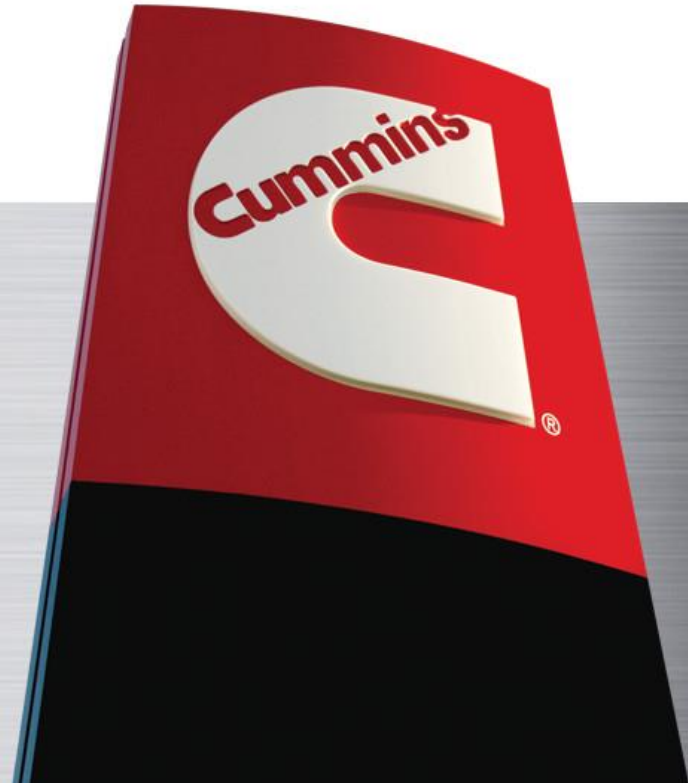


# Fourth Quarter 2016 Earnings Teleconference

February 9, 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



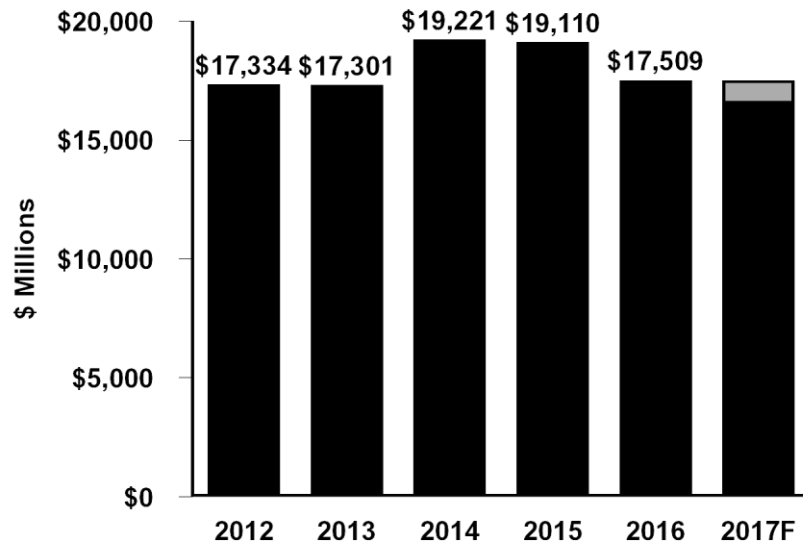
# Disclosure Regarding Forward-Looking Statements

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 2015 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.

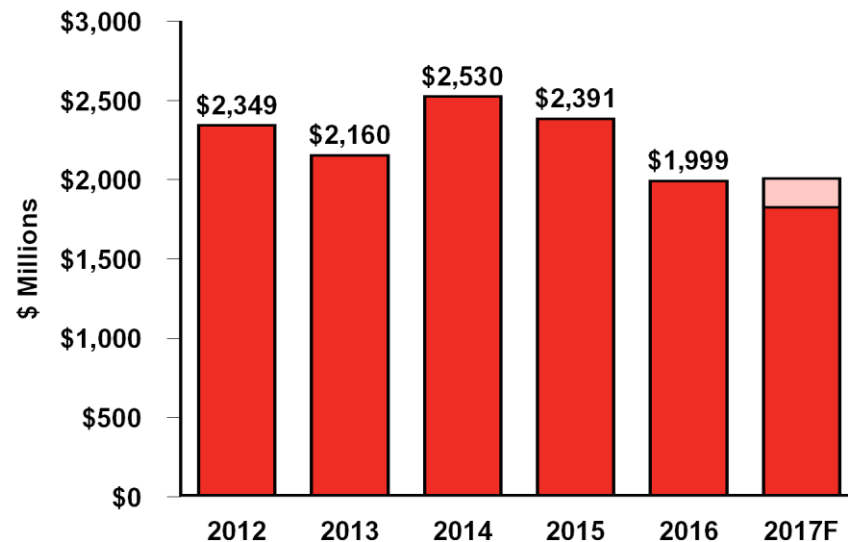


# Cummins Inc.

## Sales



## EBIT<sup>1</sup>



2017 Guidance	
Sales Flat to down 5%	EBIT 11.0 to 11.5%

<sup>1</sup> 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 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

<b>\$Millions</b>	<b>2016</b>	<b>2015</b>
Sales	17,509	19,110
Gross Margin (% of Sales)	25.4%	25.9%
SAR (% of Sales)	15.3%	14.8%
EBIT <sup>1</sup>	1,999	2,391
EBIT (% of Sales)	11.4%	12.5%
GAAP Net Income <sup>2</sup>	1,394	1,399
GAAP Net Income (% of Sales)	8.0%	7.3%
Diluted EPS	\$8.23	\$7.84
Dividend Per Share	\$4.00	\$3.51
ROANA <sup>3</sup>	22%	25%
ROE <sup>3</sup>	18%	19%

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

<sup>2</sup> 2015 GAAP Net Income includes \$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 taken in 2015.



# Joint Venture Income

<b>\$Millions</b>	<b>Q4'16</b>	<b>Q4'15</b>
Engine	28	39
Distribution	14	18
Components	12	9
Power Systems	13	9
Total JV Income	67	75

- Earnings declined due to lower earnings in China.



# Engine Segment Selected Financial Data

\$Millions	Q4'16	Q4'15	Change
Sales	1,967	2,098	-6%
EBIT <sup>1</sup>	194	160	+21%
EBIT (% of Sales)	9.9%	7.6%	

- Sales declined by 9 percent in North America due to lower commercial truck production and increased by 1 percent in international markets due to higher sales to construction customers.
- EBIT improved from a year ago as the benefits of cost reduction initiatives and the absence of the \$60m charge for the Loss Contingency incurred in 2015, more than offset the impact of weaker sales.

<sup>1</sup> Q4'15 EBIT excludes \$202 million of impairment of light-duty diesel assets and \$17 million of restructuring actions and other charges.



# Engine Segment - Sales by Market

\$Millions	Q4'16	Q4'15	Change
Heavy-Duty Truck	565	700	-19%
Medium-Duty Truck & Bus	606	640	-5%
Light-Duty Automotive	409	401	+2%
<b>On-Highway</b>	<b>1,580</b>	<b>1,741</b>	<b>-9%</b>
<b>Off-Highway</b>	<b>387</b>	<b>357</b>	<b>+8%</b>

- On-highway revenues decreased due to lower industry truck production in North America.
- Off-highway revenues increased as a result of higher sales to construction customers.





# 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	178K units	Down 11%
Medium Duty Truck - NAFTA Class 6-7, and Class 8 Group 1 - Production	108K units	108K units	Flat
Heavy & Medium Truck - China Sales	962K units	962K units	Flat
Heavy & Medium Truck - India Production	346K units	305K units	Down 12%
Heavy & Medium Truck - Brazil Production	61K units	61K units	Flat



# Distribution Segment Selected Financial Data

\$Millions	Q4'16	Q4'15	Change
Sales	1,670	1,707	-2%
EBIT <sup>1</sup>	122	111	+10%
EBIT (% of Sales)	7.3%	6.5%	

- Sales decreased due to weaker demand in off-highway markets and the unfavorable impact of currency which more than offset the impact of acquisitions.
- EBIT increased primarily due to a \$15 million one-time gain for the acquisition of the last remaining unconsolidated North American distributor.

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



# Components Segment Selected Financial Data

\$Millions	Q4'16	Q4'15	Change
Sales	1,177	1,236	-5%
EBIT <sup>1</sup>	140	175	-20%
EBIT (% of Sales)	11.9%	14.2%	

- Sales declined due to lower industry truck production in North America, partially offset by growth in China.
- EBIT margins decreased primarily due to lower volumes in North America.

