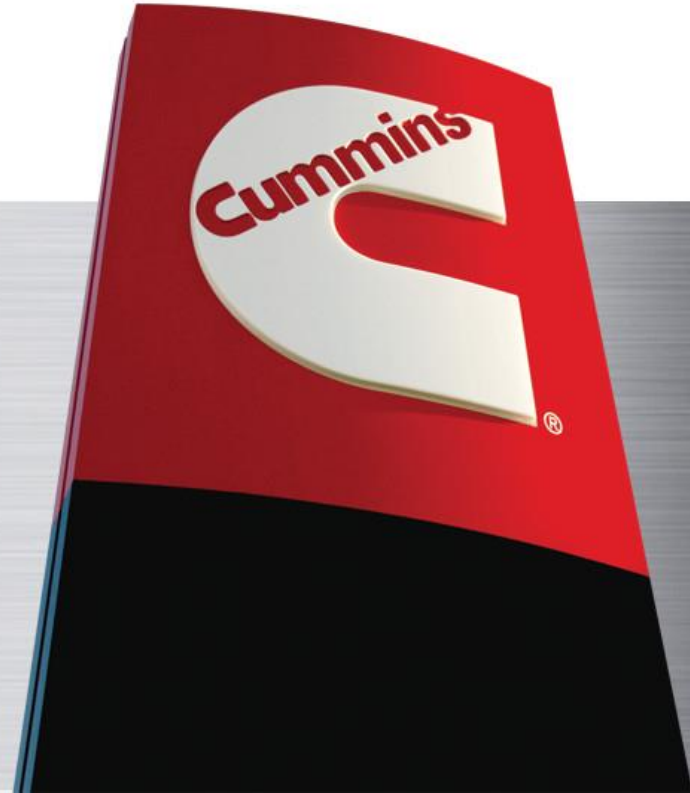


# Fourth Quarter 2015 Earnings Teleconference

February 4, 2016





# Participants

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



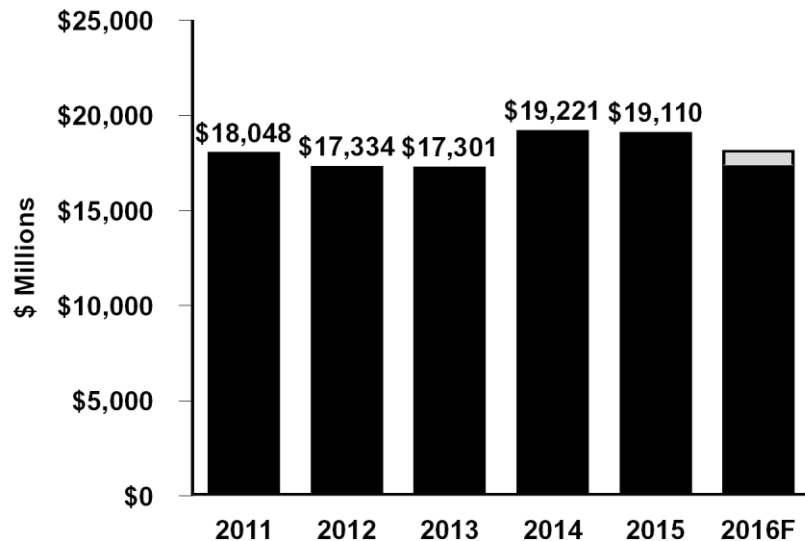
# Disclosure Regarding Forward-Looking Statements

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 2014 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.

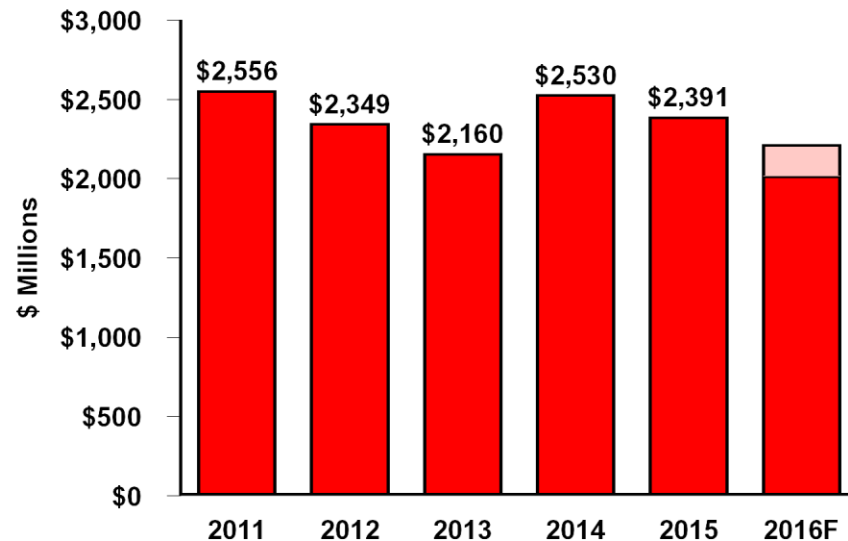


# Cummins Inc.

## Sales



## EBIT<sup>1</sup>



2016 Guidance	
Sales Down 5 to 9%	EBIT <sup>2</sup> 11.6 to 12.2%

<sup>1</sup> 2011 EBIT excludes the gains from divestiture of two businesses and flood insurance recovery. 2012 EBIT excludes \$6 million pre-tax additional gain from the divestiture of two businesses in 2011 and \$52 million in restructuring charges. 2014 EBIT excludes \$32 million in operating actions within PGBU. 2015 EBIT excludes \$211 million of impairment of light-duty diesel assets and \$90 million of restructuring actions and other charges.

<sup>2</sup> Excluding costs associated with restructuring and other cost reduction actions.



# Cummins Inc.

## Selected Financial Data

\$Millions	2015	2014
Sales	19,110	19,221
EBIT <sup>1</sup>	2,391	2,530
EBIT (% of Sales)	12.5%	13.2%
Net Income Attributable to CMI <sup>2</sup>	1,593	1,672
Diluted EPS <sup>2</sup>	8.93	9.13
Dividends Paid	3.51	2.81
ROANA (LTM) <sup>3</sup>	25%	26%
ROE (LTM) <sup>3</sup>	19%	20%

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

<sup>2</sup> 2014 excludes \$21 million (after tax) operating actions within PGBU. 2015 EBIT excludes \$133 million (after tax) of impairment of light-duty diesel assets and \$61 million (after tax) restructuring actions and other charges.

<sup>3</sup> ROANA and ROE calculations exclude impairment of light-duty diesel assets and restructuring actions and other charges.



# Joint Venture Income

\$Millions	Q4'15	Q4'14
Engine	44	30
Distribution	18	28
Components	9	9
Power Generation	4	9
Total JV Income	75	76

- Increased earnings in China primarily due to the introduction of new products and market share gains in truck markets were offset by the impact of acquiring our North American distributors, previously held as joint ventures.



# Engine Segment Selected Financial Data

\$Millions	Q4'15	Q4'14	Change
Sales	2,528	2,839	-11%
EBIT <sup>1</sup>	189	315	-40%
EBIT (% of Sales)	7.5%	11.1%	

- Sales declined primarily from reduced demand in off-highway and on-highway markets which declined 22 percent and 5 percent, respectively.
- EBIT declined as improvements in material costs and lower warranty expenses were more than offset by the impact of lower volumes and a loss contingency.

<sup>1</sup> Q4'15 EBIT excludes \$202 million of impairment of light-duty diesel assets and \$26 million of restructuring actions and other charges.



# Engine Segment Sales by Market - On-highway

\$Millions	Q4'15	Q4'14	Change
Heavy-Duty Truck	700	784	-11%
Medium-Duty Truck & Bus	640	652	-2%
Light-Duty Automotive	401	388	+3%

- North American heavy-duty truck engine shipments declined 18%, which was partially offset by increased revenues from parts.
- Medium-duty truck and bus shipments in North America increased 13%, but were more than offset by a decline in international shipments.
- Shipments in North America and international light-duty markets improved year over year.





# Engine Segment Sales by Market - Off-highway

\$Millions	Q4'15	Q4'14	Change
Industrial	601	775	-22%
Stationary Power	186	240	-23%

- Off-highway revenues declined 22 percent due to weak global demand for engines in construction, marine, and oil and gas markets.
- Shipments of engines for power generation equipment declined 36% in the fourth quarter as demand for power generation equipment declined and the power generation segment lowered inventory.



