

Second Quarter 2008 Earnings Teleconference

July 30, 2008





Participants

Tim Solso	Chairman and Chief Executive Officer
Pat Ward	Chief Financial Officer
Joe Loughrey	Chief Operating Officer (current)
Tom Linebarger	Chief Operating Officer (future)
Dean Cantrell	Director – Investor Relations



Disclosure Regarding Forward-Looking Statements & non-GAAP Financial Measures

This presentation contains certain forward-looking information. Any forward-looking statement involves risk and uncertainty. The Company's future results may be affected by changes in general economic conditions and by the actions of customers and competitors. Actual outcomes may differ materially from what is expressed in any forward-looking statement. A more complete disclosure about forward-looking statements begins on page 3 of our 2007 Form 10-K, and it applies to this presentation.

This presentation contains certain non-GAAP financial measures such as earnings before interest and taxes (EBIT). Please refer to our website (www.cummins.com) for the reconciliation of those measures to GAAP financial measures.



SAVE THE DATE

CMI Analyst Day
- Components Segment -

Wednesday, November 12, 2008

Charleston, SC



Cummins Inc.

Selected Financial Data

<u>Targets</u>	
Sales growth:	12%
EBIT margin:	10%
ROANA:	25%
ROE:	20%

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Sales	3,887	3,343	544	16%
EBIT	469	354	115	32%
% of Sales	12.1%	10.6%		
ROANA (LTM)	31%	29%		
ROE (LTM)	22%	21%		

- EBIT growing faster than sales.
- Gaining market share due to our technology leadership.
- Investing in profitable growth opportunities in each operating segment, and in domestic and international markets.



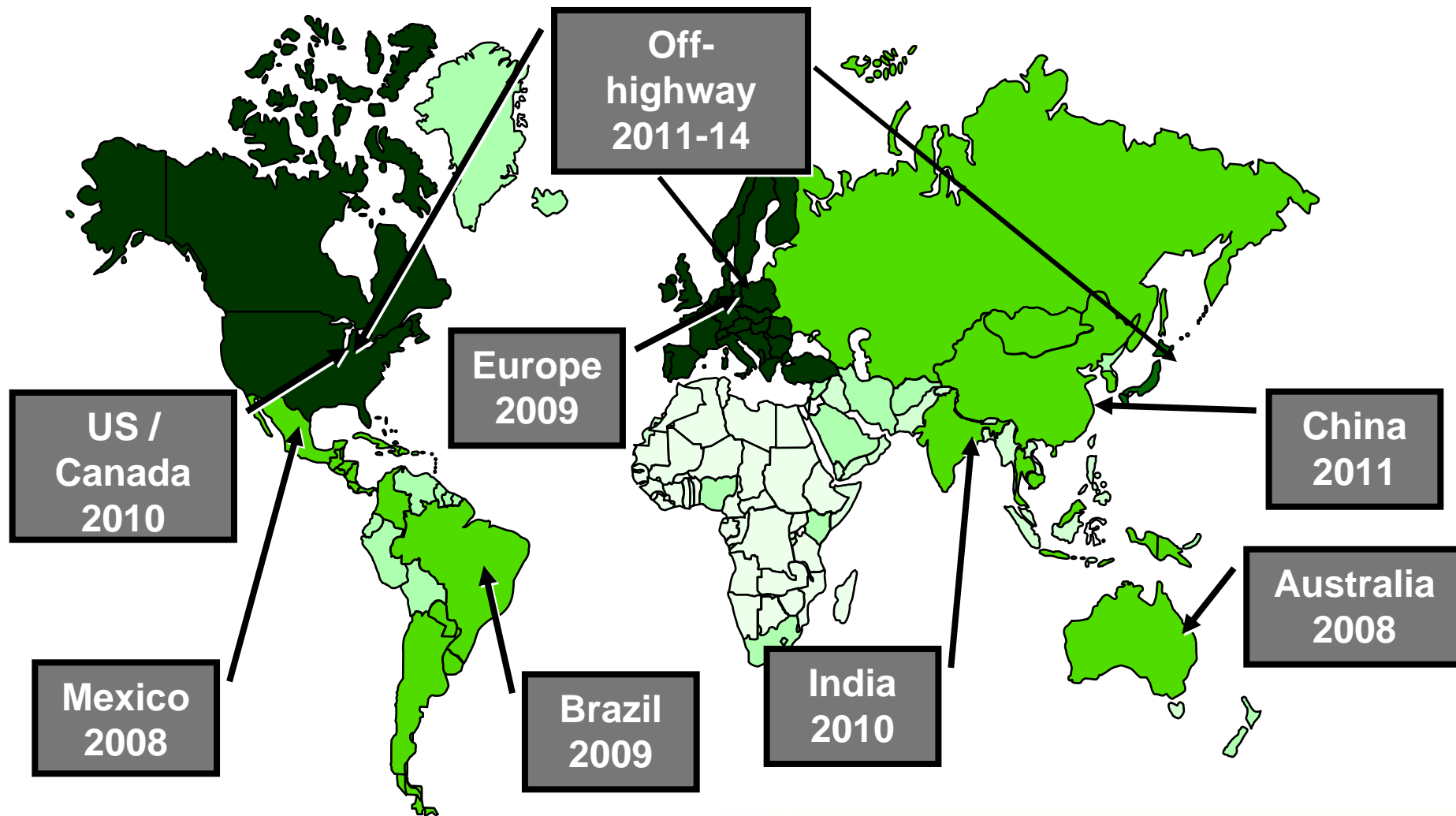
Cummins Inc.

Selected Income Statement Data

	<u>Q208</u>	<u>Q207</u>
Net Earnings (\$M)	293	214
Earnings Per Share	\$1.49	\$1.06
Warranties Issued (% of Net Sales)	2.9%	3.1%
Gross Margin (% of Net Sales)	22.6%	22.0%
SAR (% of Net Sales)	12.2%	11.6%

- Improved gross margin due to price realization, volume shift to larger engines, and greater production efficiencies, partially offset by higher commodity prices.
- Higher investment in Research & Engineering for the development of future products.