<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 Systems Segment Selected Financial Data

\$Millions	Q4'16	Q4'15	Change
Sales	932	986	-5%
EBIT <sup>1</sup>	68	59	+15%
EBIT (% of Sales)	7.3%	6.0%	

- Revenues declined by 10 percent and 3 percent in North America and international markets, respectively.
- EBIT as percent of sales increased due to benefits from restructuring and favorable foreign currency impact, partially offset by lower volumes.

<sup>1</sup> Q4'15 EBIT excludes \$26 million of restructuring actions and other charges.



# Guidance for 2017 Segment Results

Item	Engine	Distribution	Components	Power Systems
Consolidated Revenue Growth	Down 3 to 6%	Flat to up 4%	Down 2 to 6%	Flat to down 4%
EBIT Margins (% of Revenue)	9.5 to 10.5%	6.0 to 6.75%	11.0 to 12.0%	7.0 to 8.0%



# Guidance for 2017 Consolidated Results

Item	Full Year Guidance
Consolidated Revenue	Flat to down 5%
Earnings from JVs	Down 8%
EBIT Margin	11.0 to 11.5%
Effective Tax Rate <sup>1</sup>	26.0%
Capital Expenditures	\$500 - \$530 M
Global Pension Funding	\$134 M
Interest Expense	\$70 M

<sup>1</sup> Excluding discrete income tax items



# Cash Flow

<b>\$Millions</b>	<b>2016</b>	<b>2015</b>
Operating Cash Inflow	1,935	2,059
Capital Expenditures	531	744
Working Capital Measure	3,846	3,821
Working Capital Measure <i>(% of Net Sales)</i>	22.0%	20.0%
Debt to Capital %	20.6%	17.5%

- Working capital increased from the prior year primarily due to a higher accounts receivable balance driven by the change in international sales mix.

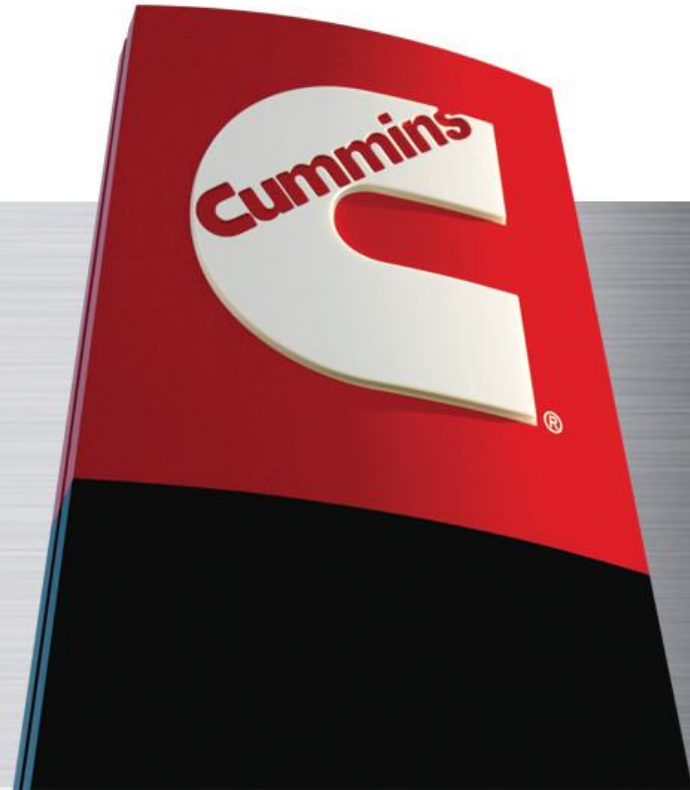
# Thank You for Your Interest in



For additional information contact:  
Adam Schumm, Investor Relations Executive Director  
(812) 377-3121  
Adam.J.Schumm@Cummins.com  
www.Cummins.com



# Appendix





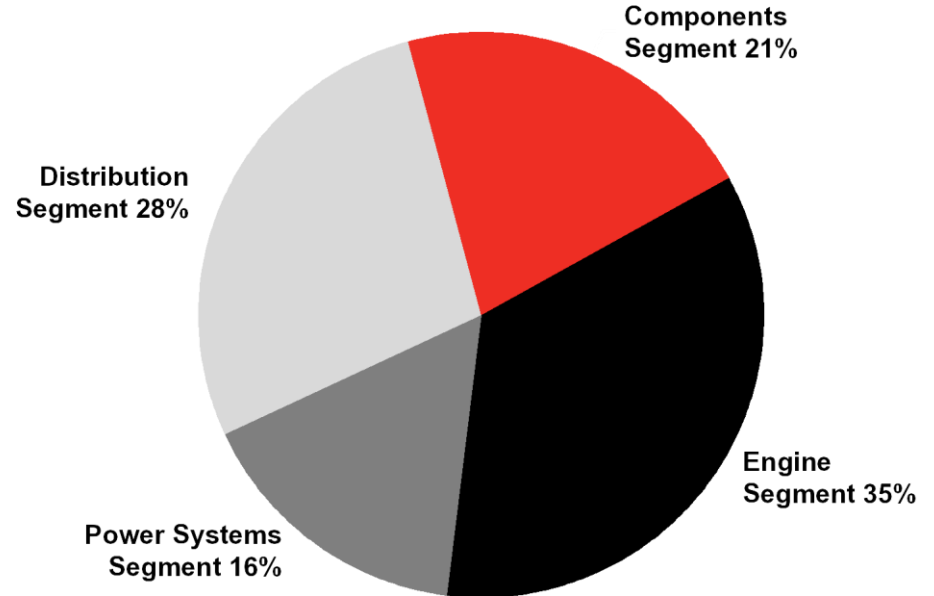
# Cummins Inc.

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

## 2016 Results

**Sales:** \$17.5 billion  
**EBIT:** \$2.0 billion  
**EBIT%:** 11.4%

## 2016 Revenue by Segment

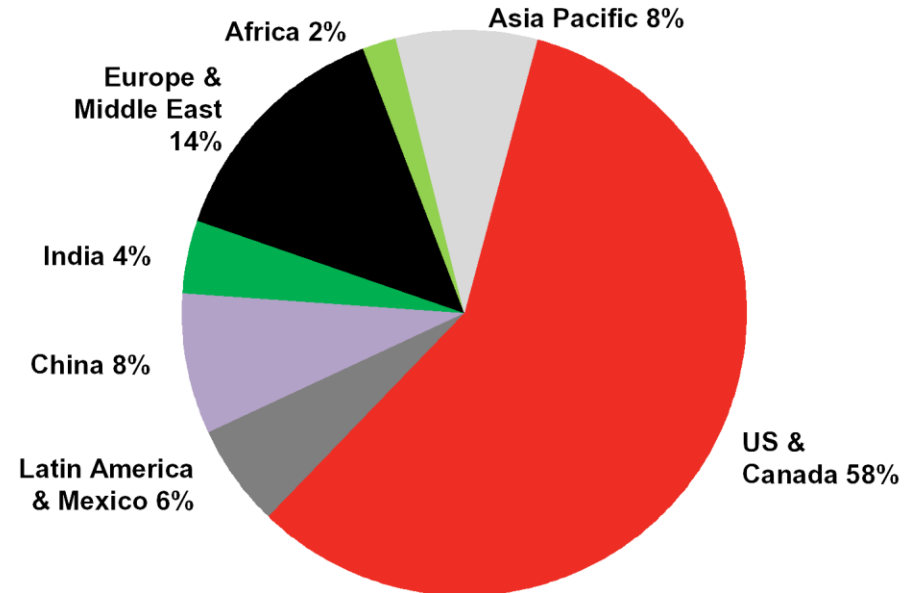




# Cummins Inc.

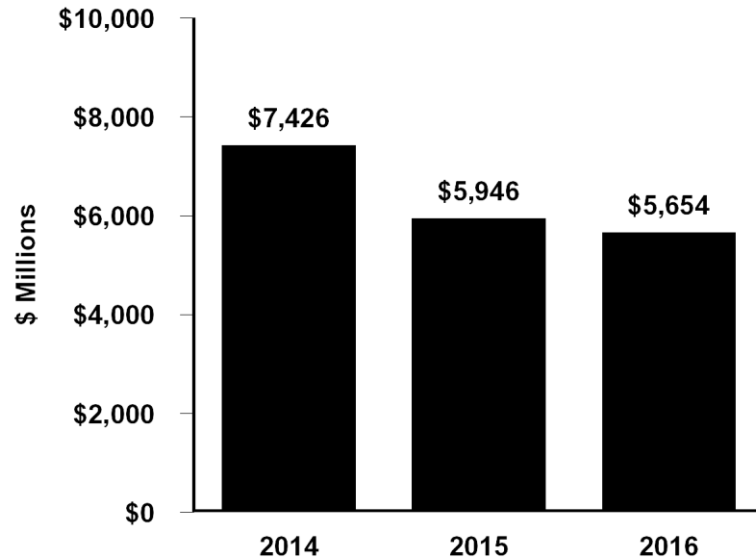
- Capitalizing on global emissions regulations
- Strong geographic diversification and leadership across multiple end-markets
- Global distribution network with presence in more than 190 countries and territories