# Guidance for 2016 Engine Markets

## Revenue by market (including aftermarket):

- Heavy-duty truck revenue down 20% from 2015 primarily due to lower demand in North America
- Medium-duty truck & bus revenue down 2% due to lower truck market share in North America and the weak Brazilian truck market
- Light-duty automotive revenue up 6% due to the new light-duty diesel engine release in North America
- Industrial market revenues expected to decline 4% due to weak demand stemming from the impacts of lower commodity prices



# Key On-Highway Engine Markets - 2016

Key Market	2015	2016	Change Market Size
	Actual	Forecast	
Heavy Duty Truck - NAFTA Class 8, Group 2 - Production	291K units	220K units	Down 25%
Medium Duty Truck - NAFTA Class 6-7, and Class 8 Group 1 - Production	124K units	123K units	Down 1%
Heavy & Medium Truck - China Sales	751K units	720K units	Down 4%
Heavy & Medium Truck - India Production	318K units	343K units	Up 8%
Heavy & Medium Truck - Brazil Production	74K units	60K units	Down 20%



# Distribution Segment Selected Financial Data

\$Millions	Q4'15	Q4'14	Change
Sales	1,707	1,694	+1%
EBIT <sup>1</sup>	111	158	-30%
EBIT (% of Sales)	6.5%	9.3%	

- Acquisitions added more than 9 percent to segment revenues year-over-year, but were partially offset by the negative impact from foreign currency of 6 percent and a decline in organic sales of 2 percent.
- Foreign currency negatively impacted margins by 200 basis points while gains of \$35 million recorded on acquisitions in fourth quarter of 2014 did not repeat in 2015.
- Improvements in existing operations added 60 basis points to margins despite lower organic sales.

<sup>1</sup> Q4'15 EBIT excludes \$23 million of restructuring actions and other charges.



# Components Segment Selected Financial Data

\$Millions	Q4'15	Q4'14	Change
Sales	1,236	1,321	-6%
EBIT <sup>1</sup>	175	160	+9%
EBIT (% of Sales)	14.2%	12.1%	

- Lower demand in the North American and Brazilian truck markets along with negative currency impacts led to a decline in revenues.
- EBIT as a percent of sales increased 210 basis points due primarily to strong execution on cost reduction initiatives and lower warranty costs.

<sup>1</sup> Q4'15 EBIT excludes \$9 million of impairment of light-duty diesel assets and \$13 million of restructuring actions and other charges.



# Power Generation Segment Selected Financial Data

\$Millions	Q4'15	Q4'14	Change
Sales	654	760	-14%
EBIT <sup>1</sup>	27	54	-50%
EBIT (% of Sales)	4.1%	7.1%	

- Sales in North America and international markets were down 12 percent and 15 percent, respectively.
- Lower sales volumes, adverse mix and lower pricing contributed to the lower EBIT margin.

<sup>1</sup> Q4'15 EBIT Excludes \$19 million of restructuring actions and other charges and Q4'14 EBIT excludes \$32 million of one-time charges



# Guidance for 2016 Consolidated Results

Item	Full Year Guidance
Consolidated Revenue	Down 5 to 9%
Earnings from JVs	Flat
EBIT Margin <sup>1</sup>	11.6 to 12.2%
Effective Tax Rate <sup>2</sup>	28.5%
Capital Expenditures	\$600 - \$650M
Global Pension Funding	\$125M
Interest Expense	\$67M

<sup>1</sup> Excluding costs associated with restructuring and other cost reduction actions.

<sup>2</sup> Excluding discrete income tax items



# Guidance for 2016 Segment Results

Item	Engine	Distribution	Components	Power Generation
Consolidated Revenue Growth	Down 5 to 9%	Flat to Down 4%	Down 6 to 10%	Down 3 to 7%
EBIT Margins (% of Revenue) <sup>1</sup>	9.0 to 10.0%	6.25 to 7.25%	12.75 to 13.75%	6.5 to 7.5%

<sup>1</sup> Excluding costs associated with restructuring and other cost reduction actions.





# Cash Flow

<b>\$Millions</b>	<b>Q4'15</b>	<b>Q4'14</b>
Operating Cash Inflow	928	878
Capital Expenditures	351	334
Working Capital Measure	3,821	3,931
Working Capital Measure <i>(% of Annualized Net Sales)</i>	20.0%	19.3%
Debt to Capital %	17.5%	17.2%

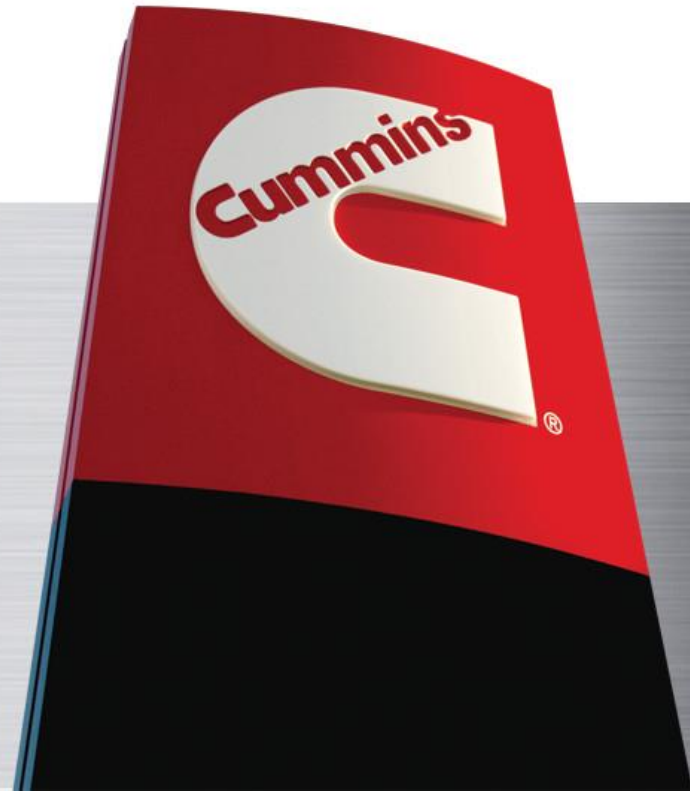
- A reduction in inventory and accounts receivable helped improve working capital and operating cash flow in the fourth quarter of 2015.

**Thank You for Your Interest in**



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

# Appendix





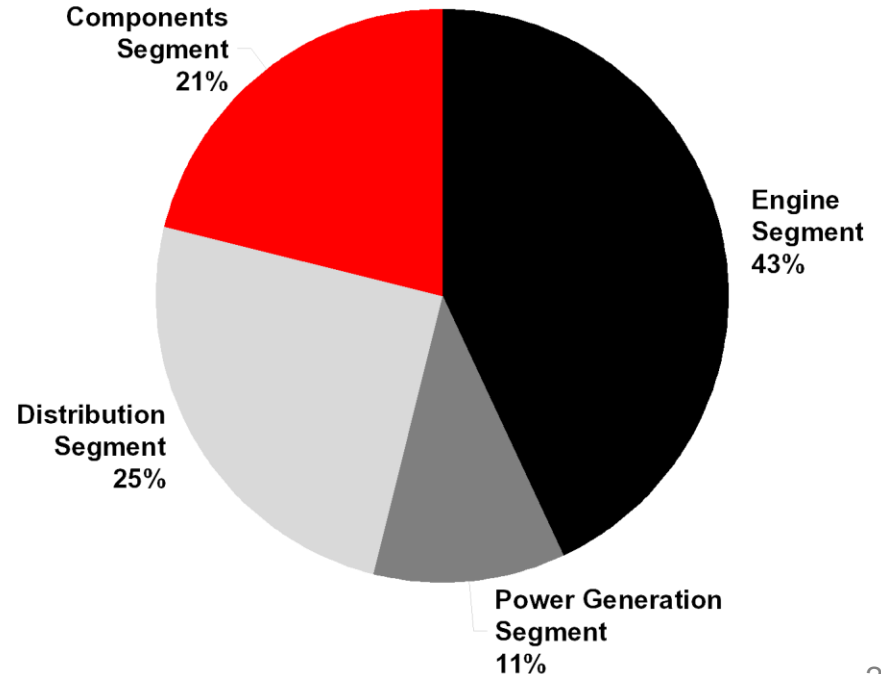
# Cummins Inc.

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

## 2015 Results

**Sales: \$19.1 billion**  
**EBIT<sup>1</sup>: \$2.4 billion**  
**EBIT%: 12.5%**

## 2015 Revenue by Segment



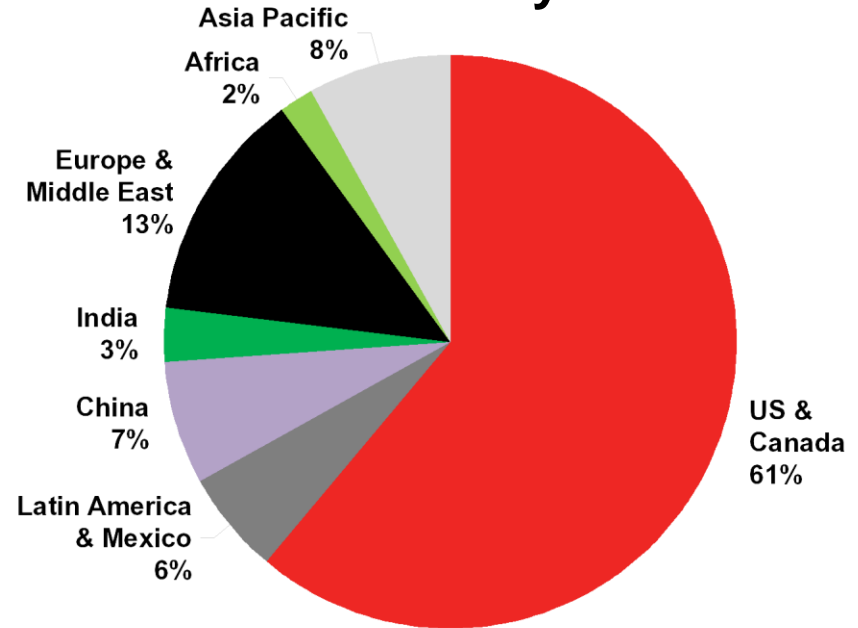
<sup>1</sup> Q4'15 EBIT excludes \$211 million of impairment of light-duty diesel assets and \$90 million of restructuring actions and other charges.