Tougher Global Emission Standards





Price and Availability of Energy

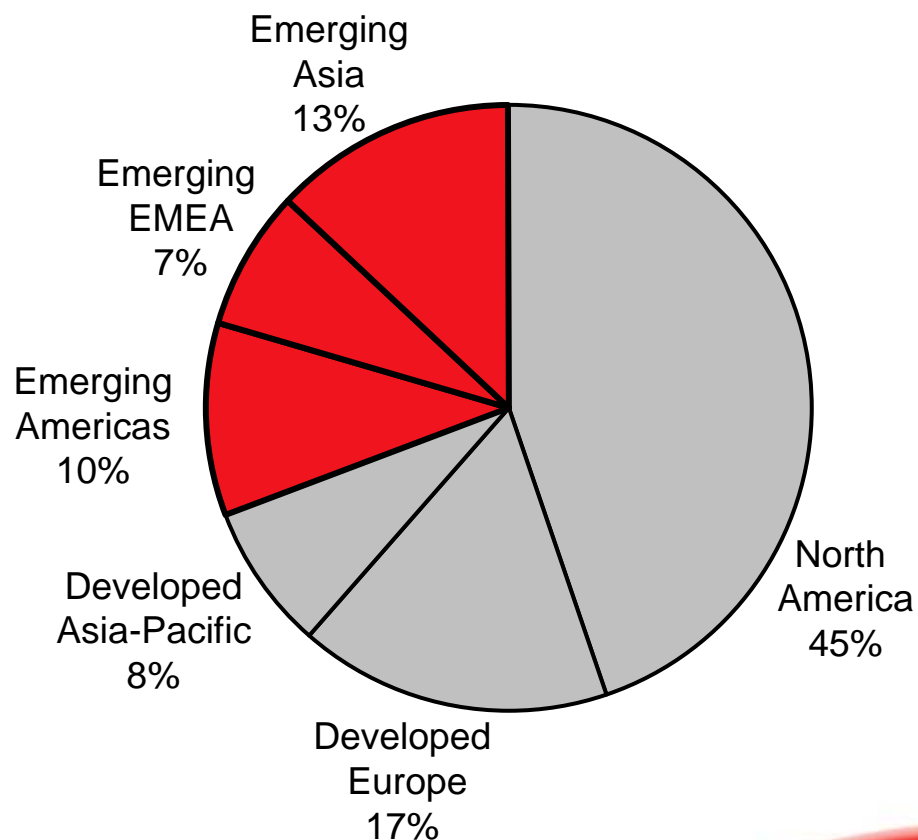
- Higher fuel costs and electricity consumption
- Energy independence and fuel economy
- Dependence on reliable electric supply



Robust Growth in Emerging Markets

2008 YTD Revenue

As % of Total CMI Sales



% Growth vs. Prior Year

Geography	Growth
Developed Countries	13%
Emerging Markets	36%
Total CMI	19%



Engine Segment Selected Financial Data

Targets
Sales growth: 13%
EBIT margin: 8.5%

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Sales	2,386	2,109	277	13%
EBIT	221	186	35	19%
% of Sales	9.3%	8.8%		

- Record quarter for sales and EBIT.
- Gross margin improved due to price realization and mix to larger engines.
- Better margins and JV Income were partially offset by R&E investment in the development of future products.



Engine Segment

Sales by Market – On-highway

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Heavy-duty truck	672	473	199	42%
Medium-duty truck and bus	422	320	102	32%
Light-duty automotive/RV	<u>205</u>	<u>418</u>	<u>(213)</u>	<u>(51%)</u>
Total on-highway	1,299	1,211	88	7%

- Heavy-duty Truck engine shipments up 41%, led by Mexico pre-buy.
- Medium-duty Truck shipments up 12%, driven by strong market in Brazil.
- Bus shipments up 34% mainly on market share wins in North America.
- Light-duty Automotive shipments down 56% primarily due to US economic uncertainty affecting pickup truck and RV markets.



Engine Segment

Sales by Market - Industrial

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Total Industrial	804	665	139	21%

- Construction engine sales up 24% driven by demand in East Asia, Europe, and Korea.
- Commercial Marine sales up 73%, driven by favorable conditions in the offshore vessel, crew boat, tug and European inland barge segments.
- Mining revenues up 16% with growth in China, India, Latin America, and Australia. Mining companies continue to invest in new equipment to meet replacement and fleet expansion needs.
- 15% increase in high-horsepower capacity above 30L in 2008.



Distribution Segment Selected Financial Data

Targets
Sales growth: 15%
EBIT margin: 11%

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Sales	581	368	213	58%
EBIT	68	46	22	48%
% of Sales	11.7%	12.5%		

- Demand remains strong in all international regions. North America whole goods market softening for industrial and consumer power generation.
- Acquisition of a distributor in North America added \$63M to Q2 sales and, as expected, diluted EBIT as percent of sales – 12.4% if adjusted for acquisitions.



Components Segment Selected Financial Data

<u>Targets</u>
Sales growth: 20%
EBIT margin: 9%

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Sales	855	757	98	13%
EBIT	77	48	29	60%
% of Sales	9.0%	6.3%		

- Record quarter for revenue and profits - all businesses increased sales and improved profitability.
- Turbo Technologies revenues up \$53M or 24%, Fuel Systems up \$22M or 21% and Emission Solutions up \$22M or 17% and Filtration up \$25M or 9%, excluding two business exited in 2007.
- Significant EBIT growth driven by price realization, manufacturing efficiencies and sales volume.



Power Generation Segment

Selected Financial Data

Targets
Sales growth: 15%
EBIT margin: 10%

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>	<u>Change Amount</u>	<u>Change Percent</u>
Sales	938	769	169	22%
EBIT	115	88	27	31%
% of Sales	12.3%	11.4%		

- Commercial generator business increased sales by 35% - strength in all geographies
- Weakening RV and recreational marine markets in North America led to lower Consumer revenues.
- Gross margin improved slightly due to price realization. Most of the profitability improvement came from leveraging expenses on higher sales.



Joint Venture Income

<u>\$ Millions</u>	<u>Q208</u>	<u>Q207</u>
Engine	32	25
<i>On-highway</i>	21	16
<i>Off-highway</i>	9	5
<i>Rec. Marine</i>	2	4
Power Generation	6	4
Distribution	28	24
Components	<u>3</u>	<u>(1)</u>
Total JV Income	69	52

- Engine joint venture income up primarily due to strengthening Chinese on-highway truck market during Euro 3 transition.
- Distribution joint venture income includes \$2M from acquisition in North America.



Cash Flow

	<u>Q208</u>	<u>Q207</u>
Operating Cash Flow (\$M)	369	269
Capital Expenditures (\$M)	111	60
Pension Funding (\$M)	22	41
Share Repurchase (\$M)	34	23
Working Capital (% of Net Sales)	18.3%	17.9%

- Operating cash flow \$100M better mainly due to higher earnings and lower pension contributions.
- Cash flow strategy to maintain a strong balance sheet, to invest in profitable growth and to return value to our shareholders.
 - Announced 40% dividend increase in July – third increase in three years
 - YTD share repurchases of \$45M.



