

# Cummins Inc.

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Heavy-duty Engine Business

Barclays Capital  
Industrial Select Conference  
February 11, 2009  
Updated for 8-K filed 2/25/09





## 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 2008 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](http://www.cummins.com)) for the reconciliation of those measures to GAAP financial measures.

# Diversified Global Power Leader

## Four Complementary Businesses



Engines



Power  
Generation



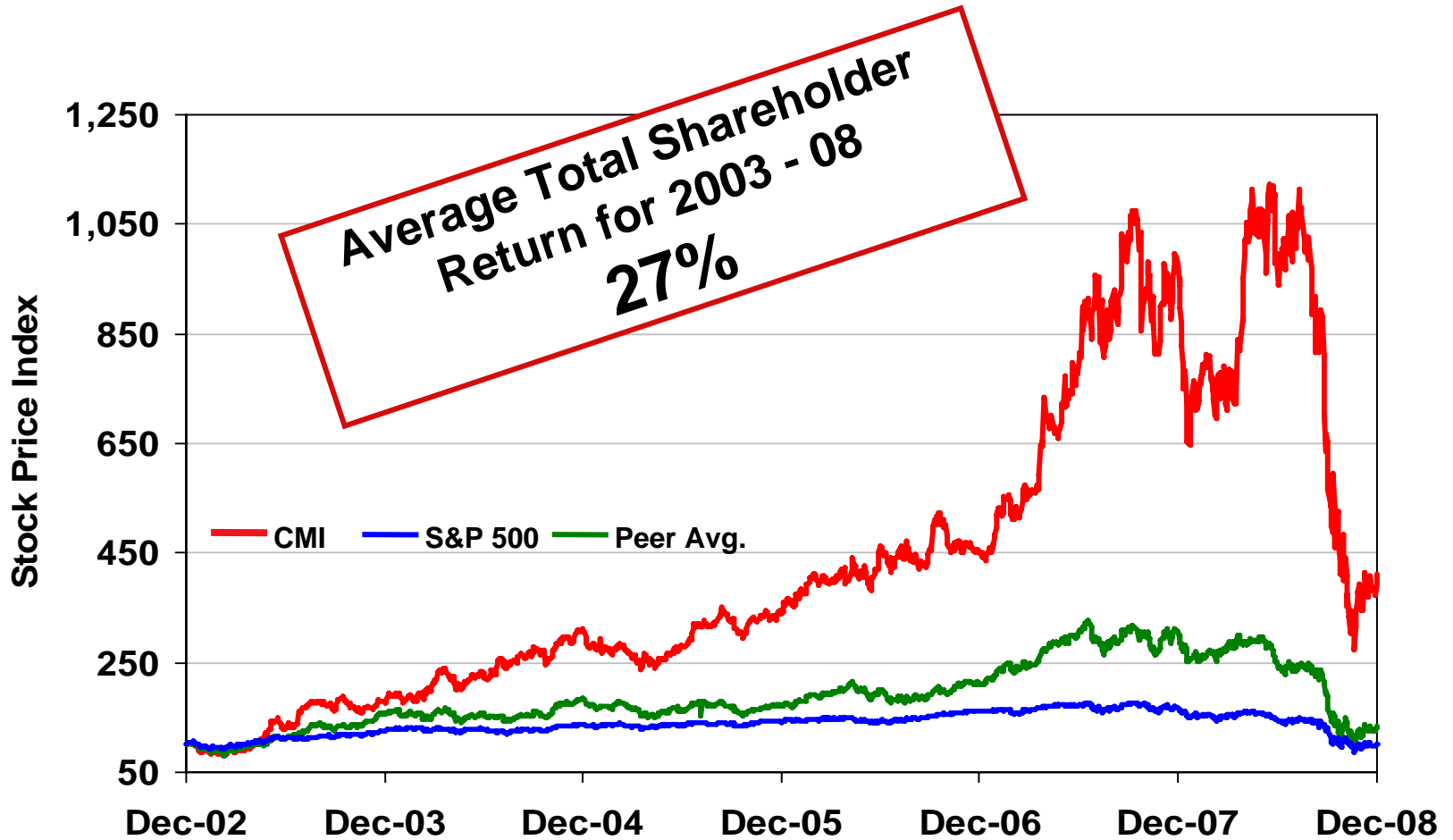
Distribution



Components



# Cummins Outperformed in Last Cycle

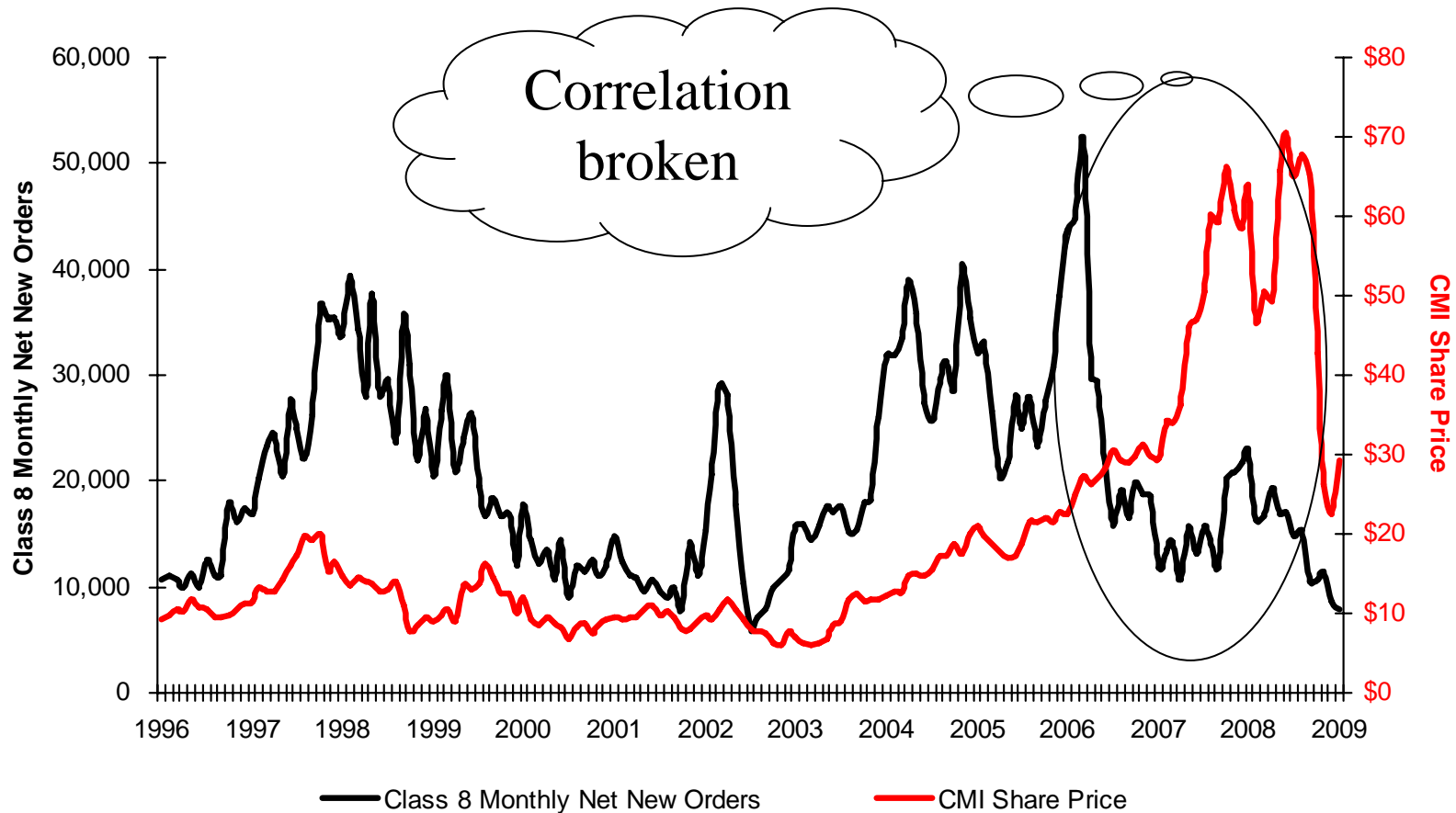




## Cummins will Outperform in this Cycle

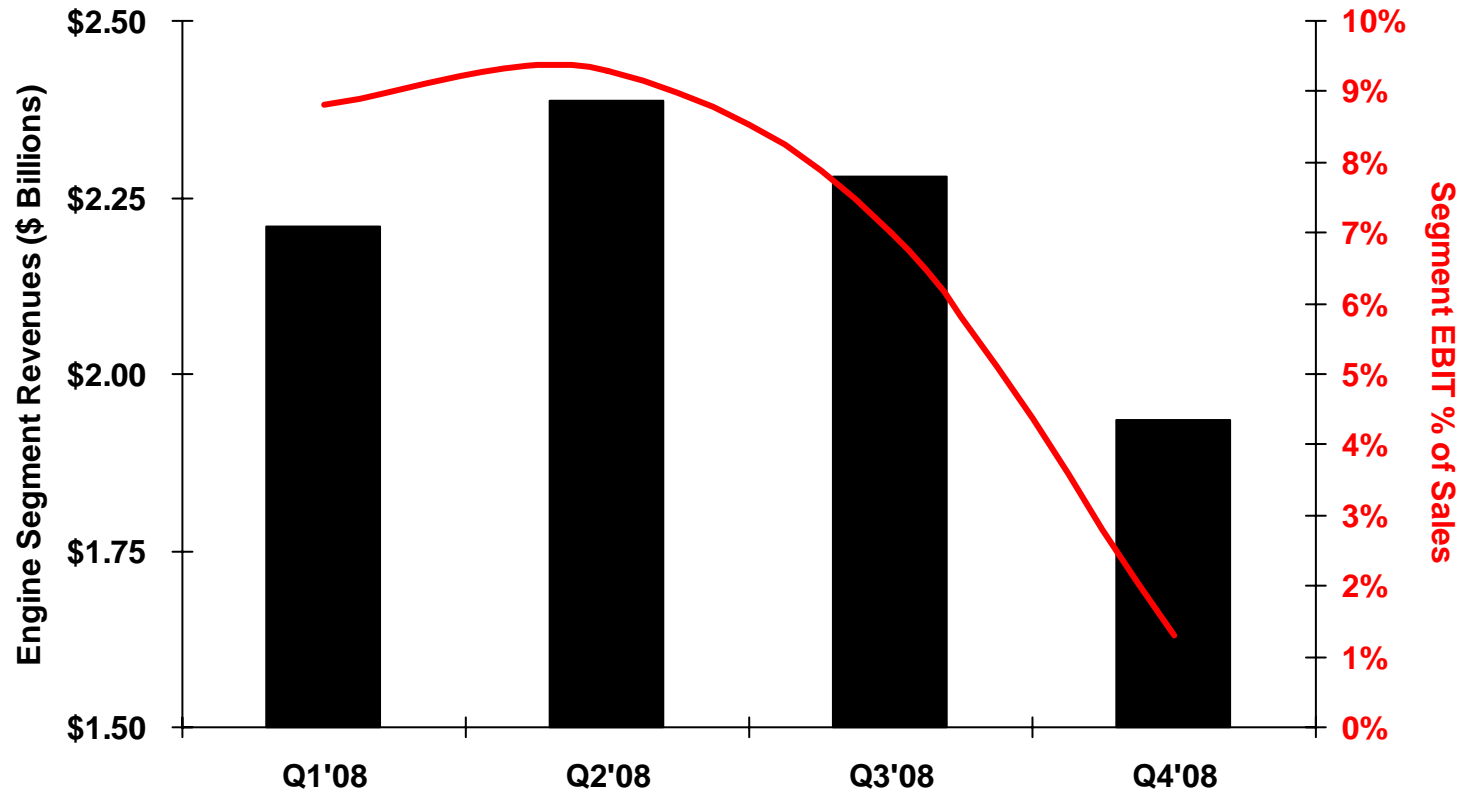
- Cummins is taking aggressive steps to manage deteriorating demand
- Cummins is in better financial health than in the last recession
- Cummins is competitively positioned to emerge a stronger company