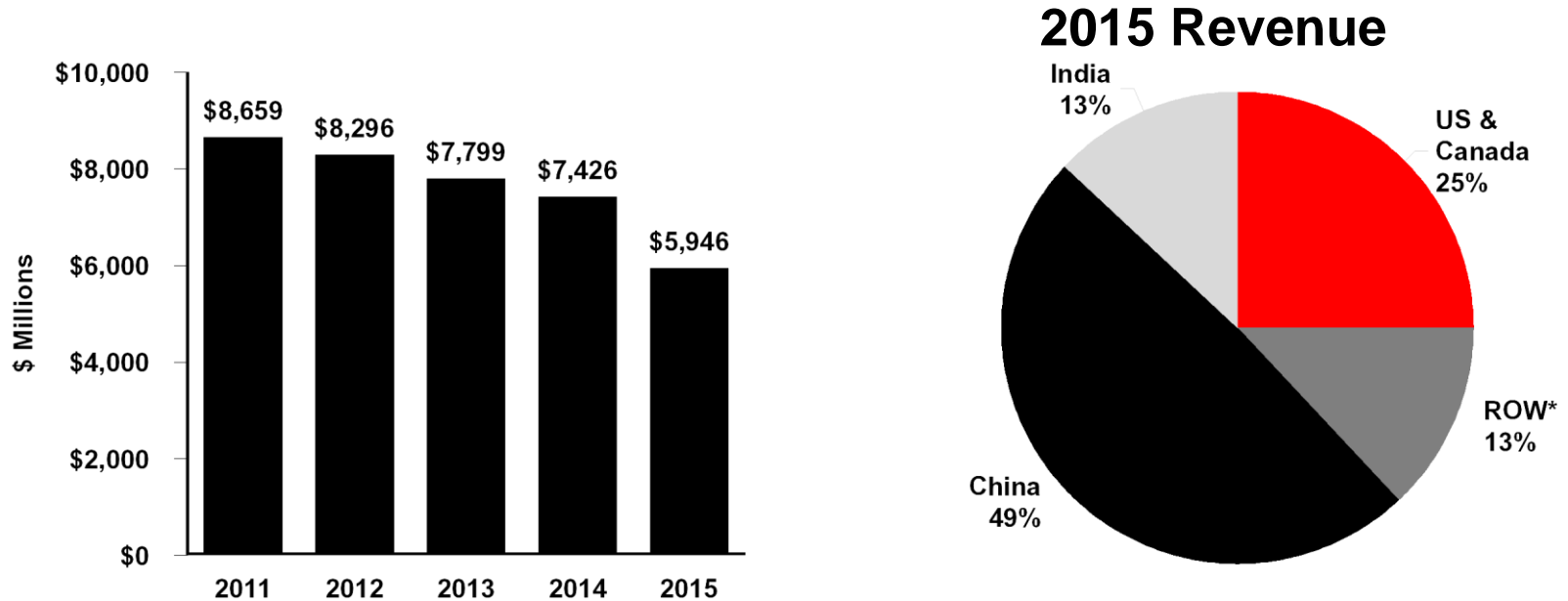
# Cummins Inc.

- 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

## 2015 Revenue by Marketing Territory



# Cummins - Joint Venture Sales Unconsolidated



- The acquisition of the North American distributors, previously held as joint ventures, is the primary driver of a decline in revenues.

\* Rest of world



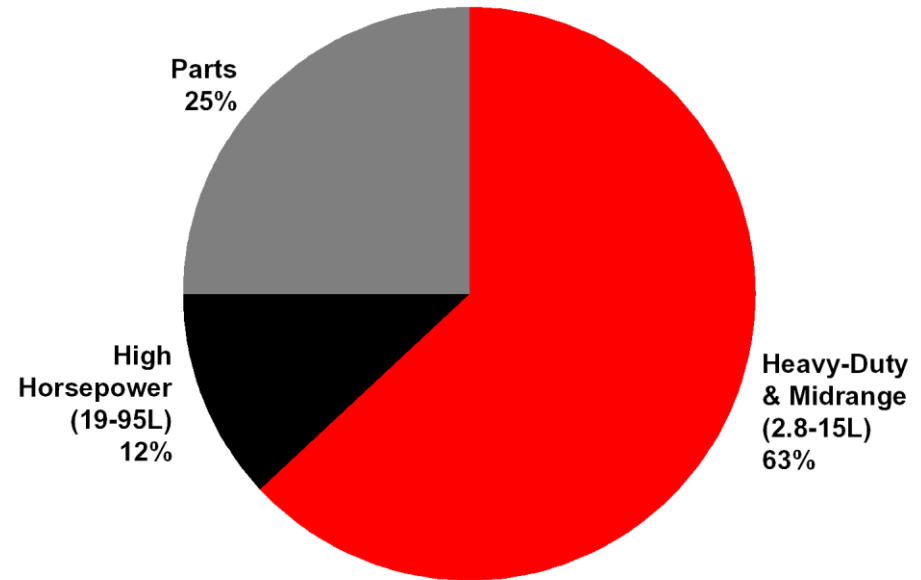
# Engine Segment - Overview

- Diesel and Natural gas engines from 2.8L to 95L and 49 hp to 5,100 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

## 2015 Results

**Sales: \$10.4 billion**  
**EBIT<sup>1</sup>: \$1.0 billion**  
**EBIT%: 9.9%**

## 2015 Revenue by Product

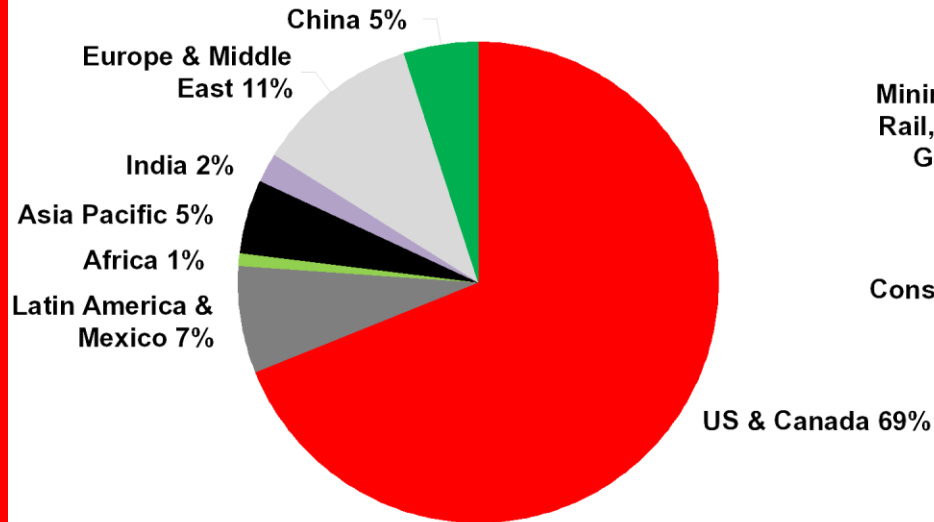


<sup>1</sup> 2015 EBIT excludes \$202 million of impairment of light-duty diesel assets and \$26 million of restructuring actions and other charges.