## 2016 Revenue by Marketing Territory

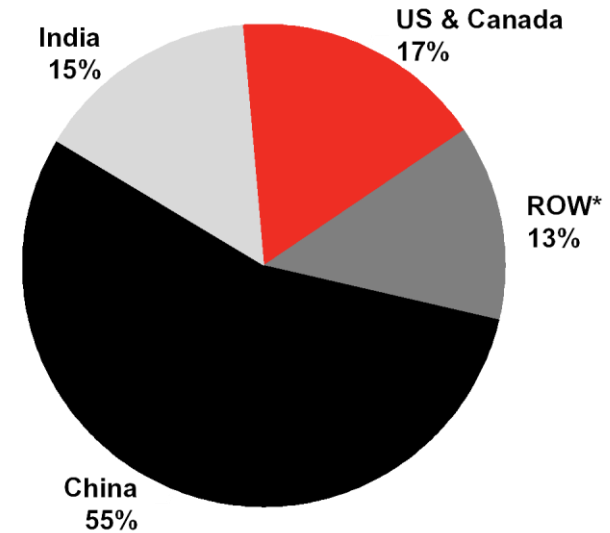




# Cummins - Joint Venture Sales Unconsolidated



## 2016 Revenue



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

\* Rest of world



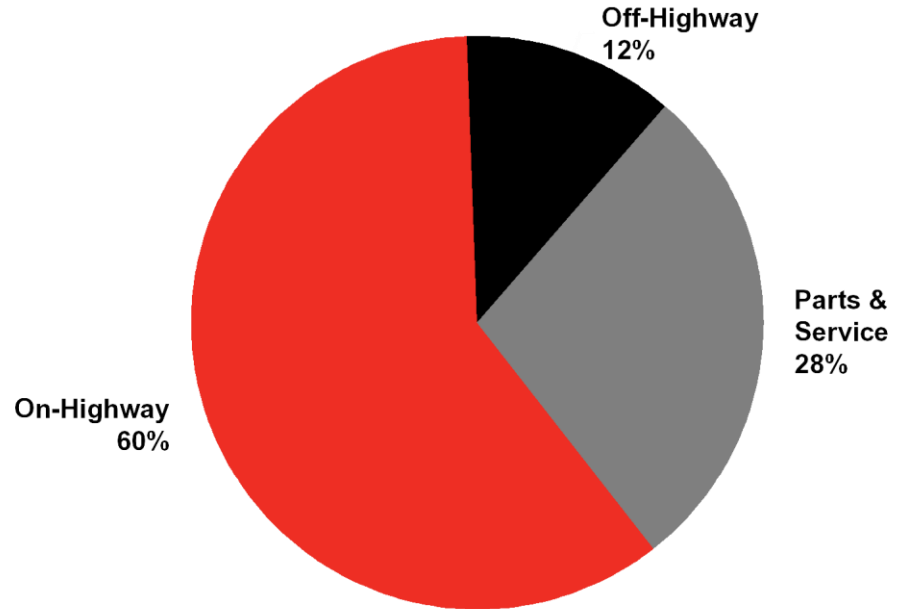
# Engine Segment - Overview

- Diesel and natural gas engines from 2.8L to 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