Guidance for 2008 Consolidated Results

<u>Item</u>	<u>Full Year Guidance</u>
Revenue	↑ Up 15%
Earnings from Joint Ventures	↑ Up 10-15%
EBIT Margin (%)	10%
Effective Tax Rate	↓ 33%
Capital Expenditures (\$M)	\$550 to \$600
Global Pension Funding (\$M)	\$90 to \$100

- ↑ Guidance revised upward
- ↓ Guidance revised downward
- ↔ Change to range of guidance



Guidance for 2008 Segment Results

<u>Item</u>	<u>Engine</u>	<u>Power Generation</u>	<u>Components</u>	<u>Distribution</u>
Revenue	↑ Up 13-15%	↑ Up 14-16%	↓ Up 13-15%	↑ Up 37-40%
EBIT Relative to Target	Close to 8.5% target	↑ 11%	↑ At least 7%	↑ Close to 11% target

- ↑ Guidance revised upward
- ↓ Guidance revised downward
- ↔ Change to range of guidance



Guidance for 2008 Engine Markets

- Shipments to North American Class 8 Heavy-duty truck up 45 to 50 percent despite flat OEM truck build
- Shipments to the global Medium-duty Truck and Bus markets to grow 25 to 30 percent
- Shipments to Light-duty Automotive & RV decline by 40 to 45 percent
- Industrial revenue up 25 to 30 percent
- Aftermarket revenue up 8 to 10 percent



Thank You for Your Interest in
Cummins

We will now take your questions.

Contact Information:

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Appendix

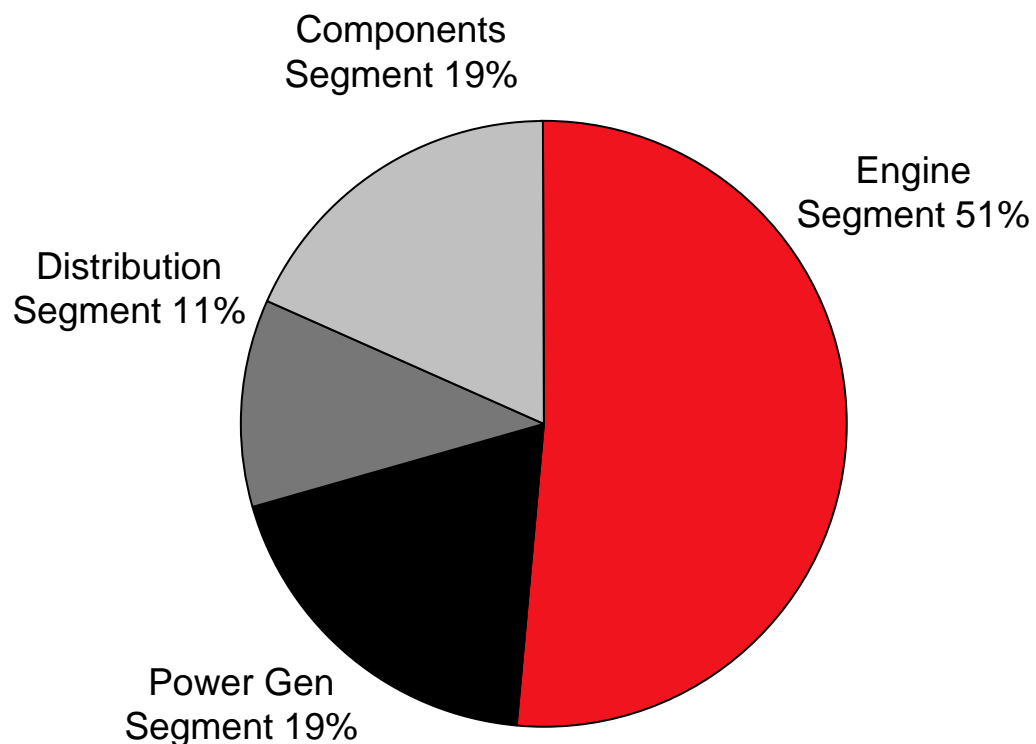




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Q2 2008 LTM Revenue by Segment

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



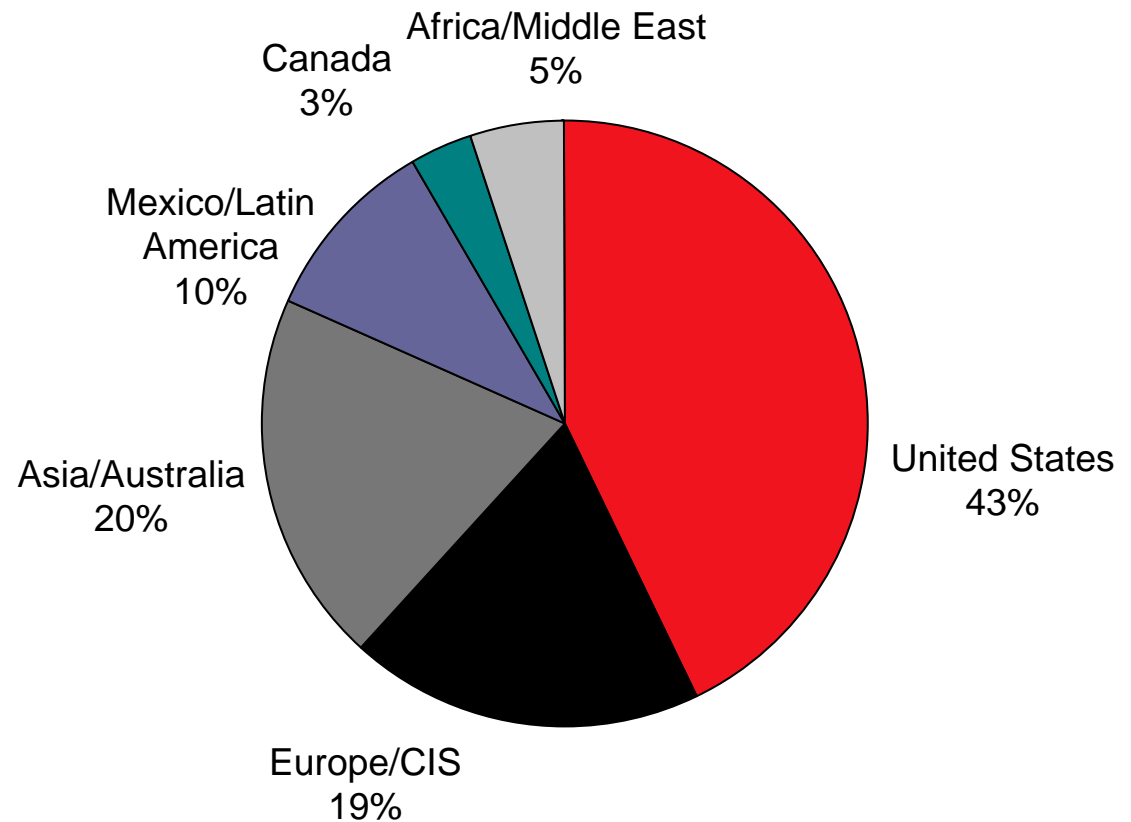
Q2 2008 LTM Data
Sales: \$14.2 billion
EBIT: \$1,414 million
EBIT Margin: 9.9%



Cummins Inc.