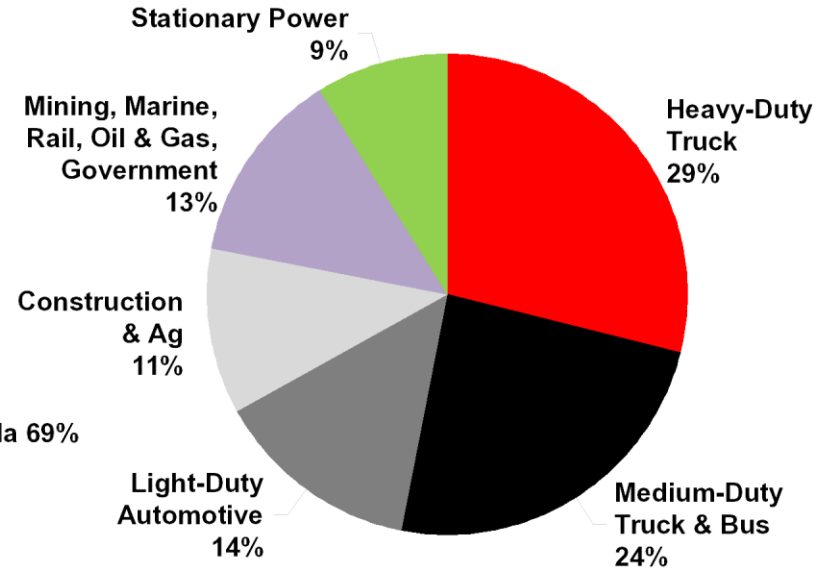


# Engine Segment - Sales Mix

### Geographic



### Application

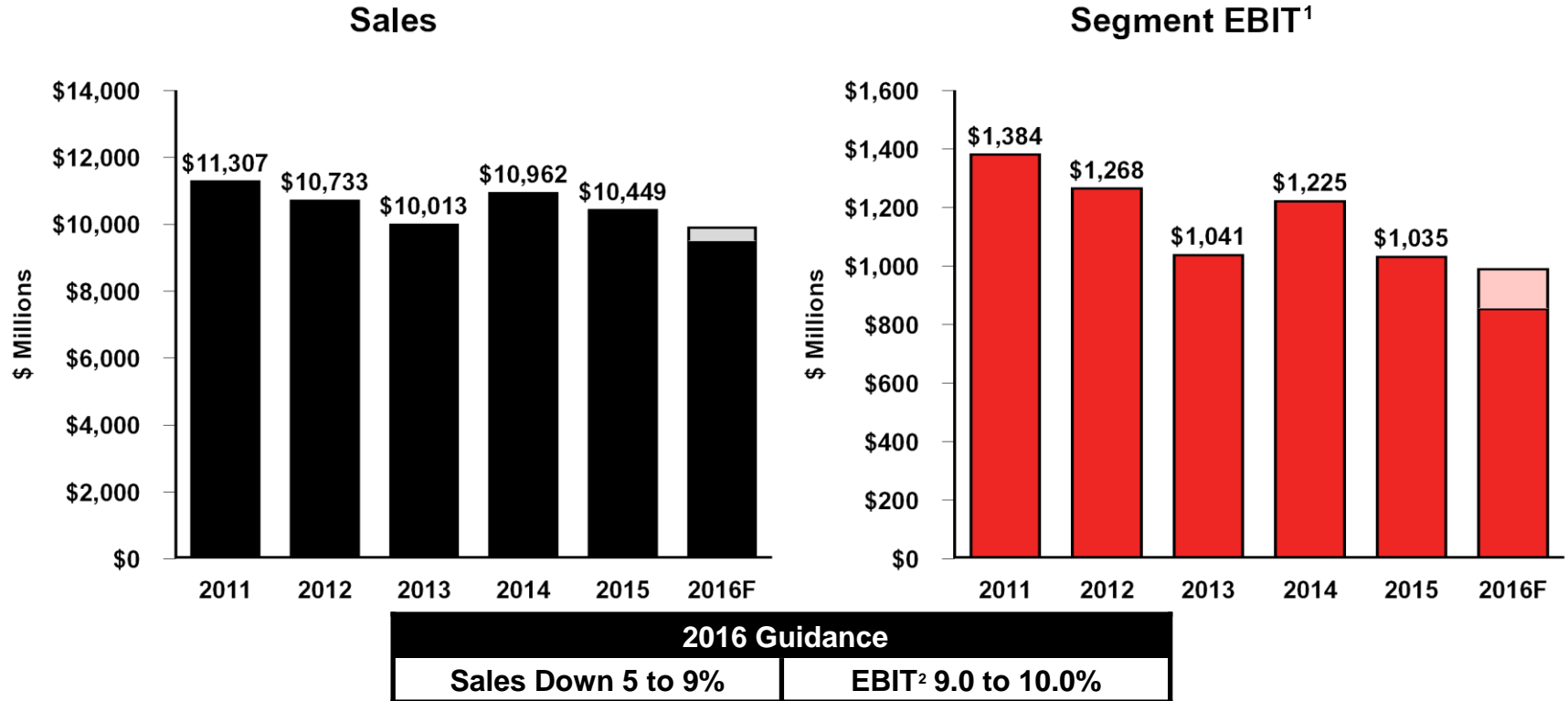


**2015 Revenue: \$10.4 billion**





# Engine Segment - Historical Performance

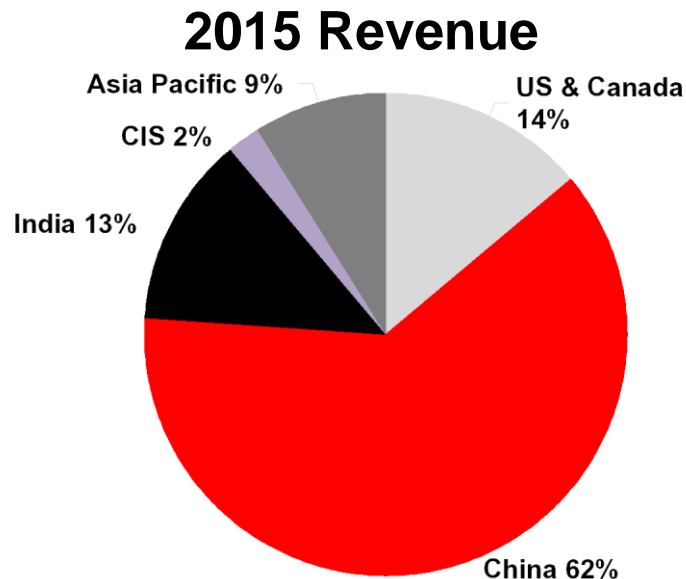
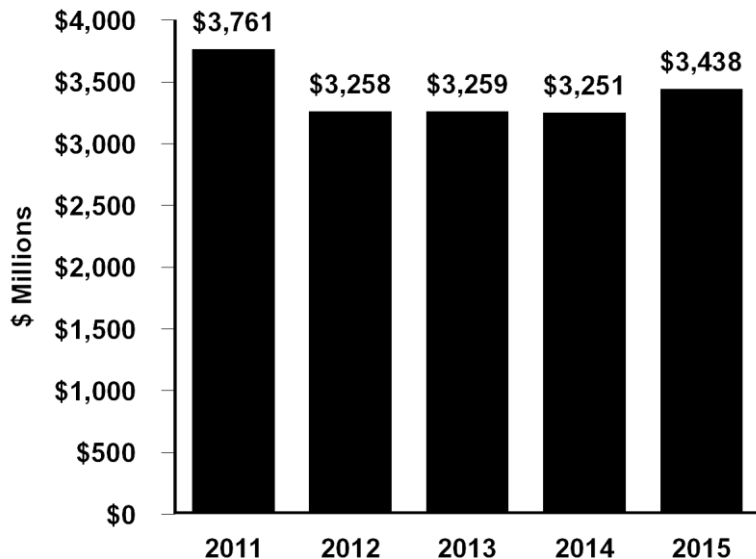


<sup>1</sup> 2012 EBIT excludes \$20 million in restructuring charges. 2015 EBIT excludes \$202 million of impairment of light-duty diesel assets and \$26 million of restructuring actions and other charges.

<sup>2</sup> Excluding costs associated with restructuring and other cost reduction actions.