## 2016 Results

**Sales:** \$7.8 billion  
**EBIT:** \$686 million  
**EBIT%:** 8.8%

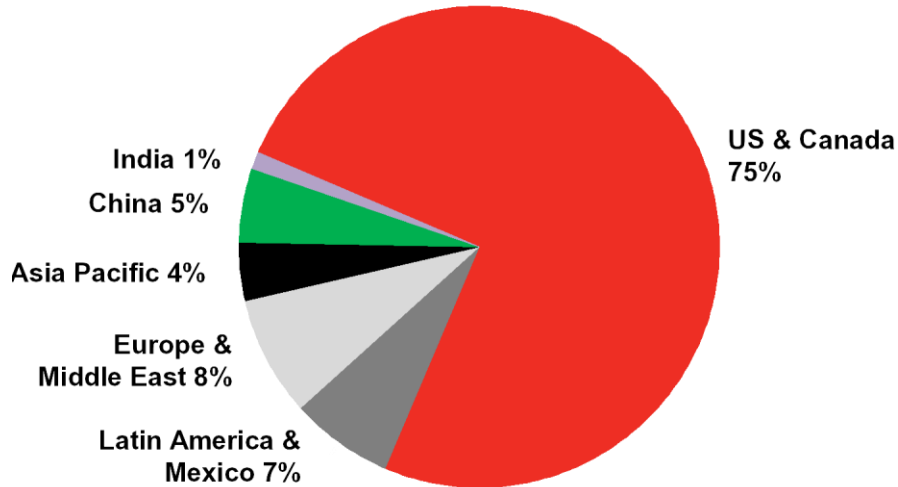
## 2016 Revenue by Product



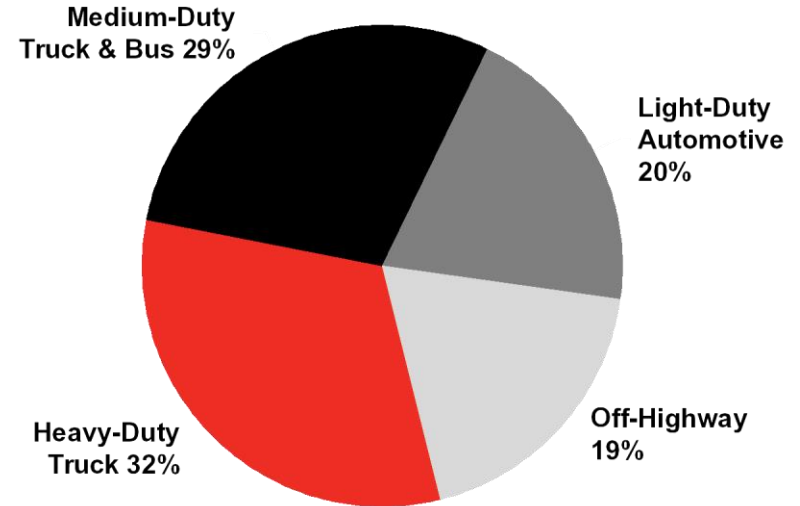


# Engine Segment - Sales Mix

## Geographic



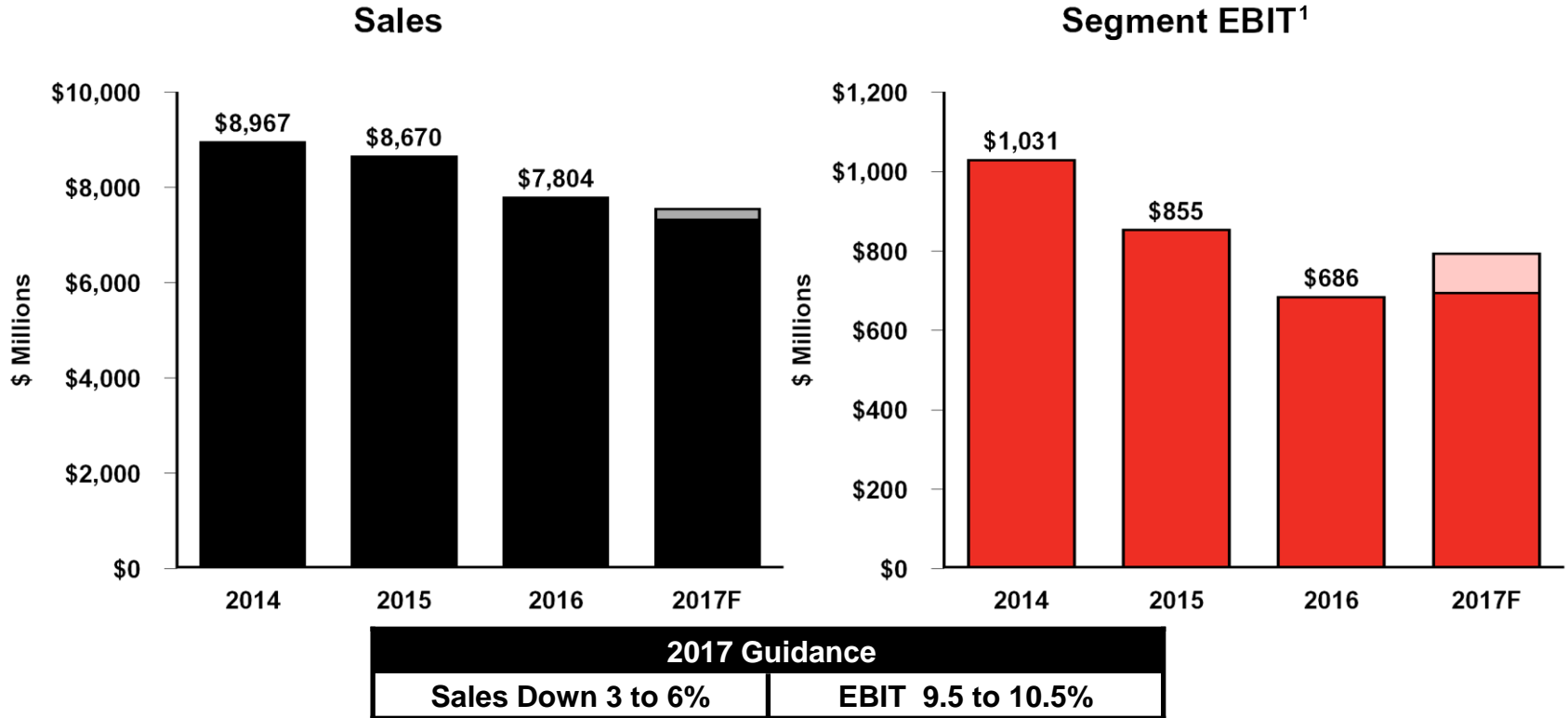
## Application



**2016 Revenue: \$7.8 billion**



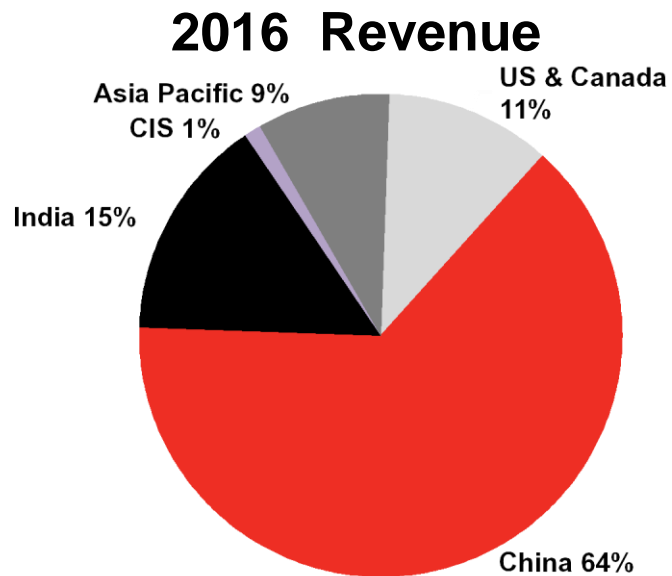
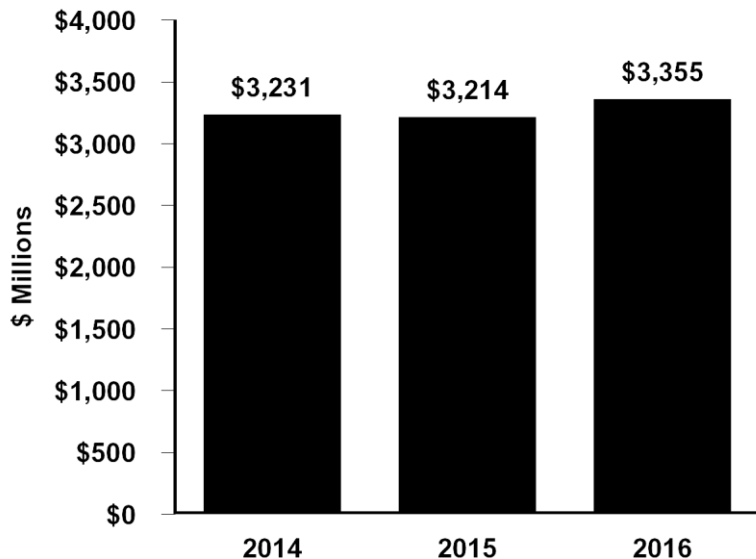
# Engine Segment - Historical Performance



<sup>1</sup> 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







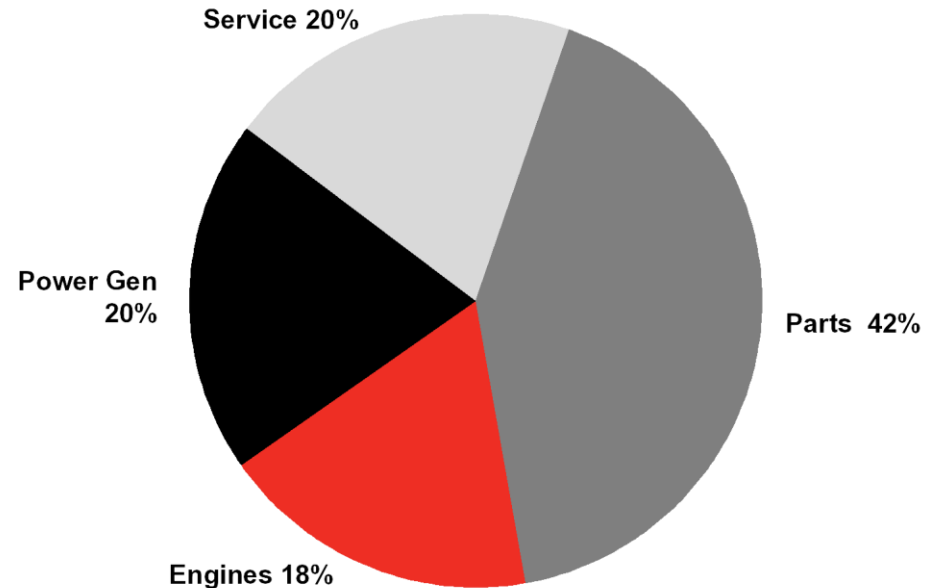
# Distribution Segment - Overview

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

## 2016 Results

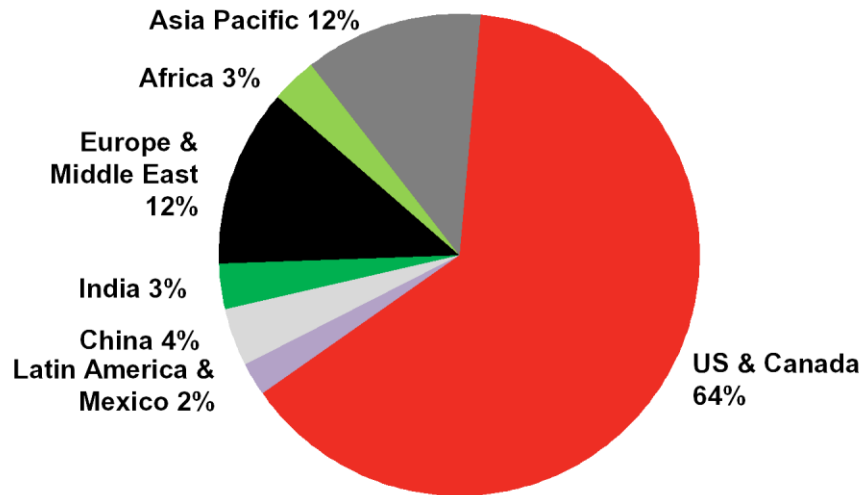
**Sales:** \$6.2 billion  
**EBIT:** \$392 million  
**EBIT%:** 6.3%