Q2 2008 LTM Revenue by Marketing Territory

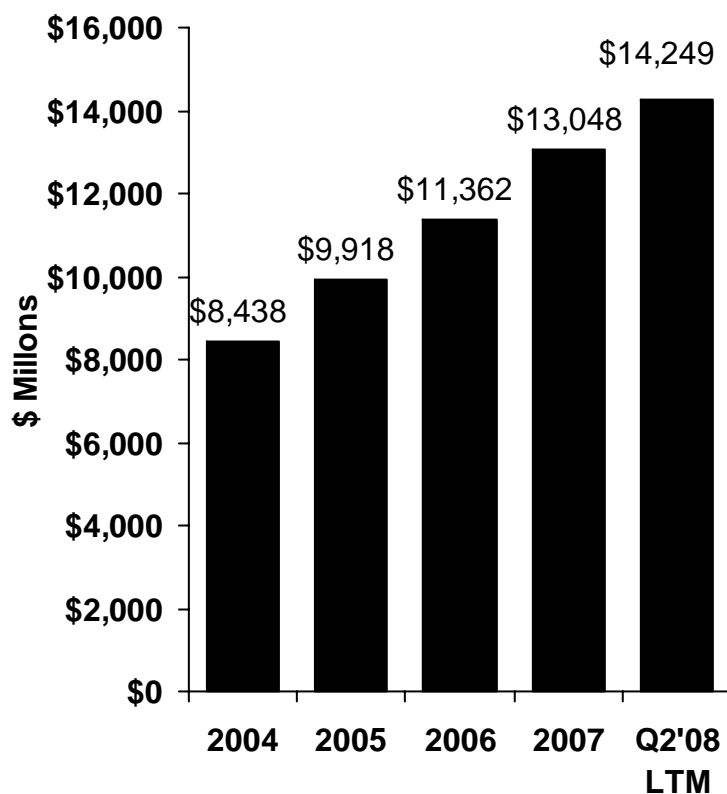
- International revenues increasing – represented 61% of total sales this quarter
- All international areas growing at double digit rate
- Demonstrates our geographic diversity



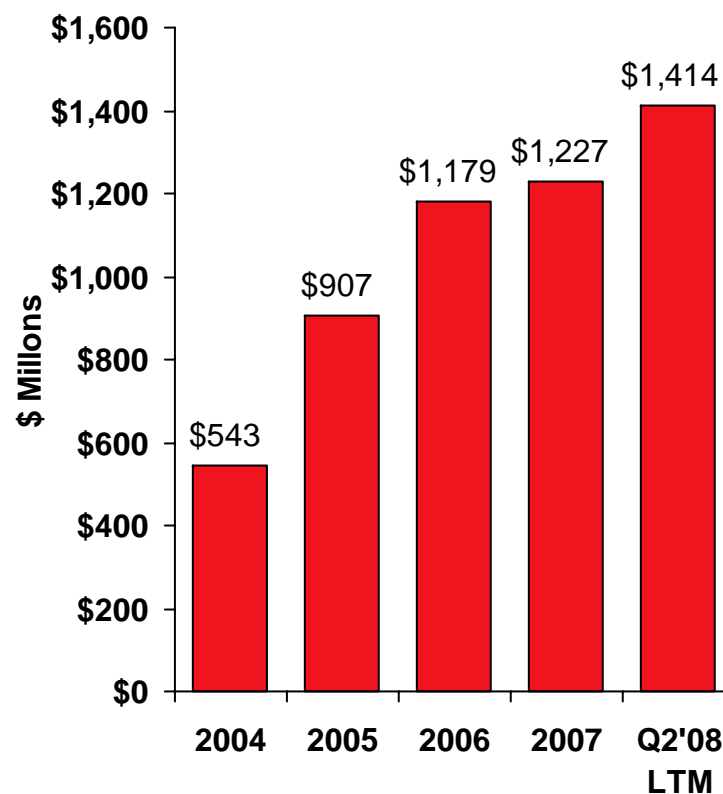


Cummins - Historical Performance

Sales



EBIT

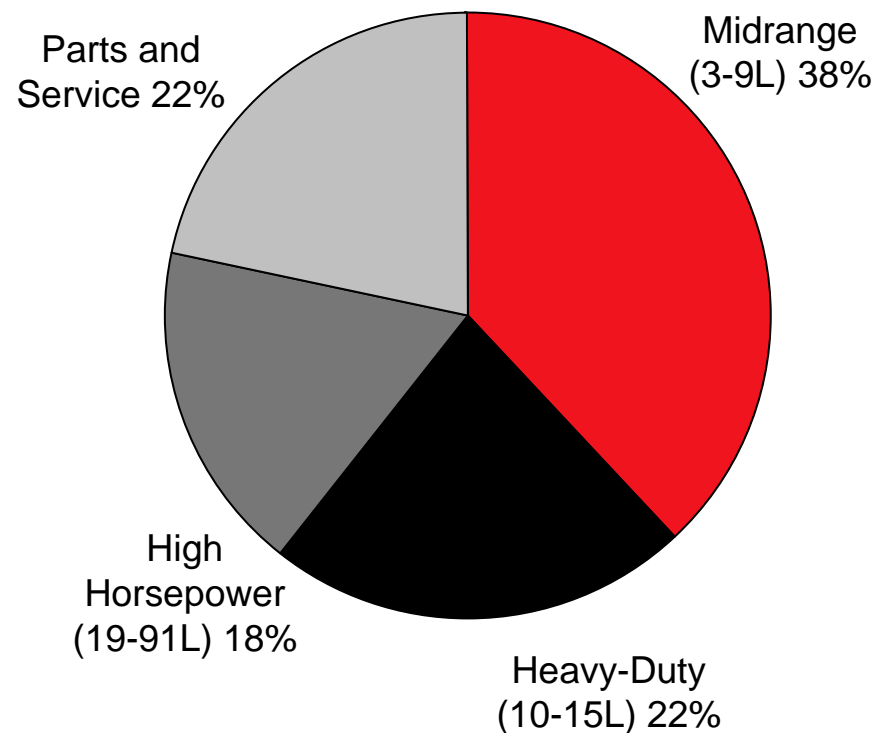




Engine Segment

Q2 2008 LTM Revenue by Product

- Emission regulations create opportunities
- Emerging markets
- Strategic OEM partnerships
- New engine platforms
- Aftermarket revenue creates stable earnings