# Engine Segment - Joint Venture Sales Unconsolidated



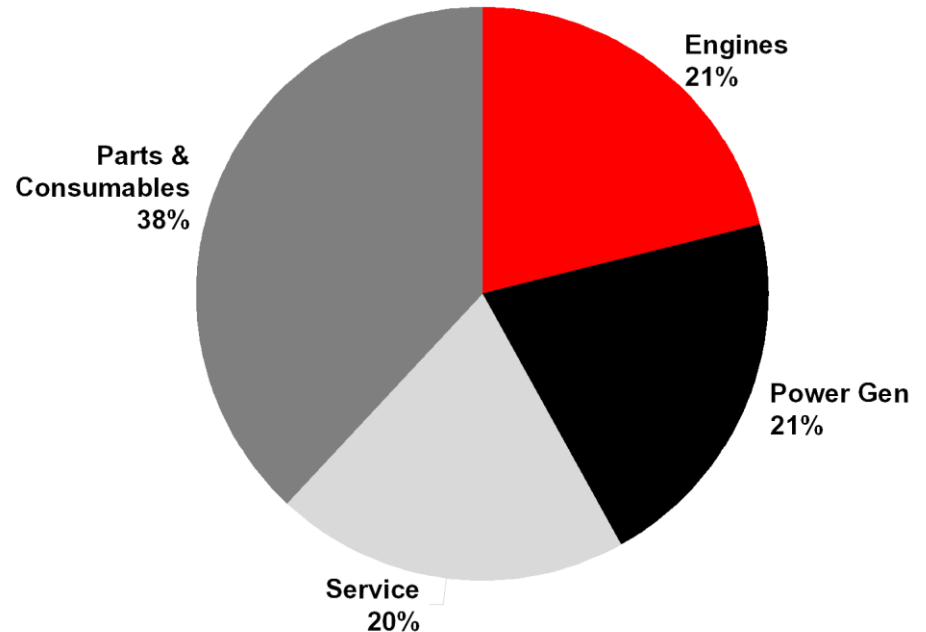
# Distribution Segment - Overview

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

## 2015 Results

**Sales: \$6.2 billion**  
**EBIT<sup>1</sup>: \$435 million**  
**EBIT%: 7.0%**

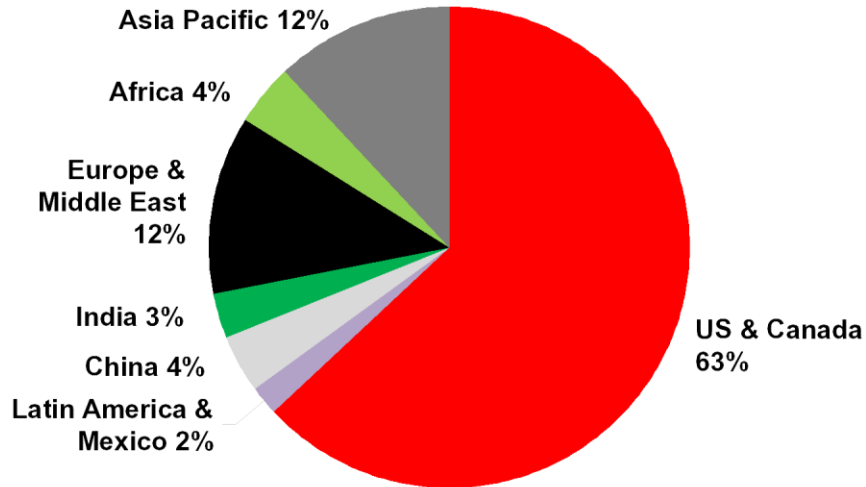
## 2015 Revenue by Application



<sup>1</sup> 2015 EBIT excludes \$23 million of restructuring actions and other charges.

# Distribution Segment - Sales Mix

## Geographic

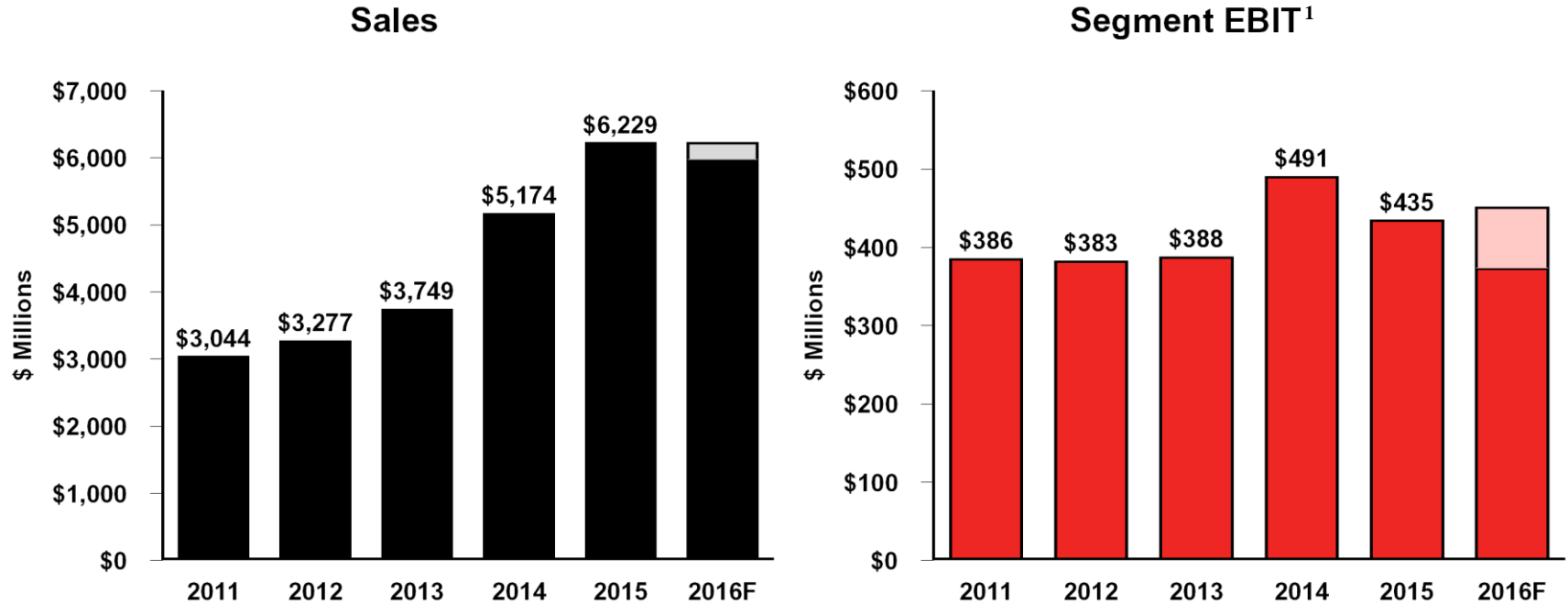


- Key enabler for Cummins growth
- Benefiting from increased population of product in the field

**2015 Revenue: \$6.2 billion**



# Distribution Segment - Historical Performance



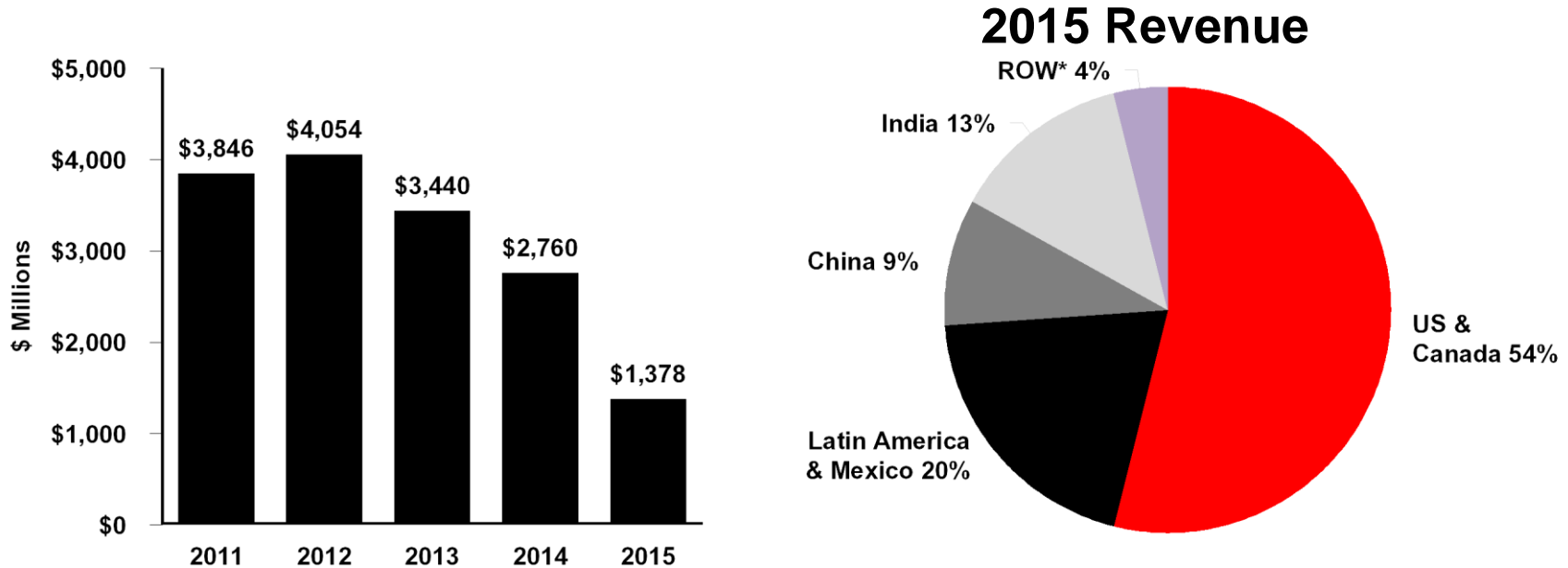
2016 Guidance	
Sales Flat to Down 4%	EBIT <sup>2</sup> 6.25 to 7.25%

<sup>1</sup> 2012 EBIT excludes \$14 million in restructuring charges. 2015 EBIT excludes \$23 million of restructuring actions and other charges.

<sup>2</sup> Excluding costs associated with restructuring and other cost reduction actions.



# Distribution Segment - Joint Venture Sales Unconsolidated



■ The acquisition of the North American distributors, previously held as joint ventures, is the primary driver of a decline in revenues.