## 2016 Revenue by Product



# Distribution Segment - Sales Mix

## Geographic

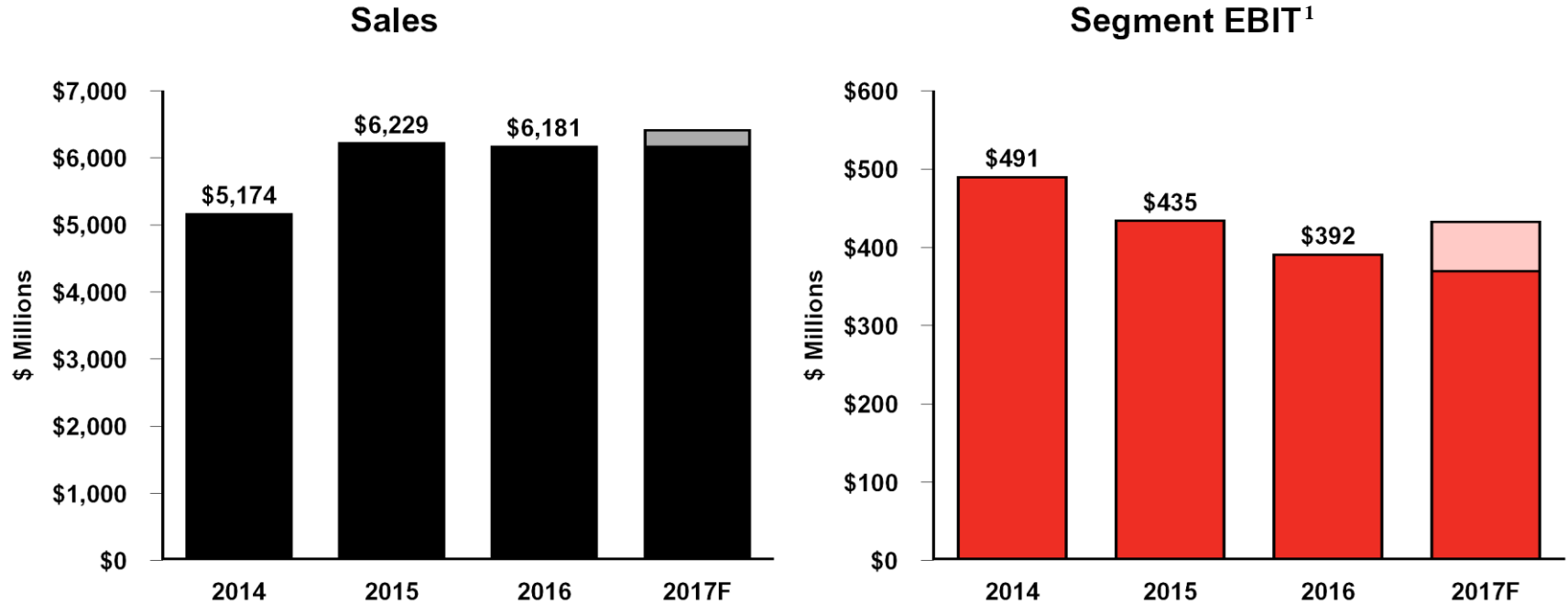


**2016 Revenue: \$6.2 billion**

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



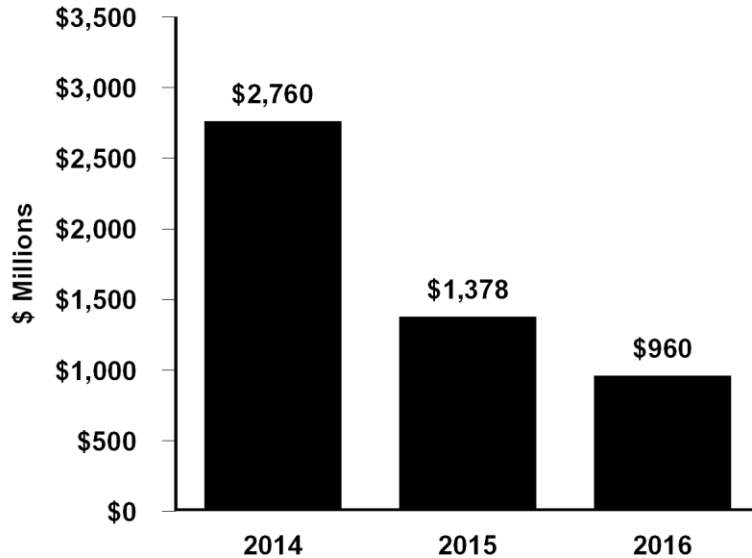
# Distribution Segment - Historical Performance



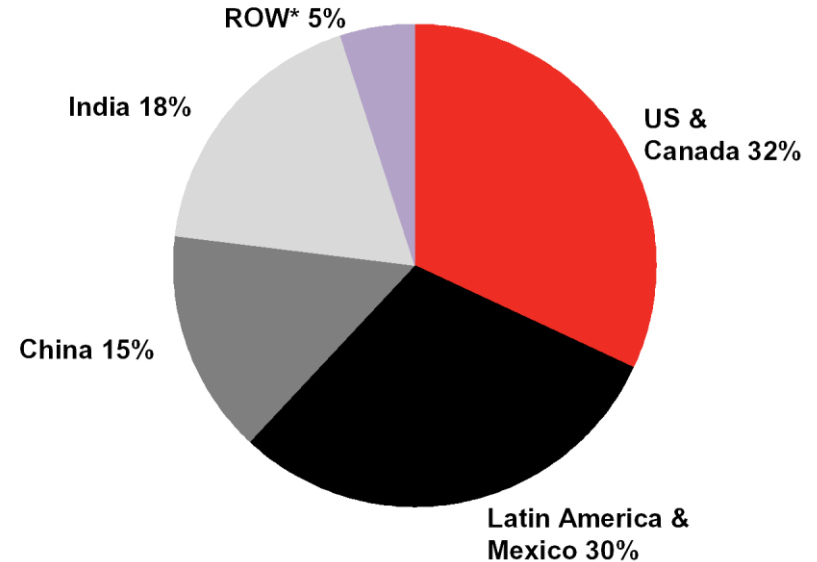
2017 Guidance	
Sales Flat to up 4%	EBIT 6.0 to 6.75%

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

# Distribution Segment - Joint Venture Sales Unconsolidated



## 2016 Revenue



- Joint venture sales have declined due to the execution of our strategy to acquire our distributor joint ventures in North America.