Q2 2008 LTM Segment Data

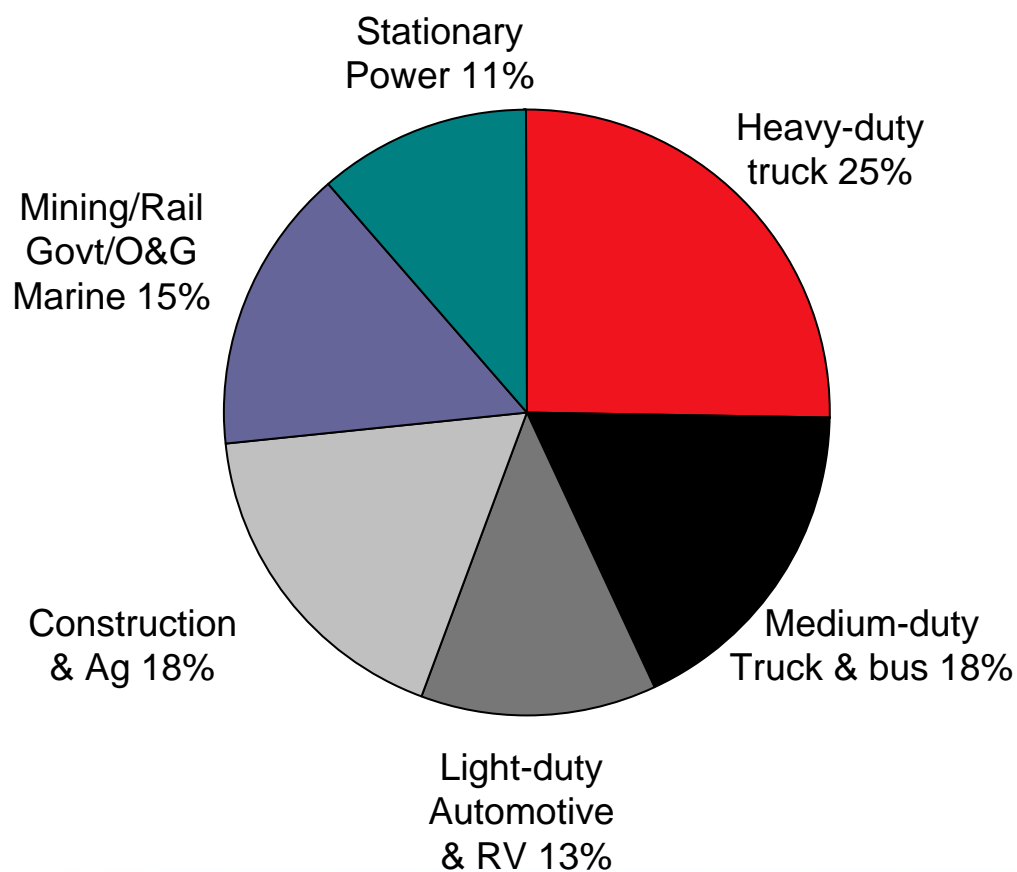
Sales: \$8.9 billion
EBIT: \$690 million
EBIT Margin: 7.8%



Engine Segment

Q2 2008 LTM Revenue by Market Application

- Gaining market share in on-highway markets
- Industrial markets supported by non-residential construction and commodity markets
- Expanding capacity to meet growing demand