# No Longer Just a North American Heavy-duty Truck Company





# Engine Business Faced Year of Transition in 2008



## Taking Aggressive Steps to Manage Deteriorating Demand

- Reducing costs to earn a profit through the downturn
- Managing the business to ensure positive cash flow
- Continuing to invest in critical technologies and products for 2010 and beyond



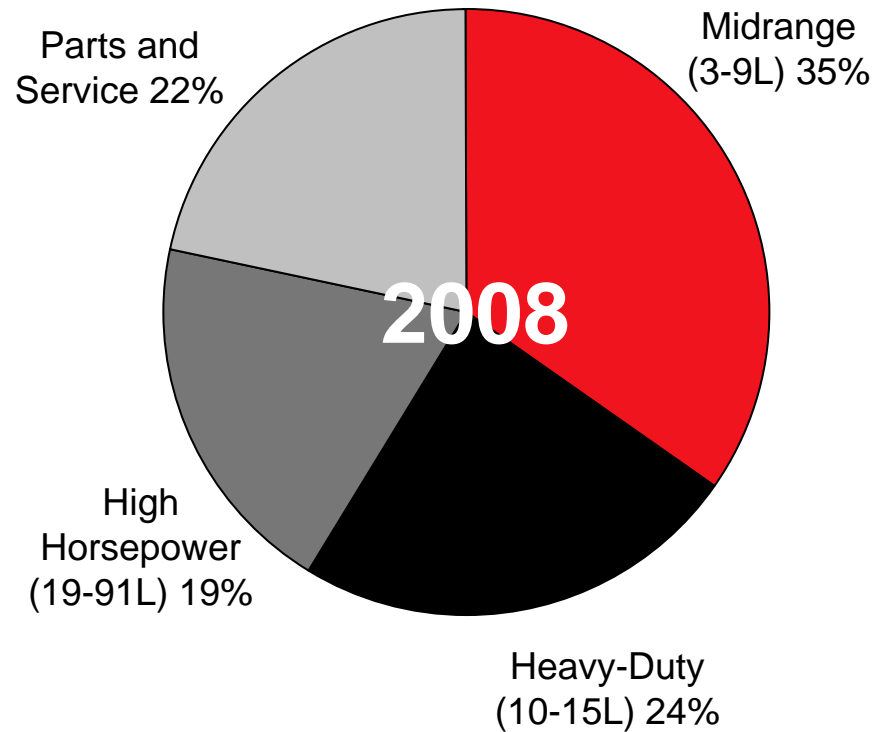
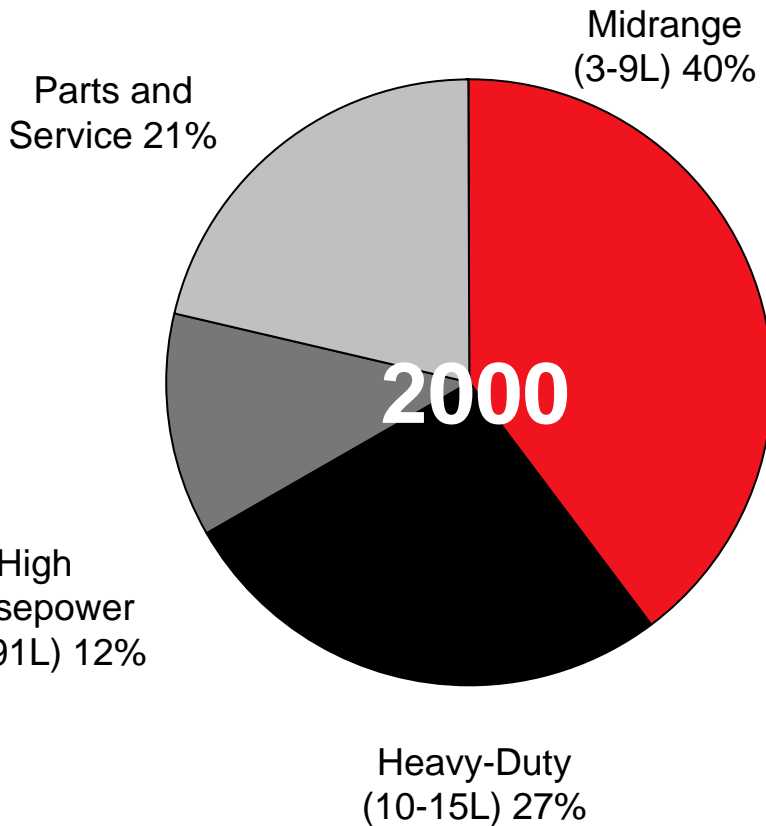
## Cummins in Better Financial Health than Last Cycle

- Greater diversification
- Significantly improved profitability
- Better quality product with best-in-class fuel economy
- Increased market share
- Stronger balance sheet