\* Rest of World



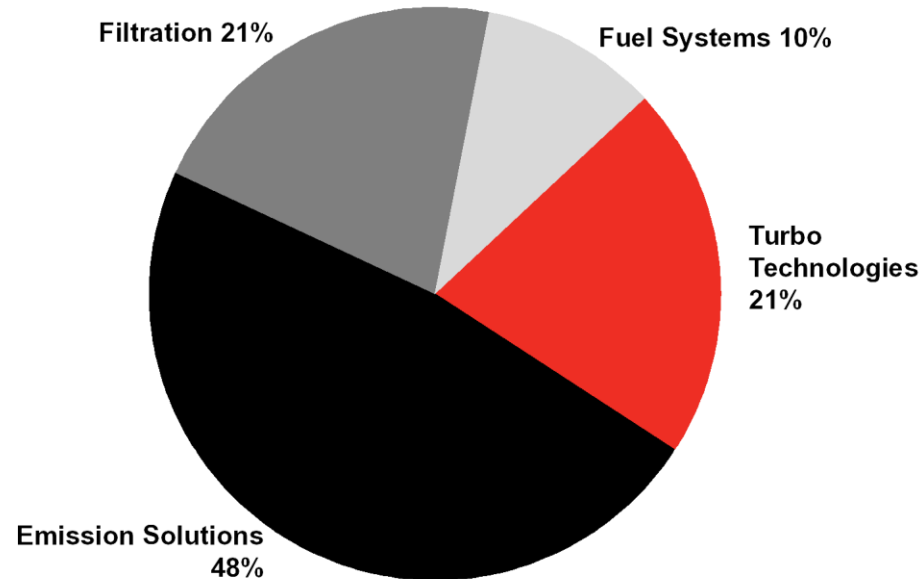
# Components Segment - Overview

- 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

## 2016 Results

**Sales:** \$4.8 billion  
**EBIT:** \$641 million  
**EBIT%:** 13.3%

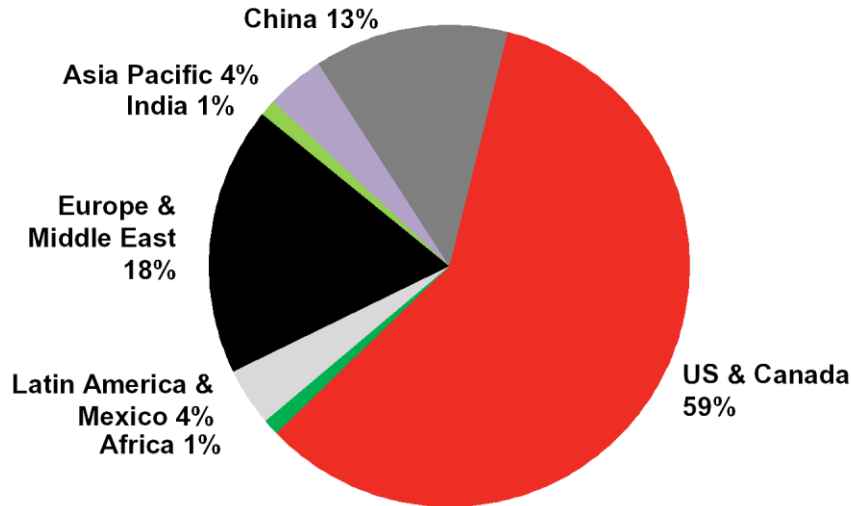
## 2016 Revenue by Business



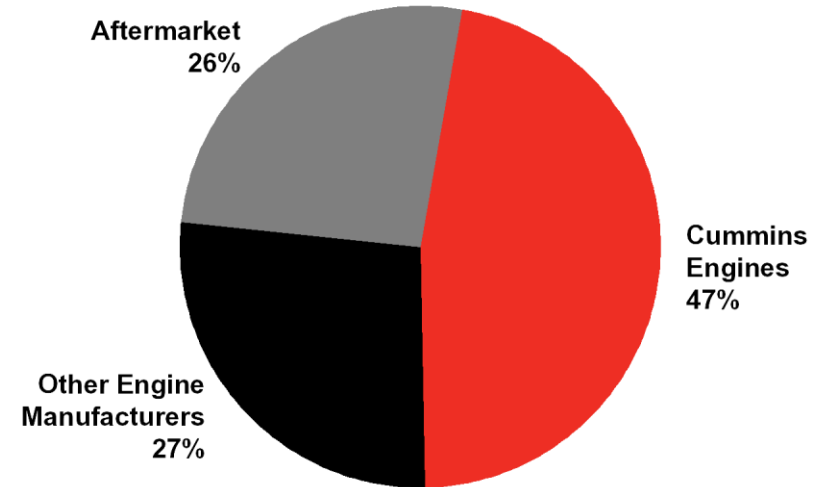


# Components Segment - Sales Mix

### Geographic



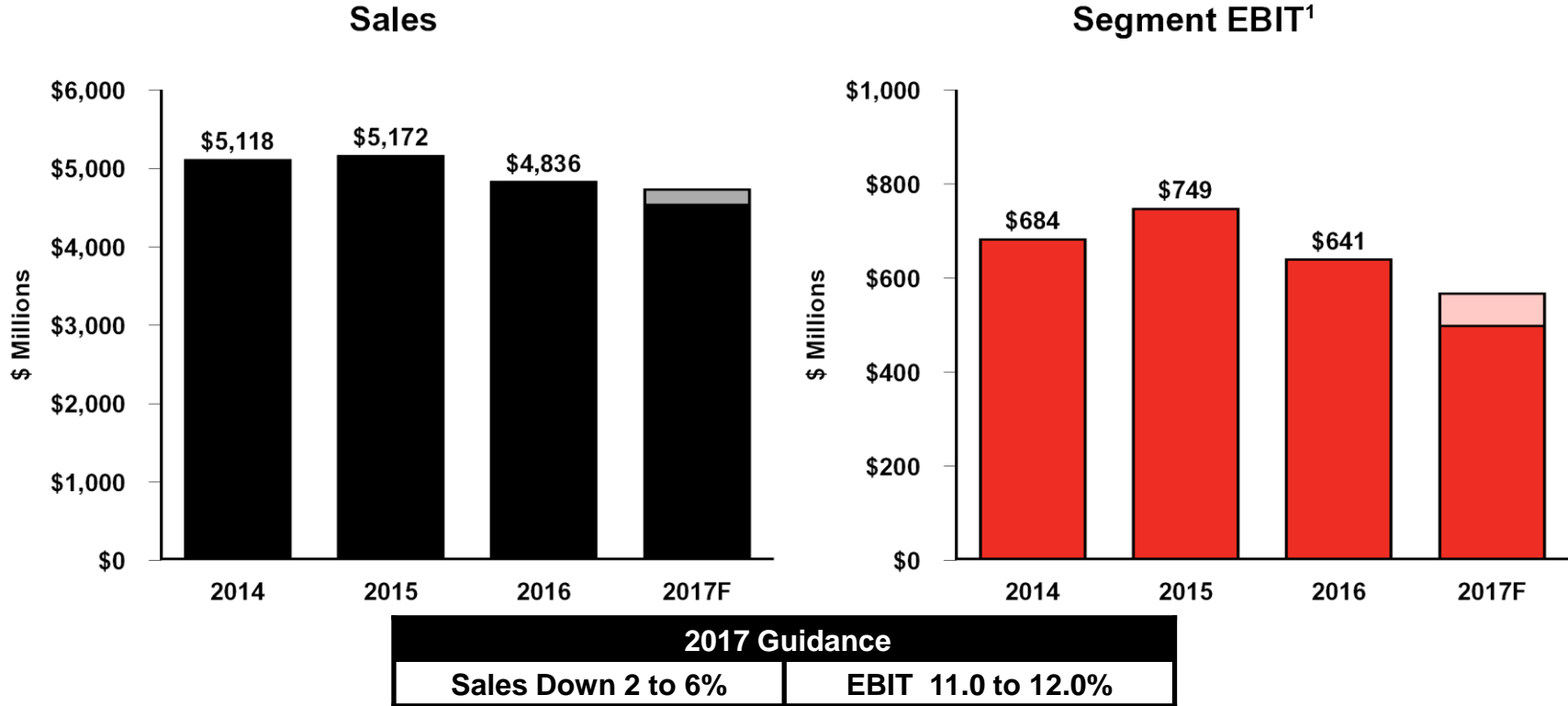
### Application



**2016 Revenue: \$4.8 billion**



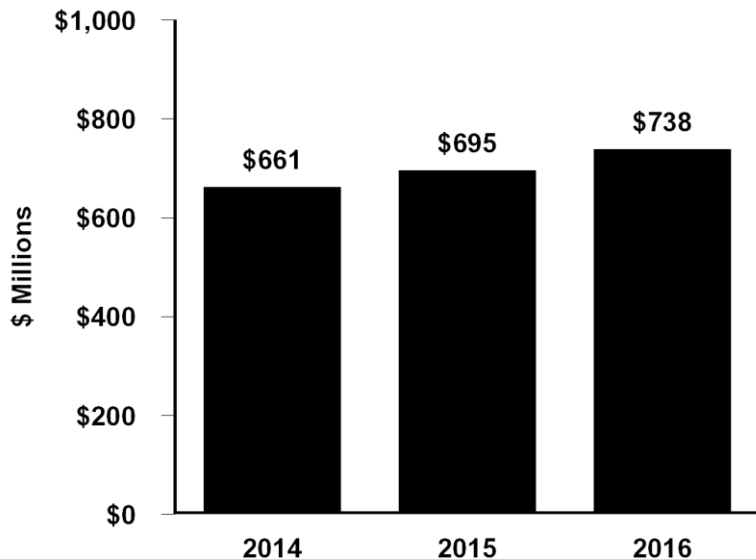
# Components Segment - Historical Performance



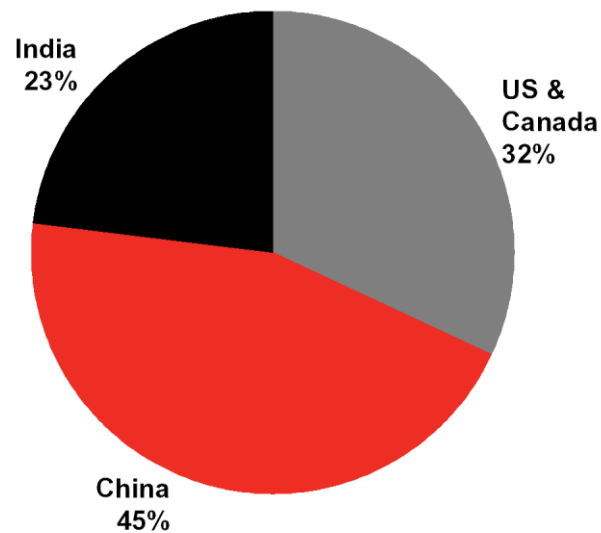
<sup>1</sup> 2015 EBIT excludes \$9 million of impairment of light-duty diesel assets and \$13 million of restructuring actions and other charges.