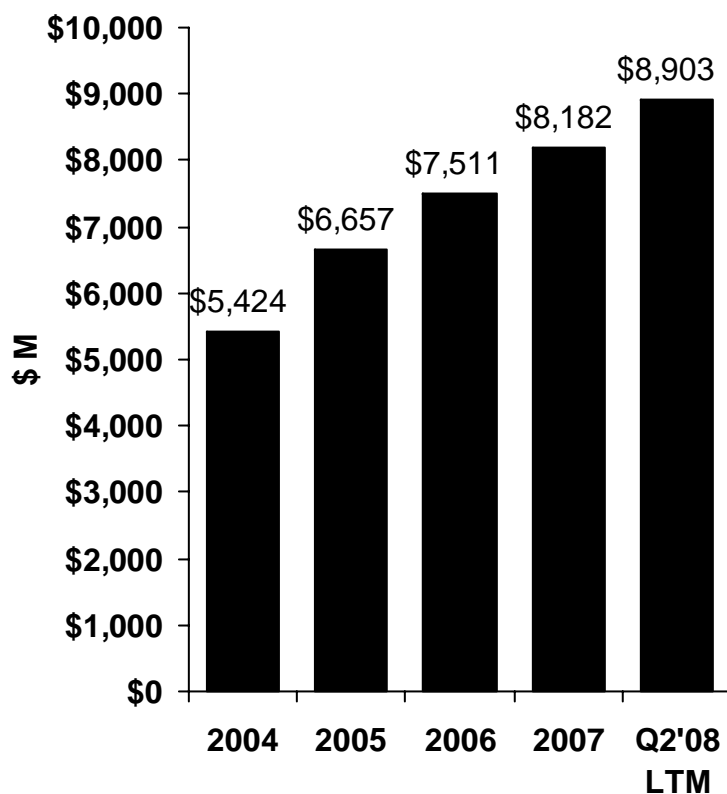
Q2 2008 LTM Segment Data

Sales: \$8.9 billion
EBIT: \$690 million
EBIT Margin: 7.8%

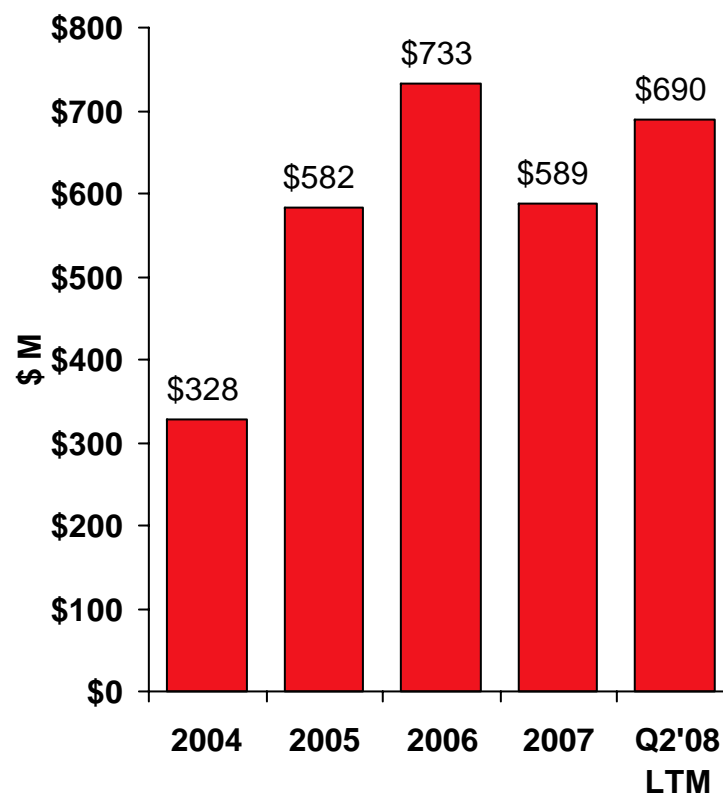


Engines – Historical Performance

Sales



Segment EBIT

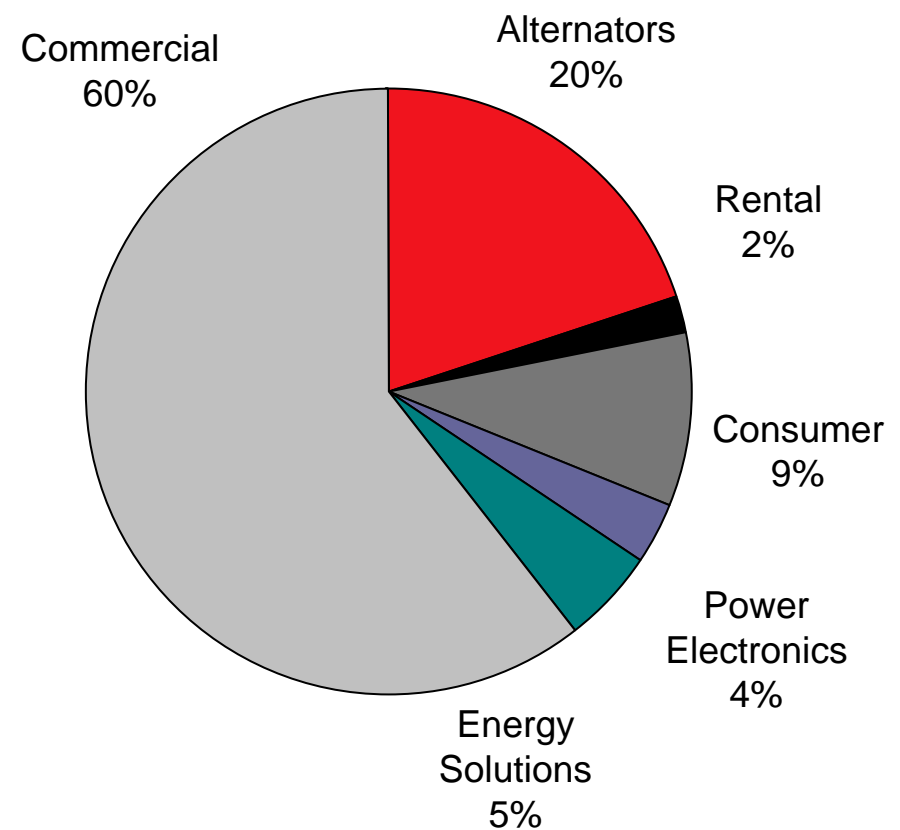




Power Generation Segment

Q2 2008 LTM Revenue by Product

- Capitalize on industry growth
- Leverage existing market leadership
- Establish leadership in all major markets
- Expand into new and adjacent markets