\* Rest of World

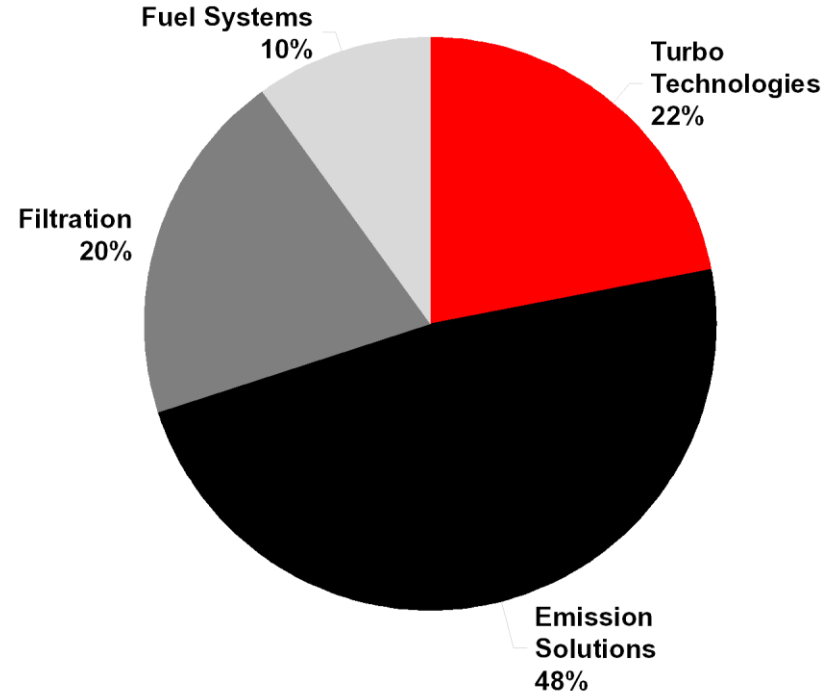
# Components Segment - Overview

- 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

## 2015 Results

**Sales: \$5.2 billion**  
**EBIT<sup>1</sup>: \$749 million**  
**EBIT%: 14.5%**

## 2015 Revenue by Business

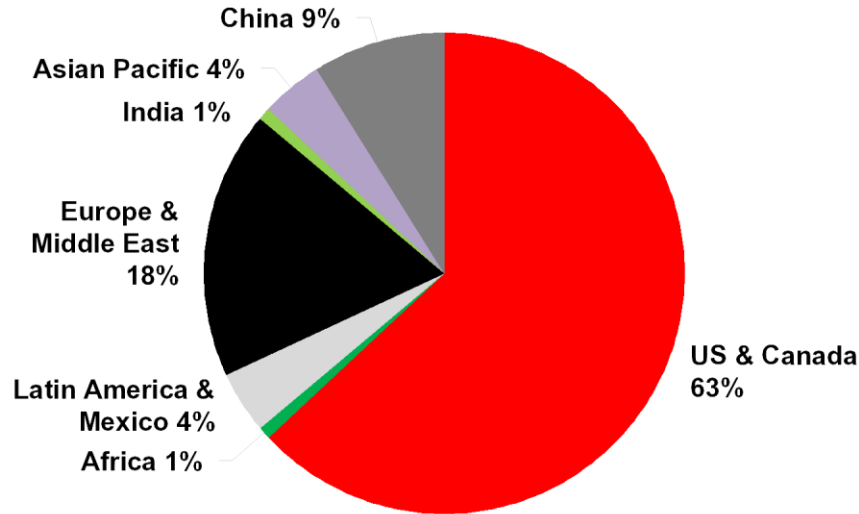


<sup>1</sup> 2015 EBIT excludes \$9 million of impairment of light-duty diesel assets and \$13 million of restructuring actions and other charges.

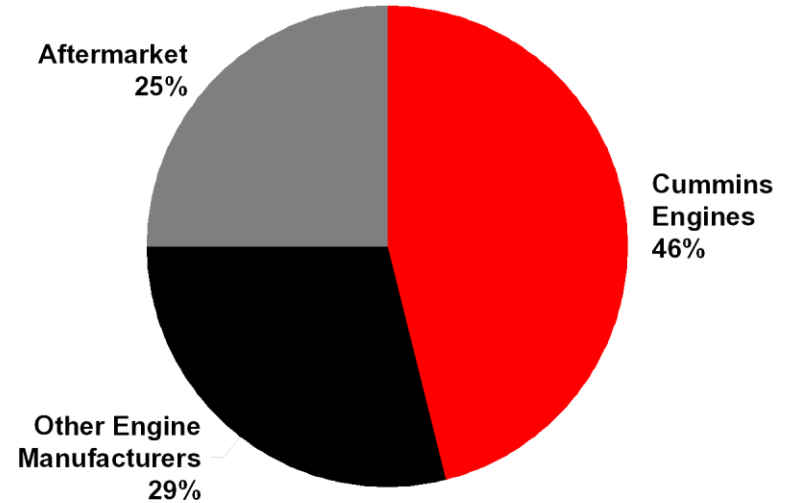


# Components Segment - Sales Mix

### Geographic



### Application

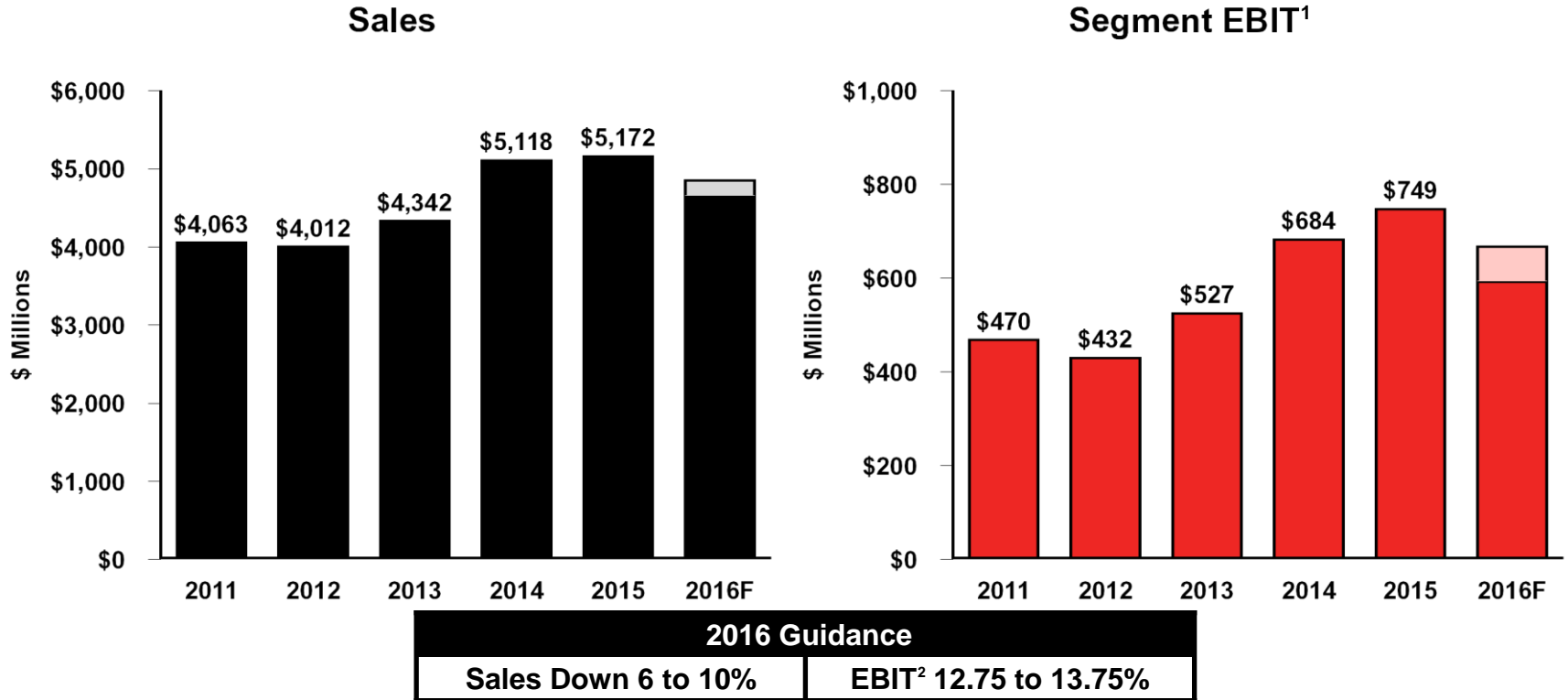


**2015 Revenue: \$5.2 billion**





# Components Segment - Historical Performance

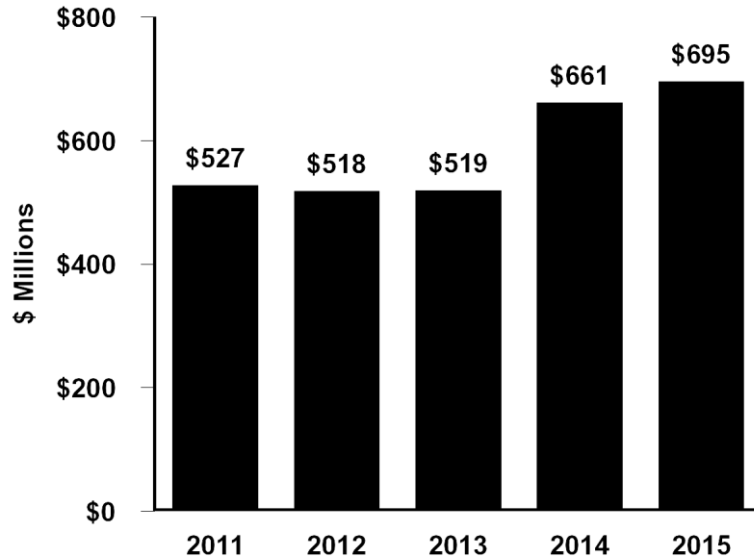


<sup>1</sup> 2012 EBIT excludes \$6 million in restructuring charges. 2015 EBIT excludes \$9 million of impairment of light-duty diesel assets and \$13 million of restructuring actions and other charges.