# Engine Segment More Diversified

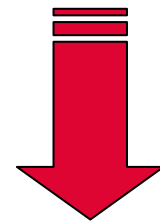
## Revenue by Product



# Significantly Improved Profitability of Heavy-duty Business

- Negative Heavy-duty engine ROS % 8 out of 9 years between 1995 and 2003
- Improved pricing through LTA with OEMs
- Reduced fixed cost structure by eliminating excess capacity
- Improved product quality and warranty costs

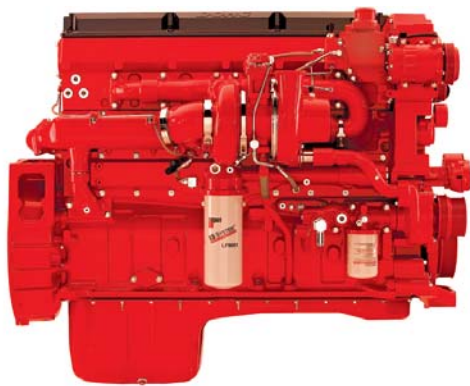
	<u>2000</u>	<u>2008</u>
Units Shipped	88K	108K



23 percentage points  
better Return on Engine  
Sales in 2008!

# Better Tested Product and Better Fuel Economy Expectations

- EPA '02 EGR
- 3-5% fuel economy degradation
- EPA '10 EGR+DPF+SCR
- Up to 5% fuel economy improvement