Q2 2008 LTM Segment Data

Sales: \$3.3 billion

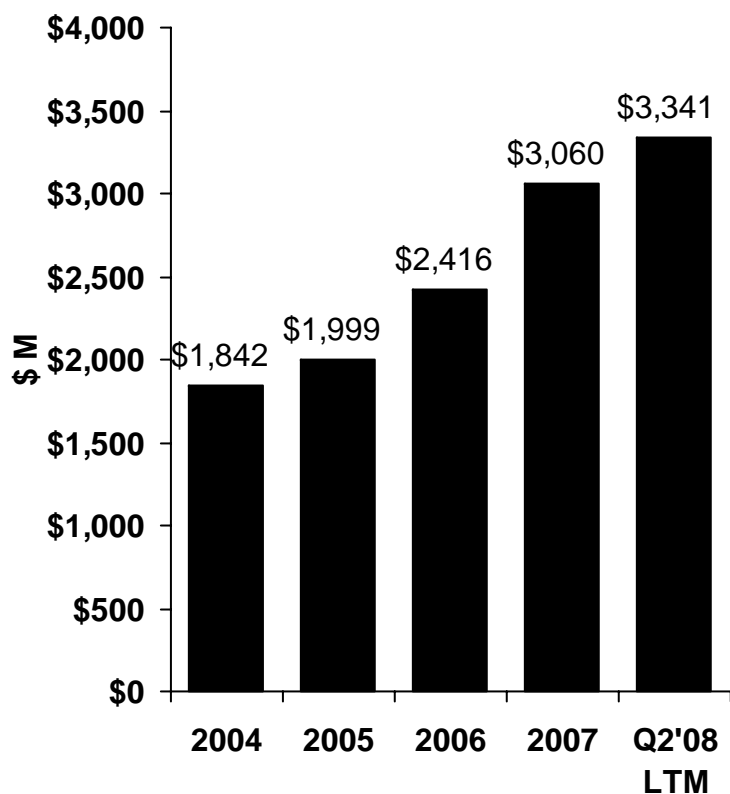
EBIT: \$362 million

EBIT Margin: 10.8%

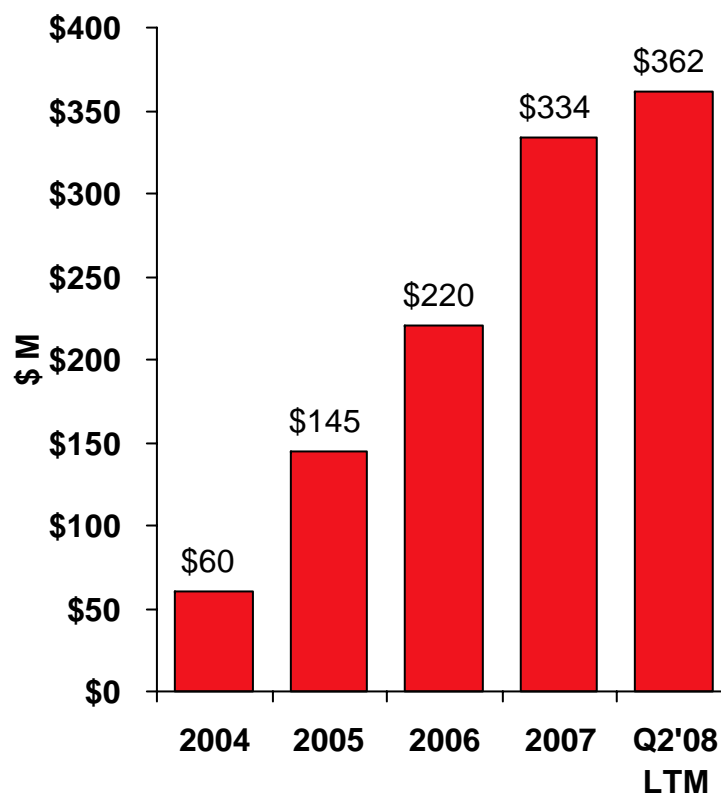


Power Generation - Historical Performance

Sales



Segment EBIT

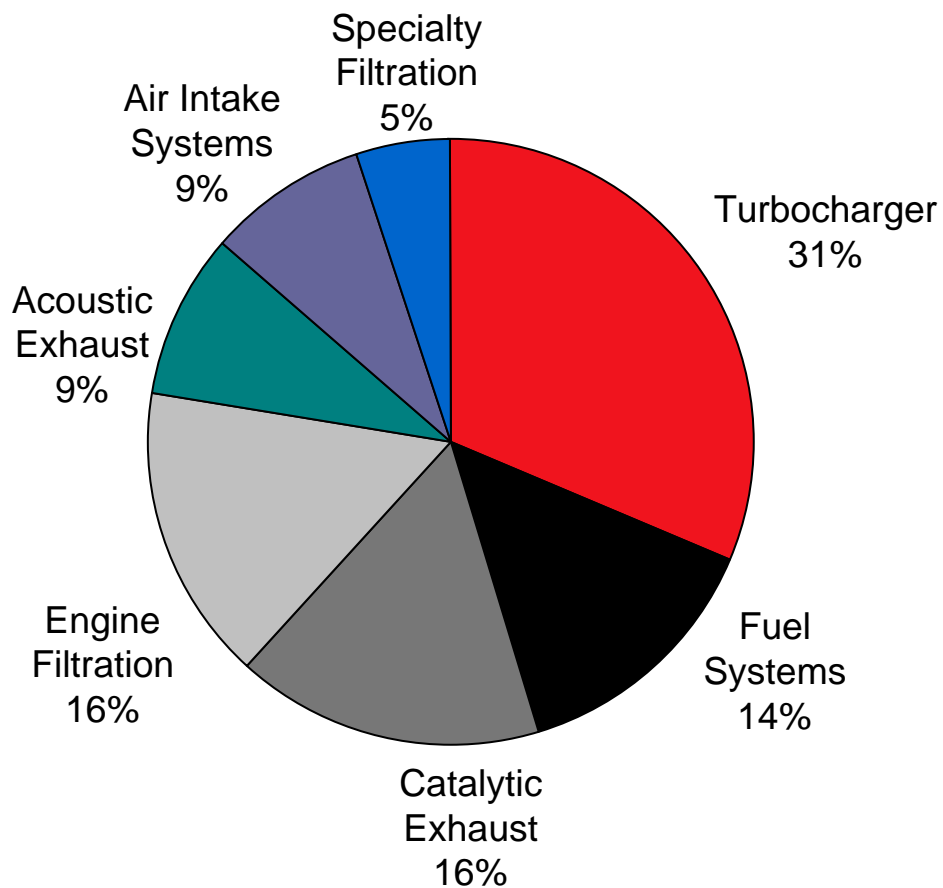




Components Segment

Q2 2008 LTM Revenue by Product

- New products launched
- Industry leading technology
- Capacity expansion
- Grow with CMI and non-CMI engine volumes
- Leverage global distribution to grow aftermarket