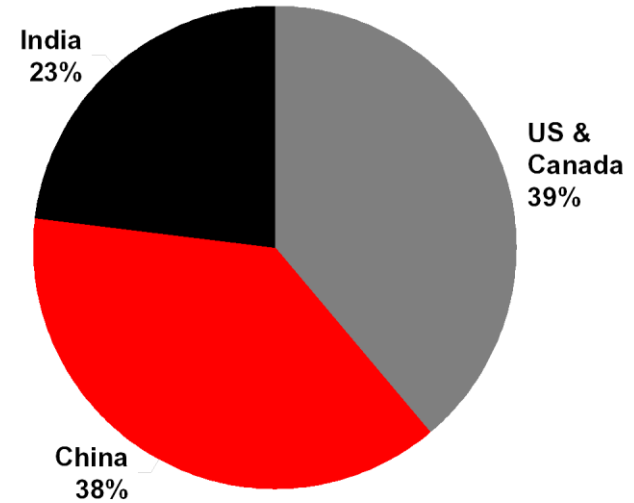
<sup>2</sup> Excluding costs associated with restructuring and other cost reduction actions.



# Components Segment - Joint Venture Sales Unconsolidated



## 2015 Revenue



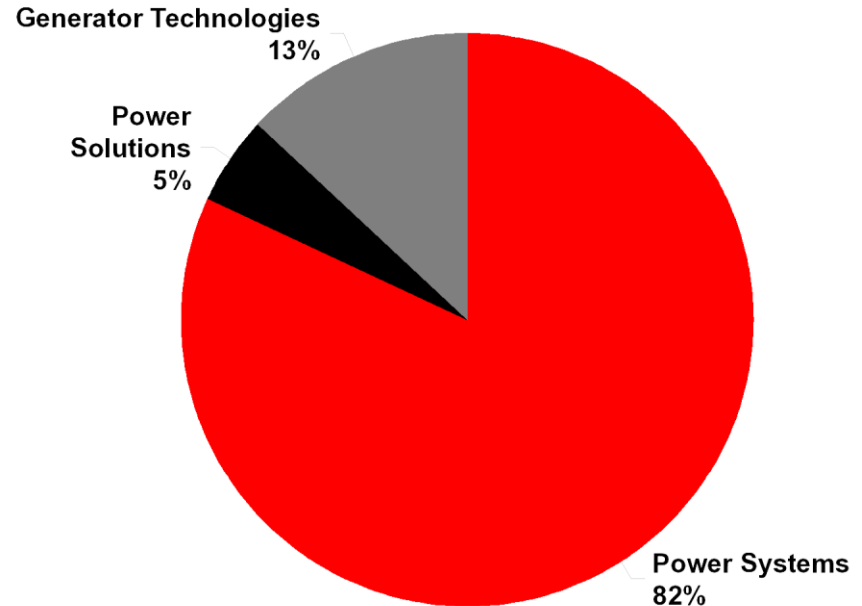
# Power Generation Segment - Overview

- 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

## 2015 Results

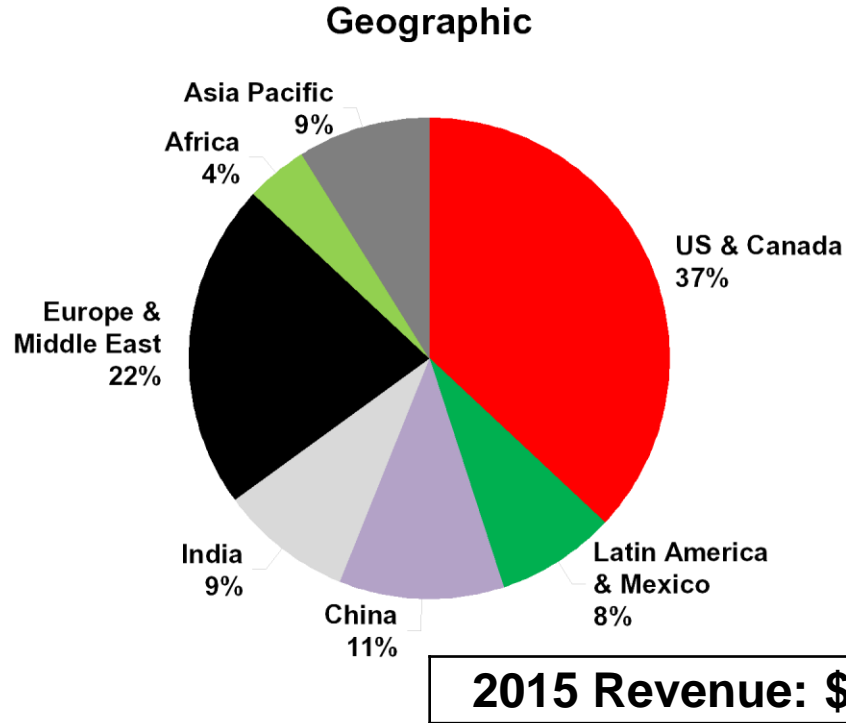
**Sales:** \$2.7 billion  
**EBIT<sup>1</sup>:** \$175 million  
**EBIT%:** 6.4%

## 2015 Revenue by Product



<sup>1</sup> 2015 EBIT excludes \$19 million of restructuring actions and other charges.

# Power Generation Segment - Sales Mix

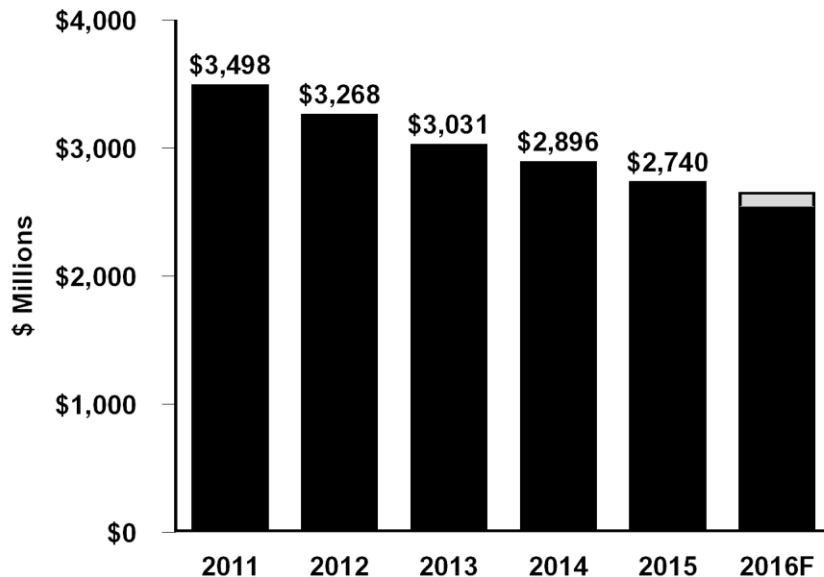


- Market Leadership in China, India, Russia and Latin America
- Energy shortfalls will continue in emerging markets