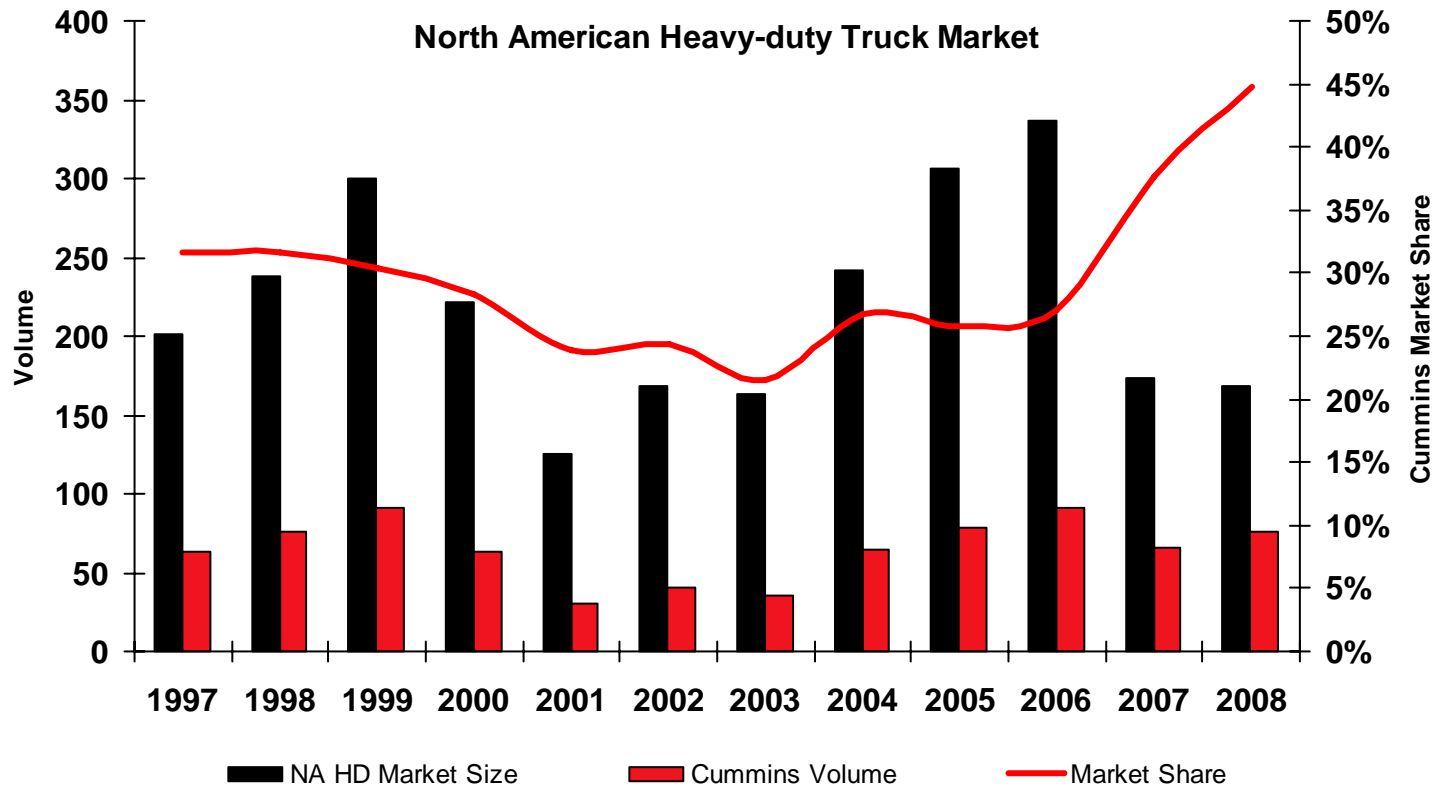


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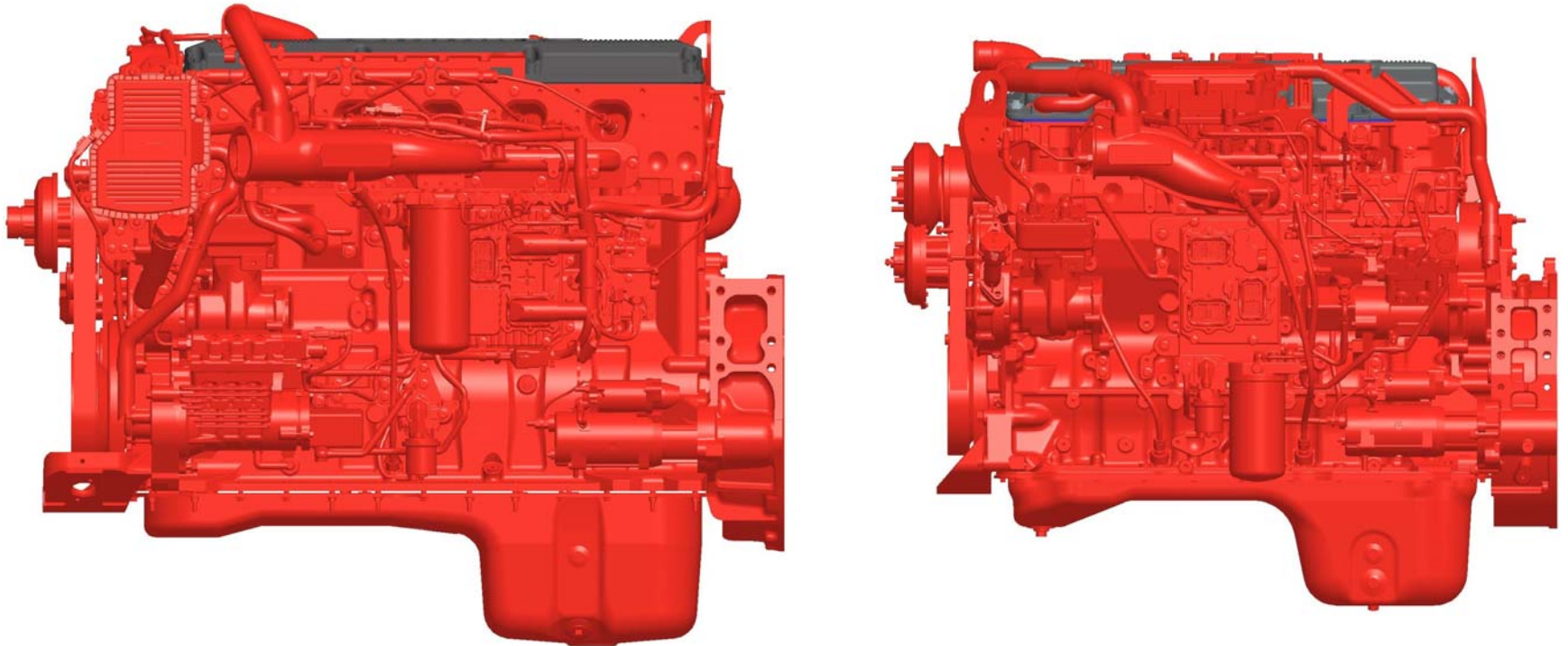




