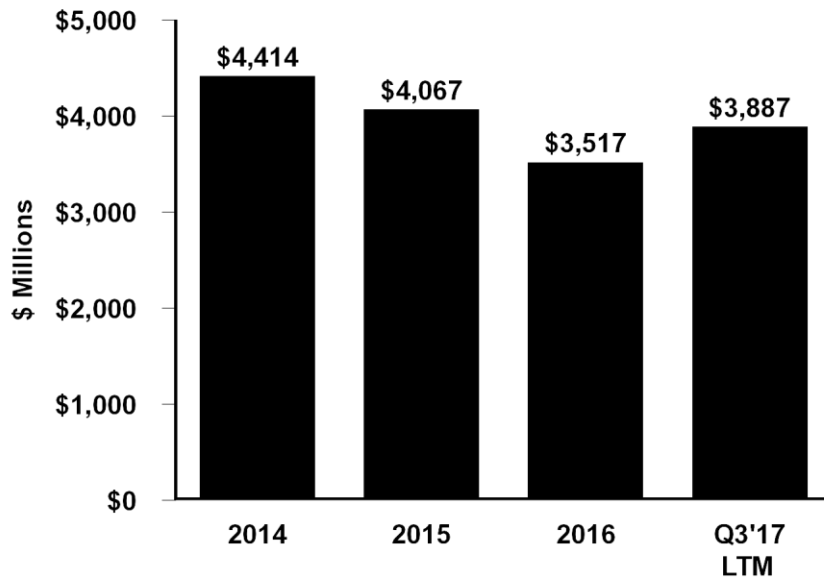


Q3'17 LTM Revenue: \$3.9 billion

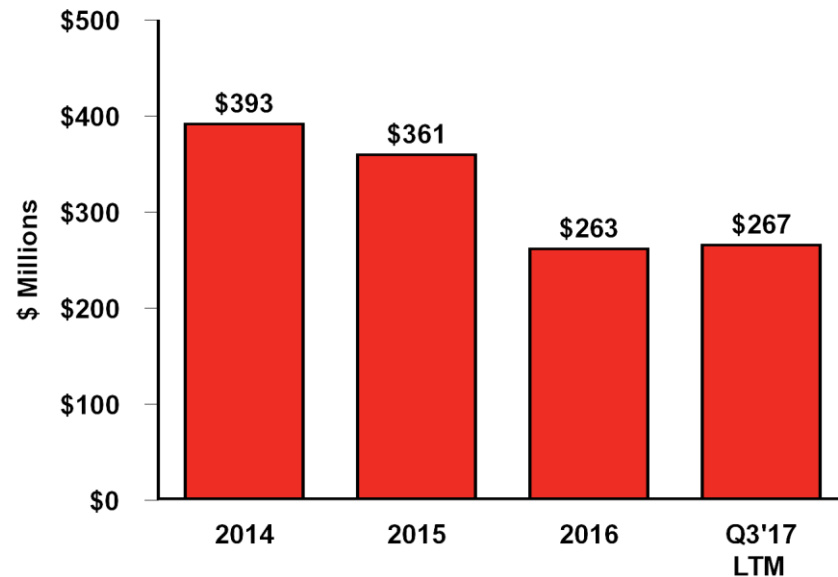


Power Systems Segment - Historical Performance

Sales



Segment EBIT¹



2017 Guidance

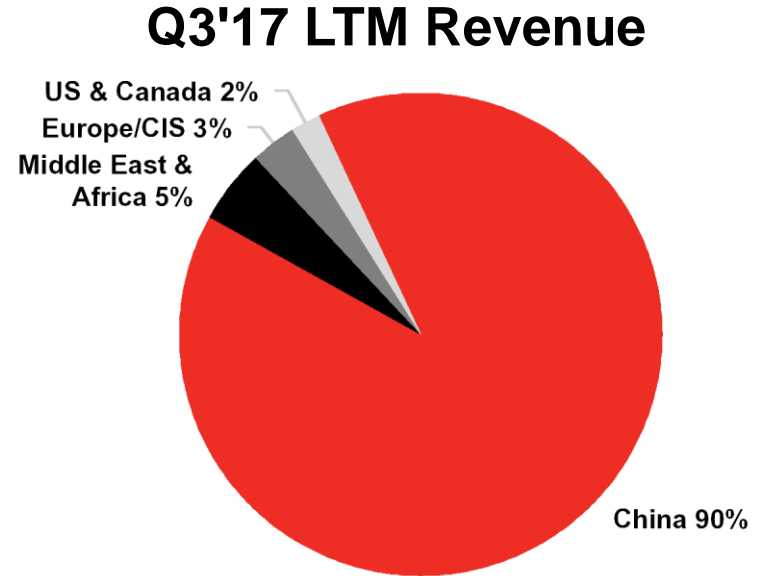
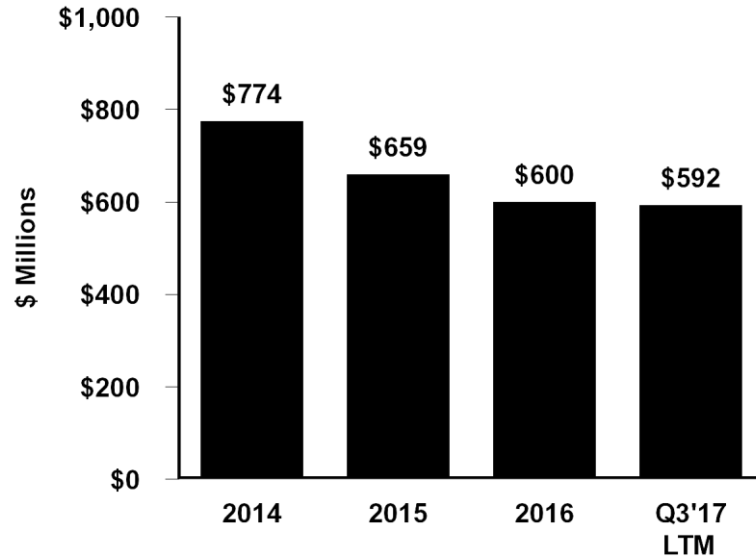
Sales Up 11 to 13%

EBIT 6.5 to 7.0%

¹ 2014 EBIT excludes \$32 million in operating actions. 2015 EBIT excludes \$26 million of restructuring actions and other charges.