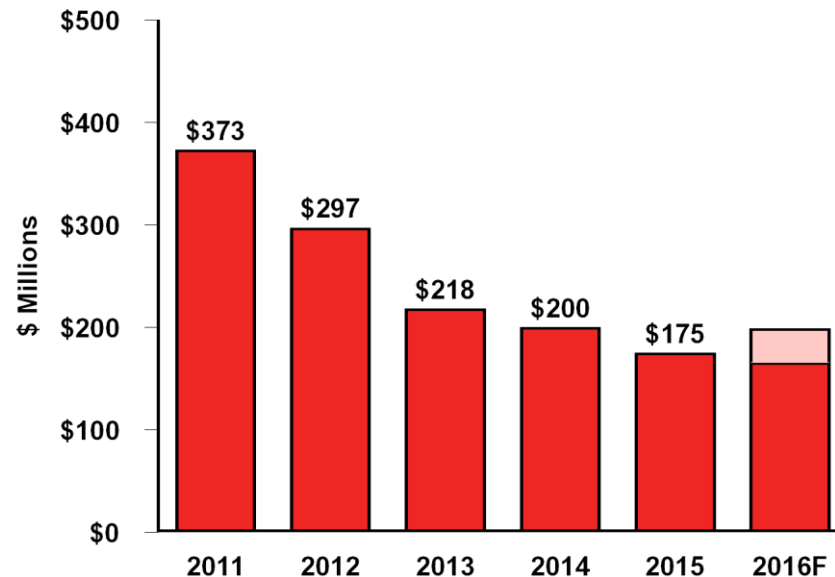


# Power Generation Segment - Historical Performance

## Sales



## Segment EBIT<sup>1</sup>



### 2016 Guidance

Sales Down 3 to 7%

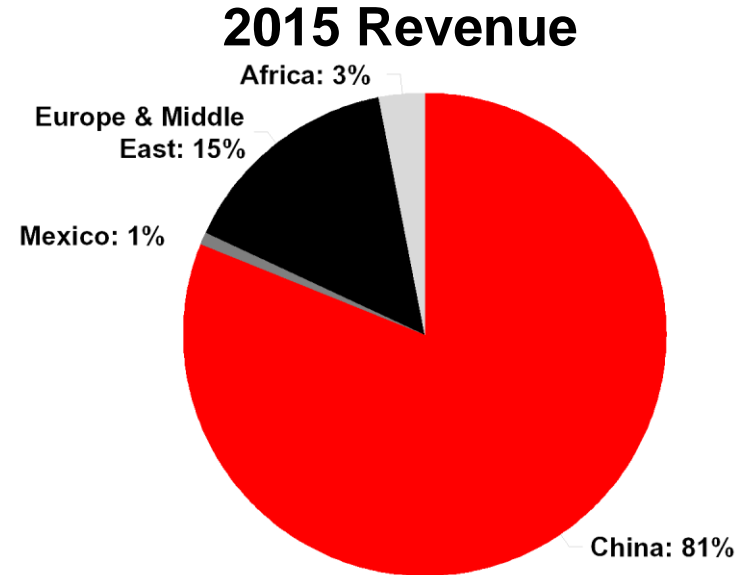
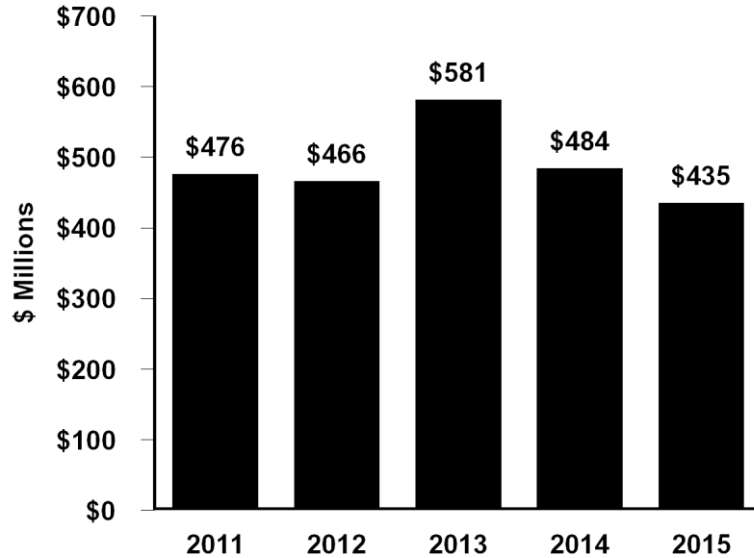
EBIT<sup>2</sup> 6.5 to 7.5%

<sup>1</sup> 2012 EBIT excludes \$12 million in restructuring charges. 2014 EBIT excludes \$32 million in operating actions. 2015 EBIT excludes \$19 million of restructuring actions and other charges.

<sup>2</sup> Excluding costs associated with restructuring and other cost reduction actions.

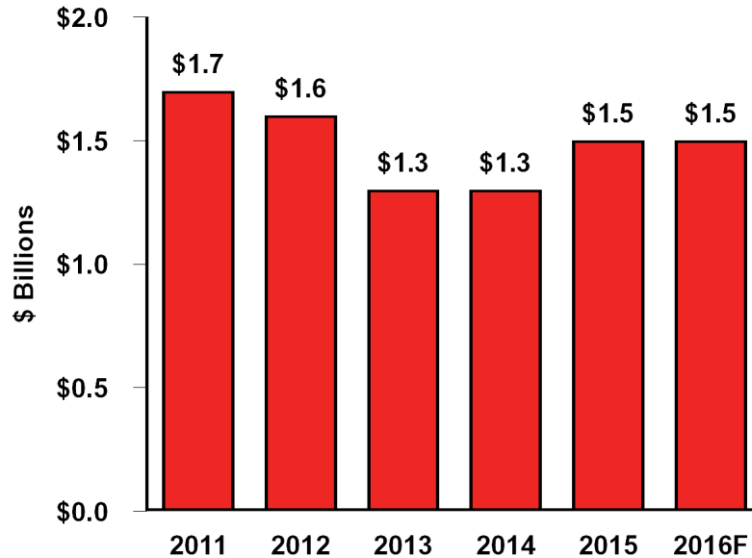


# Power Generation Segment - Joint Venture Sales Unconsolidated





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



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

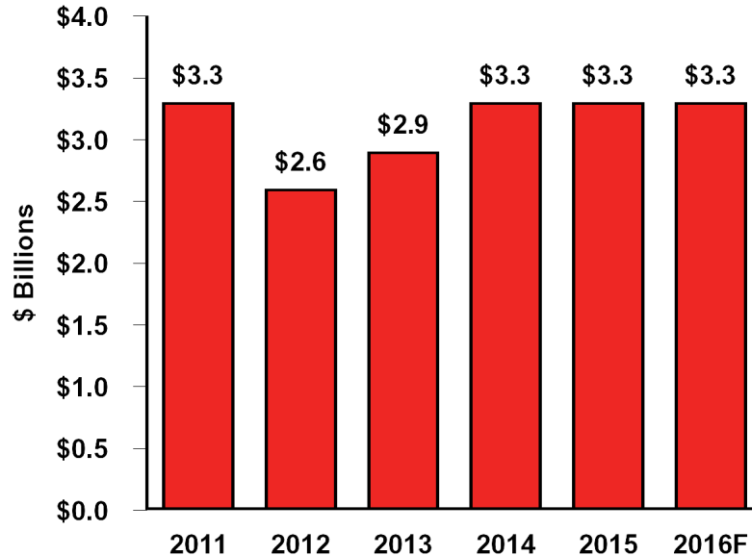
Domestic consolidated + unconsolidated revenue

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

<sup>1</sup> Before intercompany eliminations.



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



- 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

Domestic consolidated + unconsolidated revenue

<sup>1</sup> Before intercompany eliminations





# Non-GAAP Reconciliation - EBIT

Years Ended

In Millions

	December 31, 2015	December 31, 2014
EBIT excluding impairment, restructuring and other charges	\$ 2,391	\$ 2,530
Less: Impairment of light-duty diesel assets	211	
Less: Restructuring actions and other charges	90	32
EBIT	2,090	2,498
Less: Interest Expense	65	64
Income before taxes	2,025	2,434
Less: Income tax expense	555	698
Consolidated net income	1,470	1,736
	71	85
Less: Net income attributable to noncontrolling interests		
Net income attributable to Cummins Inc.	1,399	1,651

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	December 31, 2015	December 31, 2014
Accounts and notes receivable, net	\$ 2,820	\$ 2,946
Inventories	2,707	2,866
Less: Accounts Payable - (principally trade)	(1,706)	(1,881)
Working capital measure	\$ 3,821	\$ 3,931
Working capital measure (% of Annualized Net Sales)	20.0%	19.3%

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	December 31, 2015	December 31, 2014
Net assets for operating segments	<u>\$ 9,064</u>	<u>\$ 9,737</u>
Liabilities deducted in computing net assets	5,920	6,009
Pension and other postretirement liabilities	(242)	(319)
Deferred tax assets not allocated to segments	390	314
Debt-related costs not allocated to segments	2	23
Total Assets	<u>\$ 15,134</u>	<u>\$ 15,764</u>

A reconciliation of net assets for operating segments to total assets in our Condensed Consolidated Financial Statements is shown in the table above.



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

In Millions	December 31, 2015	December 31, 2014
Equity used for return on equity calculation	\$ 8,060	\$ 8,418
Defined benefit postretirement plans	(654)	(669)
Total shareholders equity	7,406	7,749
Noncontrolling Interest	344	344
Total Equity	\$ 7,750	\$ 8,093

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