# Customers Have Recognized the Improvement



# Investing in New Engine Platforms for 2010



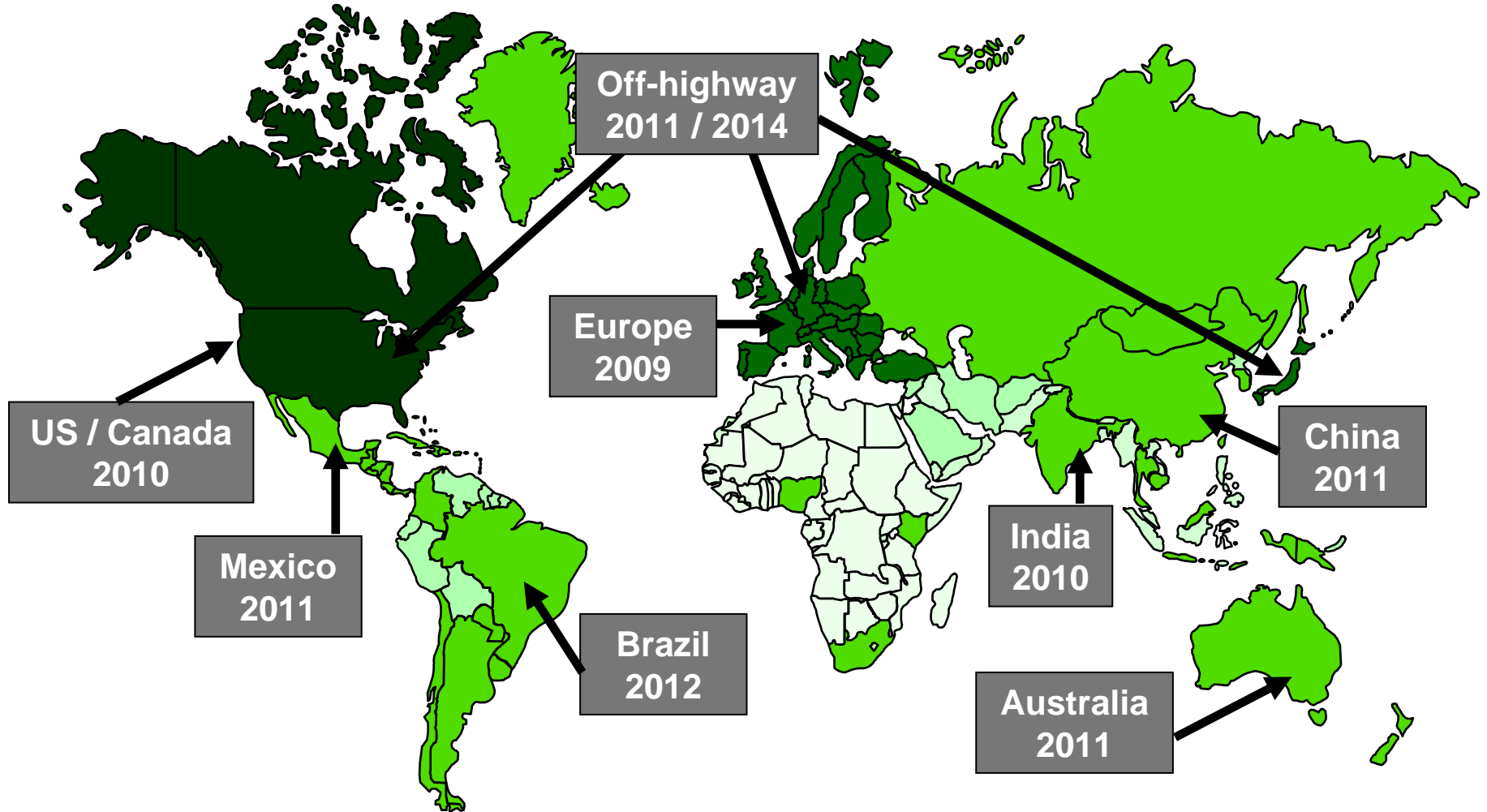
Introducing the ISX15 & ISX11.9



## Cummins is Competitively Positioned to Emerge a Stronger Company

- Tougher emission standards
- Demand for greater fuel efficiency
- Right Technology for future
- Eventual return of demand for new trucks

# Tougher Global Emission Standards





# The Right Technology

## Integrated Technology to Meet EPA 2010

### Heavy-Duty Market Needs

- **Maximum fuel efficiency**
- **High uptime**
- **Low Maintenance**
- **High residual value**

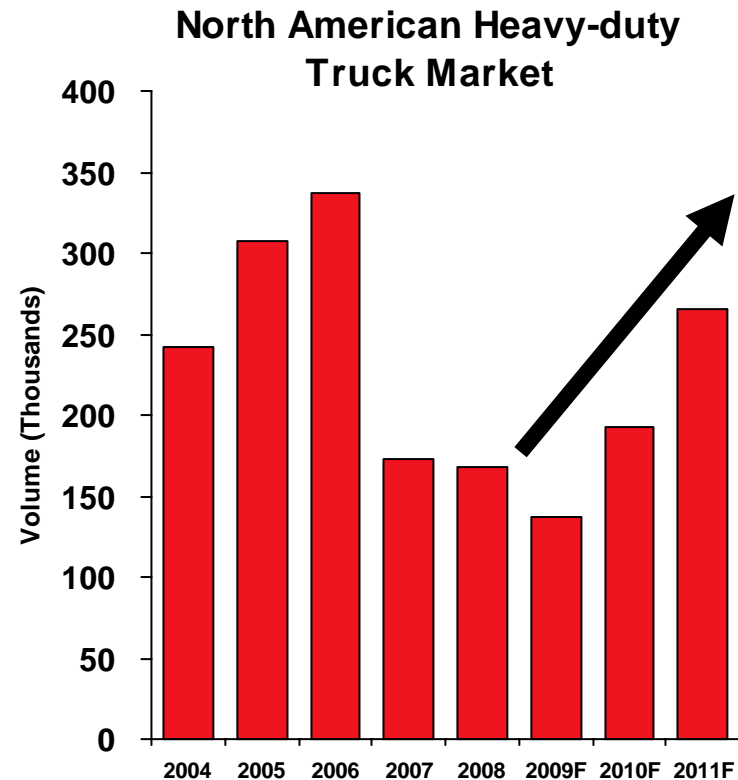
**Lowest Cost of Ownership**

### Heavy-Duty Technology Path

- **Highly capable EGR engines**
  - **New XPI fuel system**
  - **Combustion technology**
  - **Proven air handling**
  - **Electronic controls**
- **New SCR catalyst technology allows the engine to operate with optimum fuel efficiency**
- **Up to 5% improvement in fuel economy**

# Demand for New Trucks Will Return

- Truck sector always leads out of recession
- Increasing age of fleets
- Re-emergence of Emerging Markets
- Market share opportunities exist





## Invest in Cummins

- Cummins is taking aggressive steps to manage through the recession
- Cummins is in better financial health than in the last recession
- Cummins is competitively positioned to emerge a stronger company
- Cummins is poised for profitable future growth



# Thank You for Your Interest in Cummins

We will now take your questions.