# Components Segment - Joint Venture Sales Unconsolidated



## 2016 Revenue





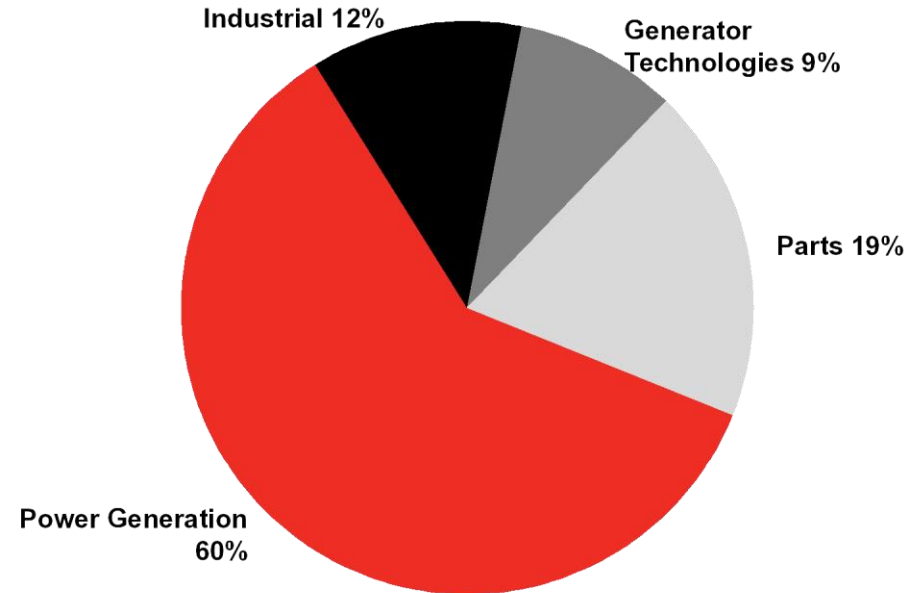
# Power Systems Segment - Overview

- 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

## 2016 Results

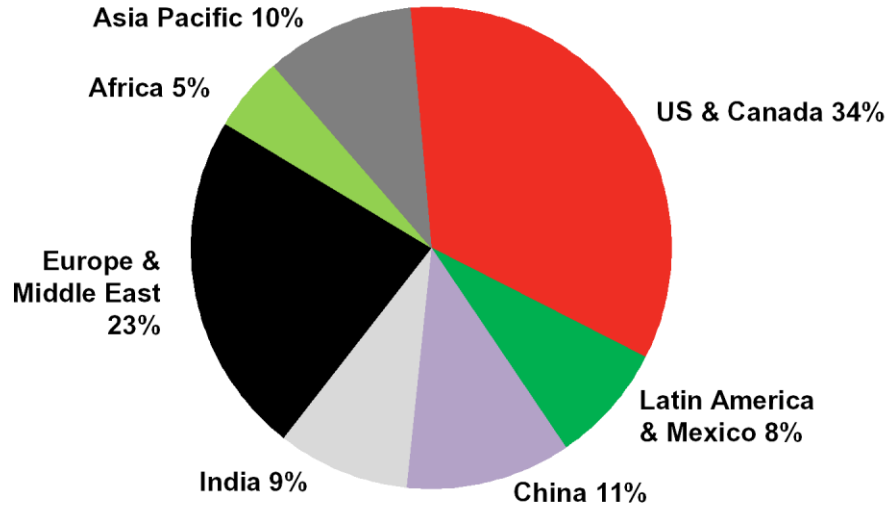
**Sales:** \$3.5 billion  
**EBIT:** \$263 million  
**EBIT%:** 7.5%