Q2 2008 LTM Segment Data

Sales: \$3.2 billion

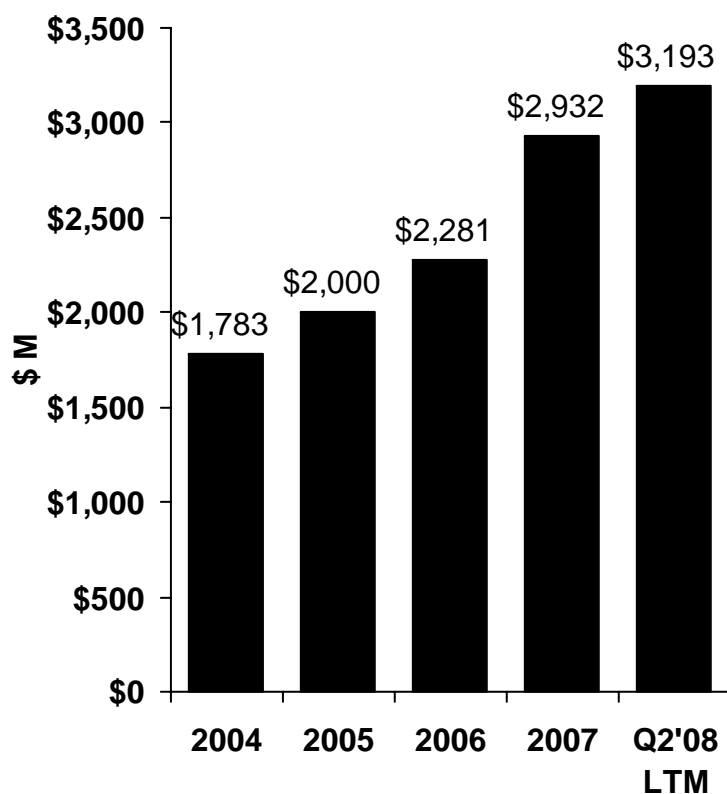
EBIT: \$195 million

EBIT Margin: 6.1%

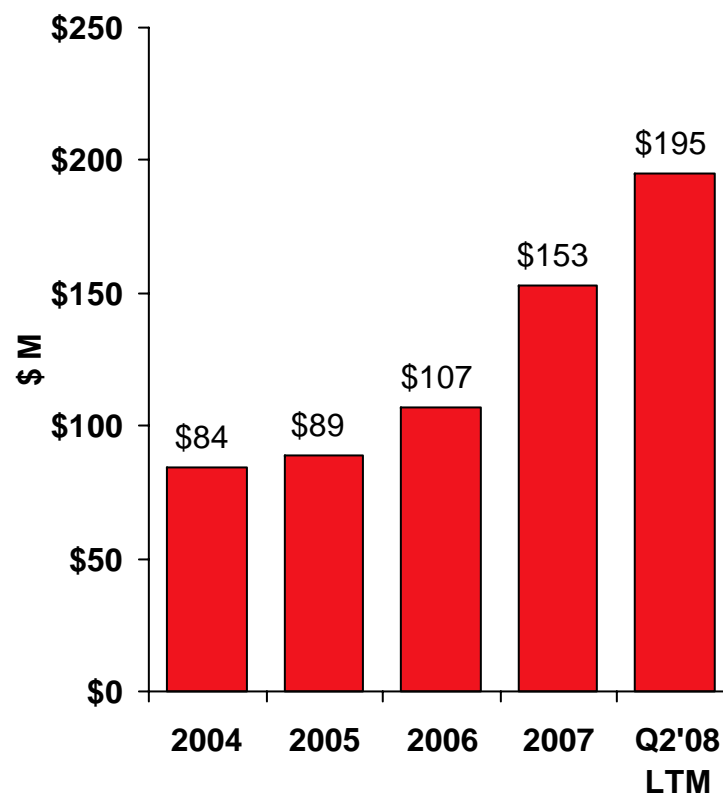


Components - Historical Performance

Sales



Segment EBIT

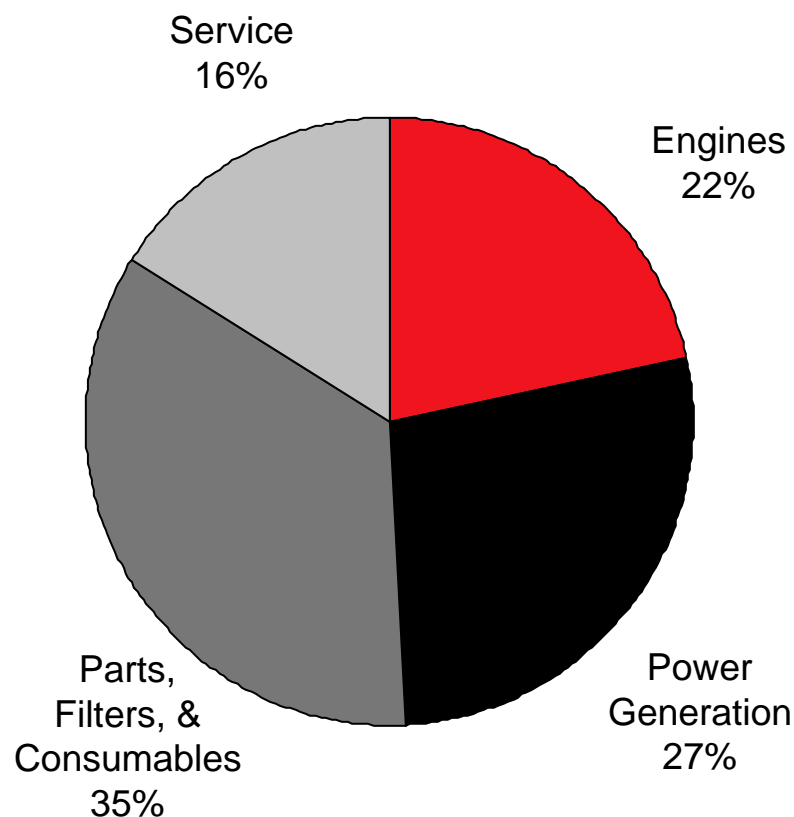




Distribution Segment

Q2 2008 LTM Revenue by Product

- Continue acquisitions, consolidations and integrations
- Leverage Cummins equipment growth
- World-class customer support
- Build capabilities – invest in growing regions



Q2 2008 LTM Segment Data

Sales: \$1.9 billion

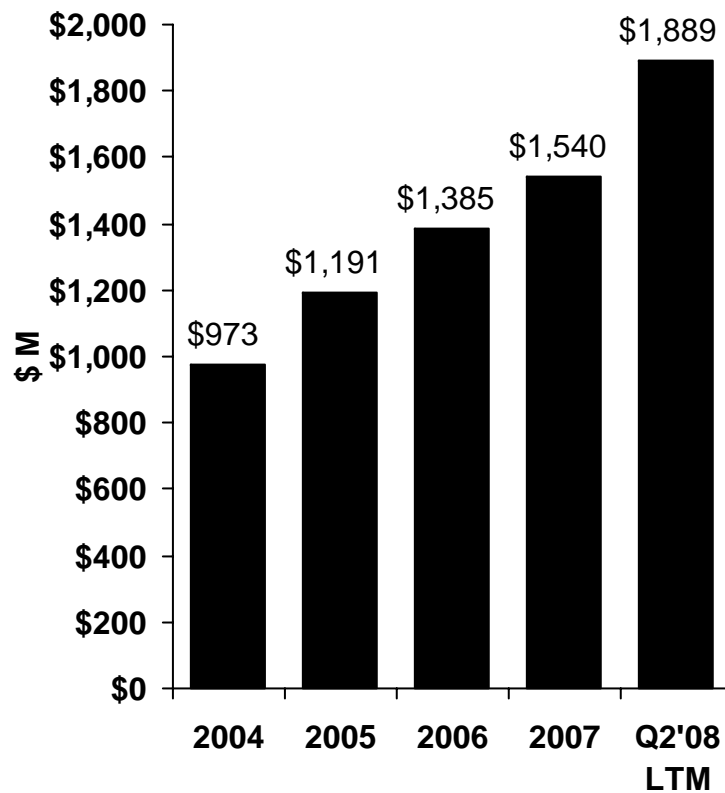
EBIT: \$219 million

EBIT Margin: 11.6%

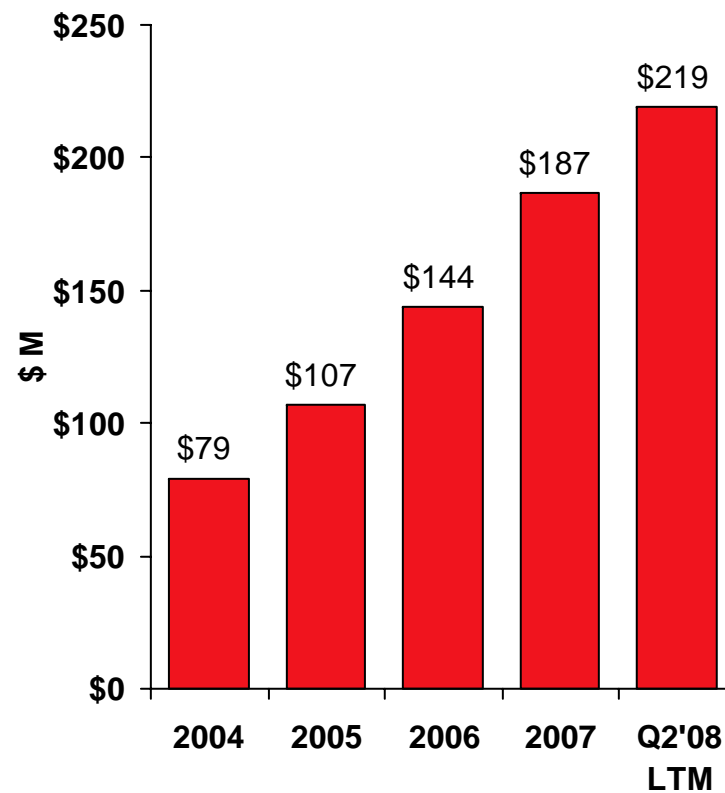


Distribution - Historical Performance

Sales



Segment EBIT



Non-GAAP Reconciliations





Non-GAAP Reconciliation - EBIT

Millions	<u>Three Months Ended</u>		
	June 29, 2008	March 30, 2008	July 1, 2007
Segment EBIT	\$ 469	\$ 315	\$ 354
Less: Interest Expense	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 14</u>
Earnings before income taxes and minority interests	\$ 457	\$ 304	\$ 340

We define EBIT as earnings before interest expense, provision for income taxes and minority 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 minority 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 - EBITDA

Three Months Ended

Millions	June 29, 2008	March 30, 2008	July 1, 2007
Segment EBIT	\$ 469	\$ 315	\$ 354
Add back: Depreciation & Amortization	<u>\$ 83</u>	<u>\$ 75</u>	<u>\$ 74</u>
EBITDA	\$ 552	\$ 390	\$ 428

We define EBITDA as earnings before interest expense, provision for income taxes, minority interests in earnings of consolidated subsidiaries and depreciation and amortization expense. 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, income taxes or depreciation methods. 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	June 29, 2008	July 1, 2007
Net assets for operating segments	\$ 4,714	\$ 4,285
Liabilities deducted in computing net assets	4,045	3,695
Pension and other postretirement liabilities	(350)	(824)
Deferred tax assets not allocated to segments	520	662
Debt-related costs not allocated to segments	26	26
Total assets	\$ 8,955	\$ 7,844

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	June 29, 2008	July 1, 2007
Equity used for return on equity calculation	\$ 4,200	\$ 3,695
less Defined other postretirement benefits	2	9
less Defined benefit pension plans	366	527
Total shareholder's equity	\$ 3,832	\$ 3,159

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.