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# Appendix

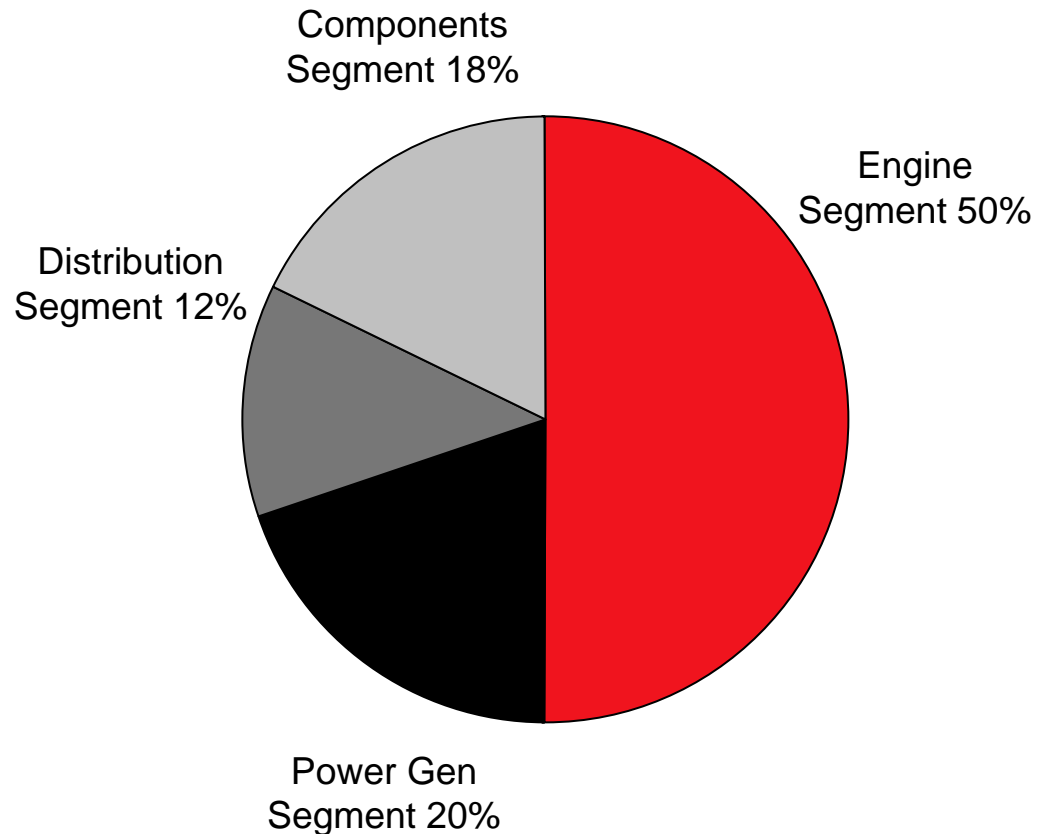




# Cummins Inc.

## 2008 Revenue by Segment

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



### 2008 Data

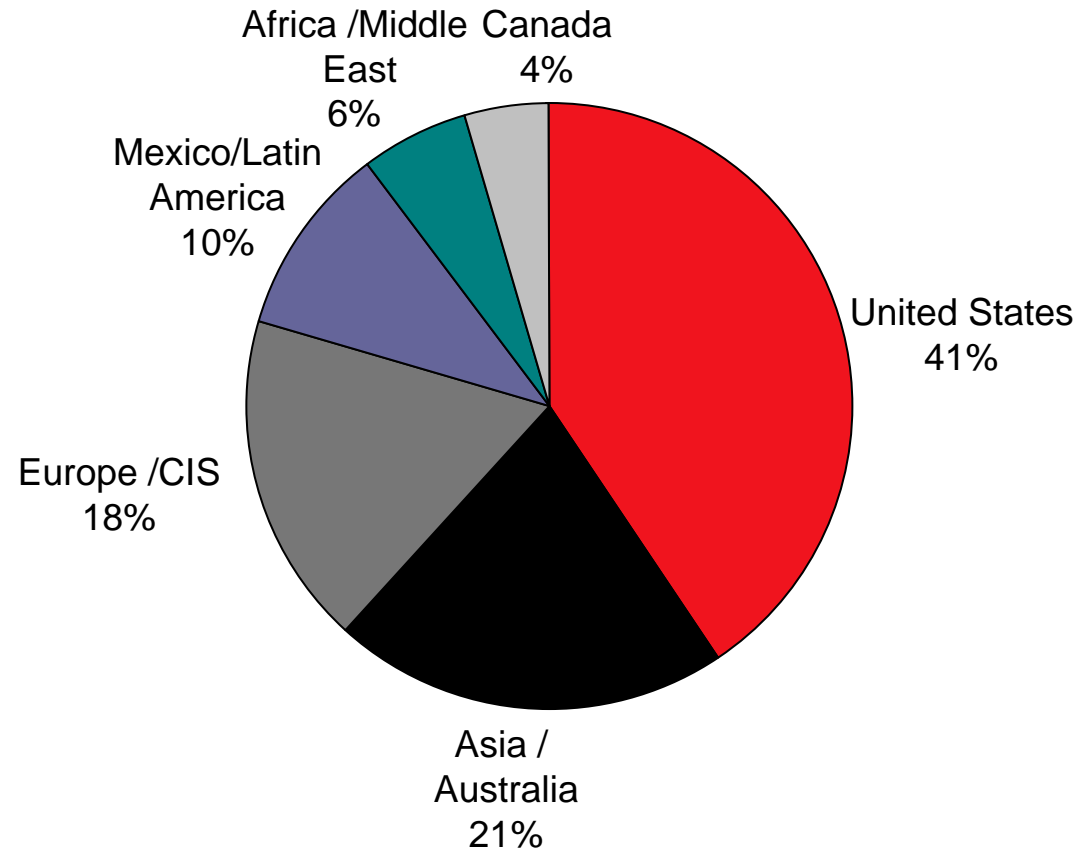
**Sales: \$14.3 billion**  
**EBIT: \$1,220 million**  
**EBIT Margin: 8.5%**