## 2016 Revenue by Product

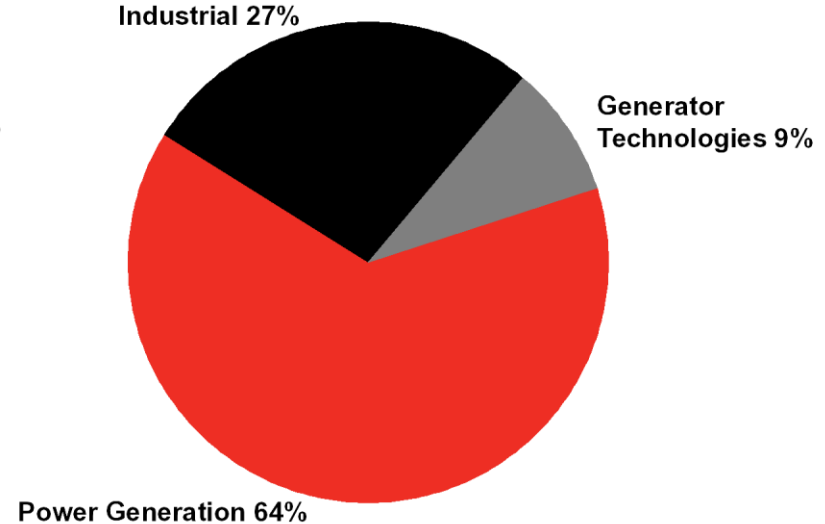


# Power Systems Segment - Sales Mix

## Geographic



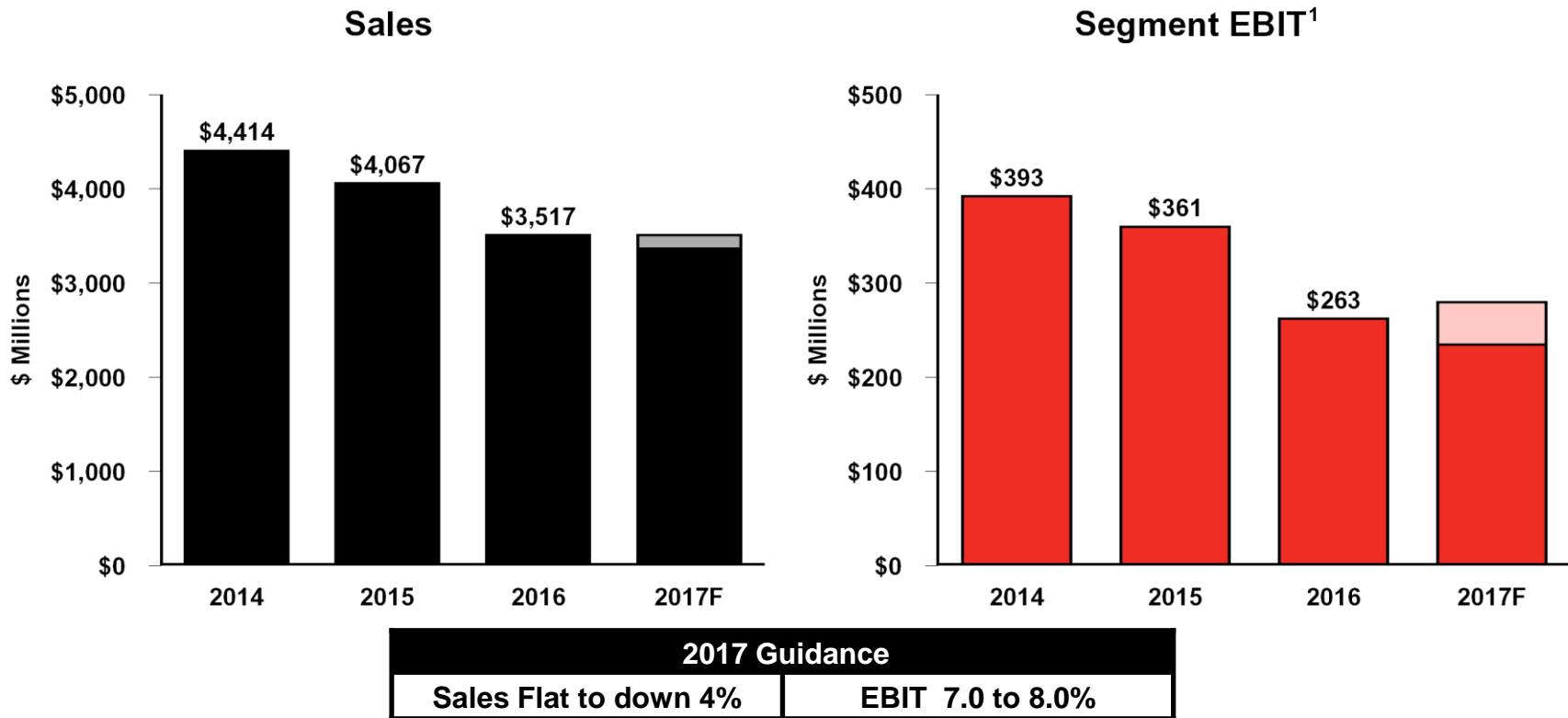
## Product



**2016 Revenue: \$3.5 billion**



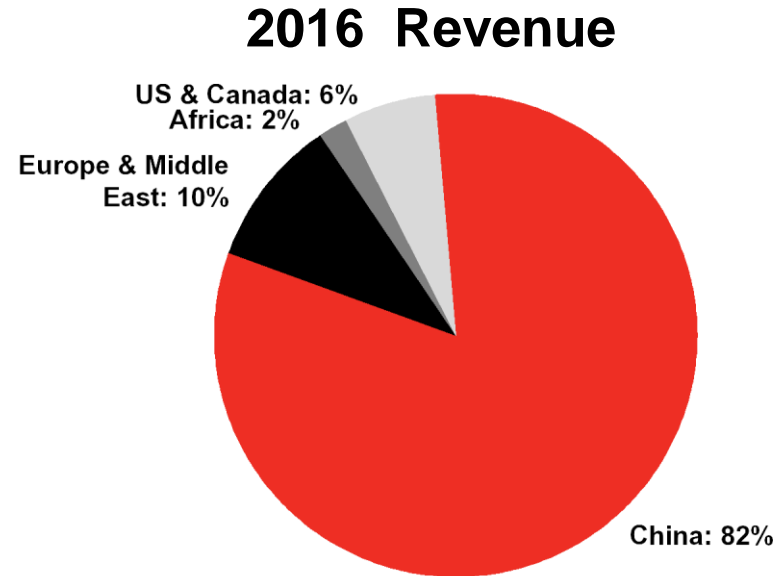
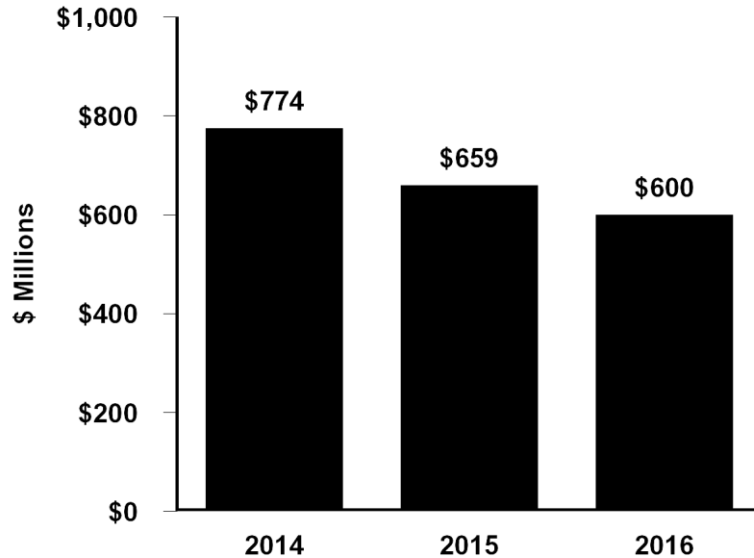
# Power Systems Segment - Historical Performance



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

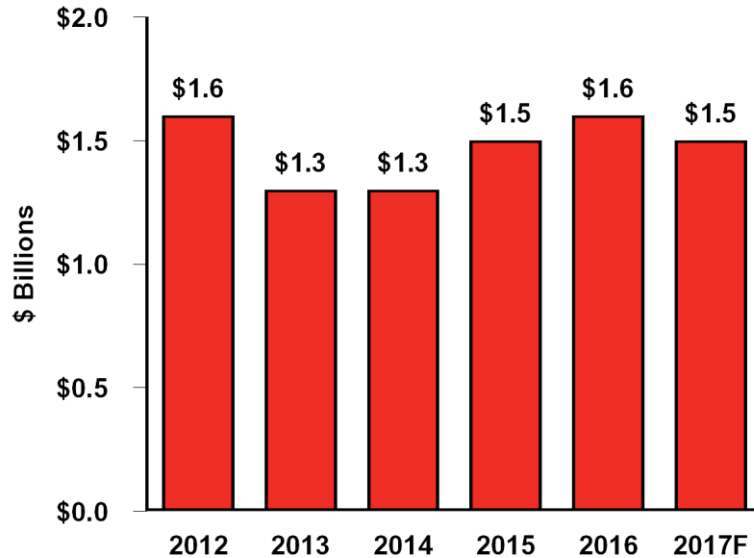


# Power Systems Segment - Joint Venture Sales Unconsolidated





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



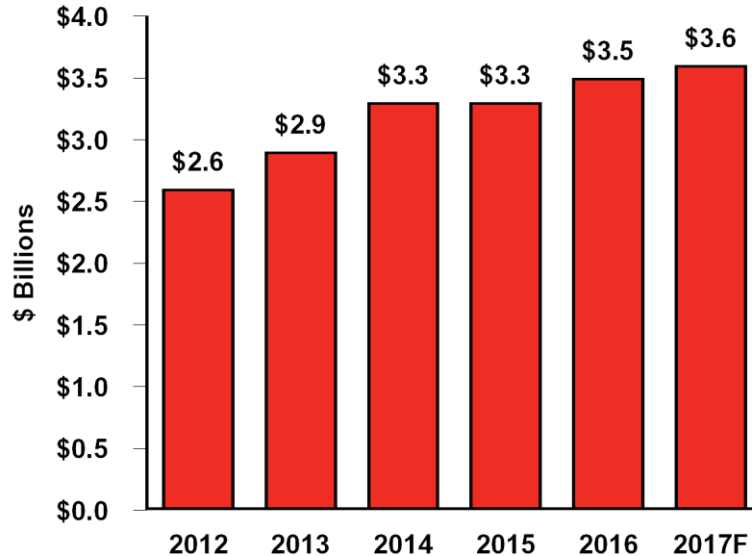
- Present in India for over 50 years
- Market leadership
- Strong OEM relationships
- Expanding our markets

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

In Millions	Years Ended	
	December 31, 2016	December 31, 2015
EBIT excluding impairment, restructuring, and other charges	\$ 1,999	\$ 2,391
Less: Impairment of light-duty diesel assets		211
Less: Restructuring actions and other charges		90
EBIT	1,999	2,090
Less: Interest Expense	69	65
Income before taxes	1,930	2,025
Less: Income tax expense	474	555
Consolidated net income	1,456	1,470
	62	71
Less: Net income attributable to noncontrolling interests		
Net income attributable to Cummins Inc.	\$ 1,394	\$ 1,399

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, 2016	December 31, 2015
Accounts and notes receivable, net	\$ 3,025	\$ 2,820
Inventories	2,675	2,707
Less: Accounts Payable - (principally trade)	(1,854)	(1,706)
Working capital measure	<u>\$ 3,846</u>	<u>\$ 3,821</u>
Working capital measure (% of Net Sales)	22.0%	20.0%

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





# Non-GAAP Reconciliation - Net Assets

In Millions	December 31, 2016	December 31, 2015
Net assets for operating segments	\$ 8,721	\$ 9,064
Liabilities deducted in arriving at net assets	6,152	5,920
Pension and other postretirement benefit adjustments excluded from net assets	(284)	(242)
Deferred tax assets not allocated to segments	420	390
Deferred debt costs not allocated to segments	2	2
Total Assets	<u>\$ 15,011</u>	<u>\$ 15,134</u>

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



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

In Millions	December 31, 2016	December 31, 2015
Equity used for return on equity calculation	\$ 7,560	\$ 8,060
Defined benefit postretirement plans	(685)	(654)
Total shareholders equity	6,875	7,406
Noncontrolling Interest	299	344
Total Equity	\$ 7,174	\$ 7,750

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.