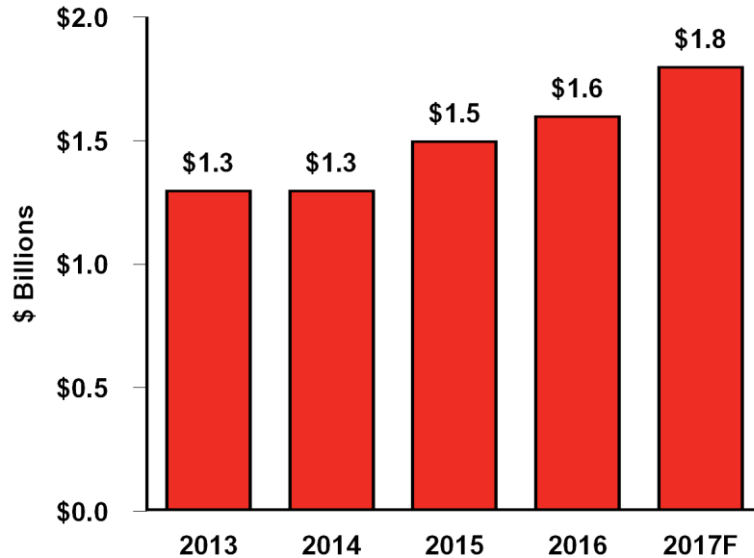


Power Systems Segment - Joint Venture Sales Unconsolidated





Emerging Market Sales - India¹

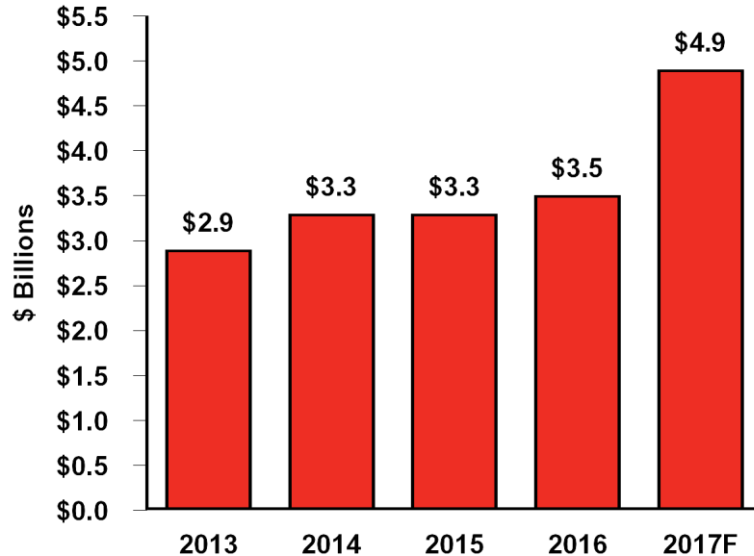


- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets

¹ Domestic consolidated + unconsolidated revenue Before intercompany eliminations.



Emerging Market Sales - China¹



- Present in China for over 40 years
- Broad product portfolio for On- and Off-Highway
- Strong OEM partners
- Growth from new products and tightening emission standards

¹ Domestic consolidated + unconsolidated revenue before intercompany eliminations



Non-GAAP Reconciliation - EBIT

Three Months Ended

In Millions

	October 1, 2017	October 2, 2016
EBIT	\$ 640	\$ 398
Less: Interest Expense	18	16
Income before taxes	<u>622</u>	<u>382</u>
Less: Income tax expense	165	82
Consolidated net income	<u>457</u>	<u>300</u>
	4	11
Less: Net income attributable to noncontrolling interests		
Net income attributable to Cummins Inc.	<u>\$ 453</u>	<u>\$ 289</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

In Millions	October 1, 2017	October 2, 2016
Accounts and notes receivable, net	\$ 3,810	\$ 2,873
Inventories	3,146	2,820
Less: Accounts Payable - (principally trade)	(2,486)	(1,781)
Working capital measure	\$ 4,470	\$ 3,912
Annualized Working capital measure (% of Net Sales)	21.1%	23.4%

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

In Millions	October 1, 2017	October 2, 2016
Net assets for Cummins Inc	\$ 10,375	\$ 8,826
Liabilities deducted in arriving at net assets	7,311	6,097
Pension and other postretirement benefit adjustments excluded from net assets	(62)	(150)
Deferred tax assets	366	361
Deferred debt costs	2	2
Total Assets	\$ 17,992	\$ 15,136



Non-GAAP Reconciliation - Equity Used for Return on Equity Calculation

In Millions	October 1, 2017	October 2, 2016
Equity used for return on equity calculation	\$ 8,262	\$ 7,557
Defined benefit postretirement plans	(633)	(623)
Total shareholders equity	7,629	6,934
Noncontrolling Interest	932	330
Total Equity	\$ 8,561	\$ 7,264

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.