# Cummins Inc.

## 2008 Revenue by Marketing Territory

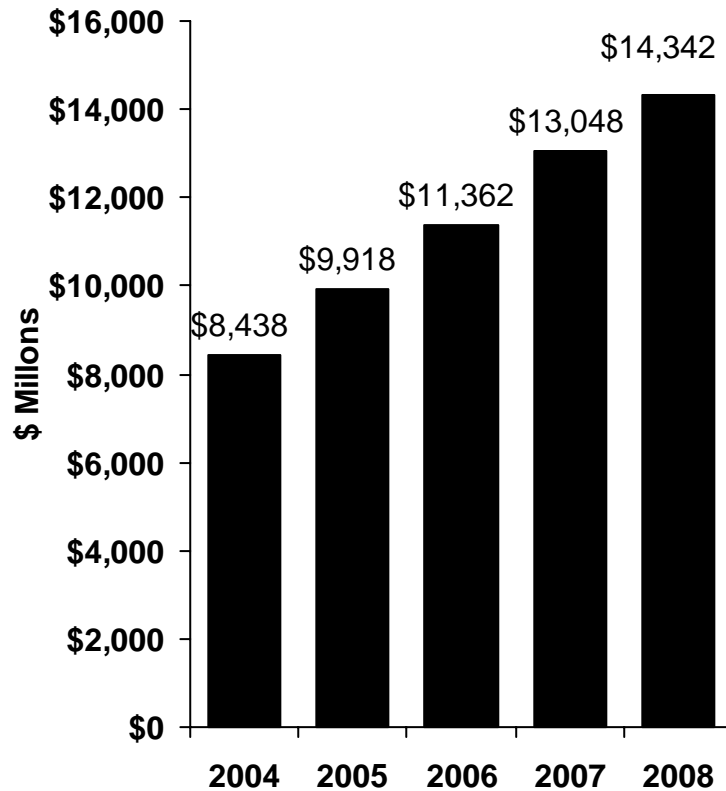
- International revenues grew from 54% of total sales in 2007 to 59% in 2008
- Demonstrates our geographic diversity



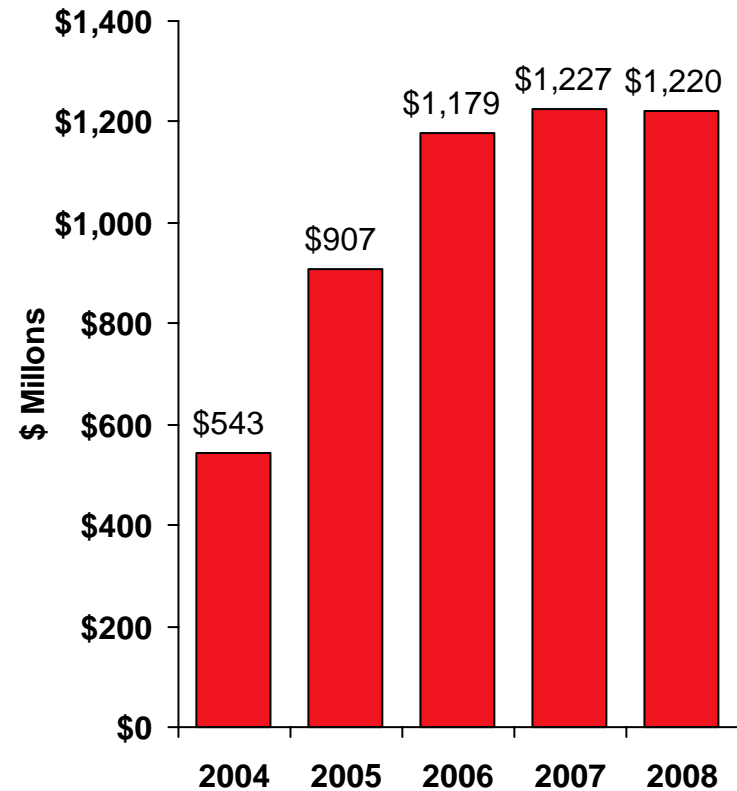


# Cummins - Historical Performance

## Sales



## EBIT





# Business Performance Targets Across Economic Cycle

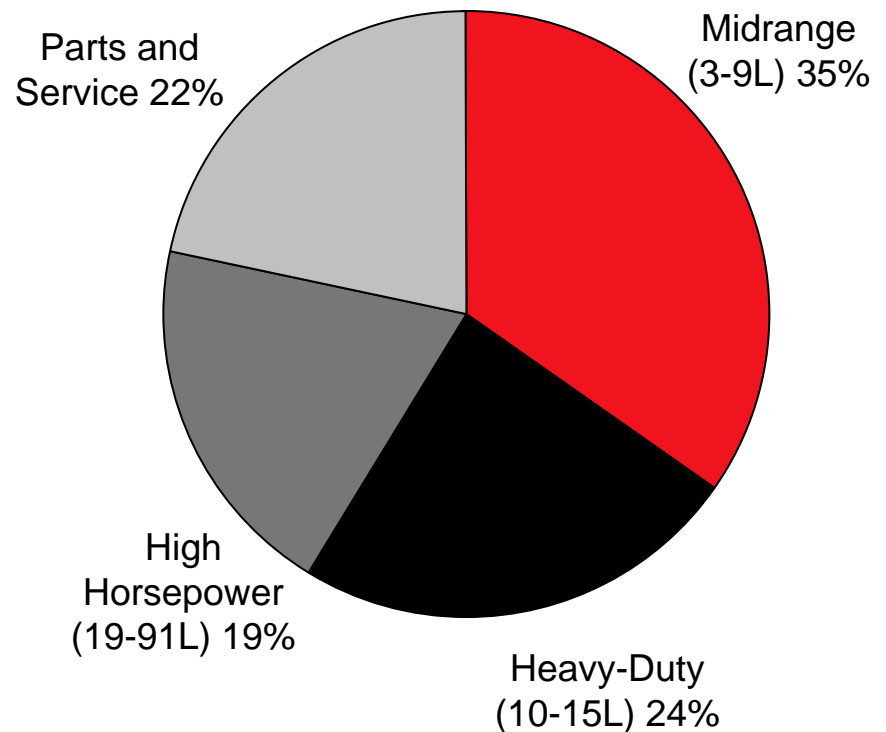
	Sales Growth (Five year CAGR)	EBIT % of Sales
Engine Business	13%	8.5%
Power Generation	15%	10%
Distribution	15%	11%
Components	20%	9%
<b>Cummins Inc.</b>	<b>12%</b>	<b>10%</b>

# Engine Segment

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

**2008 Segment Data**  
**Sales: \$8.8 billion**  
**EBIT: \$535 million**  
**EBIT Margin: 6.1%**

## 2008 Revenue by Product

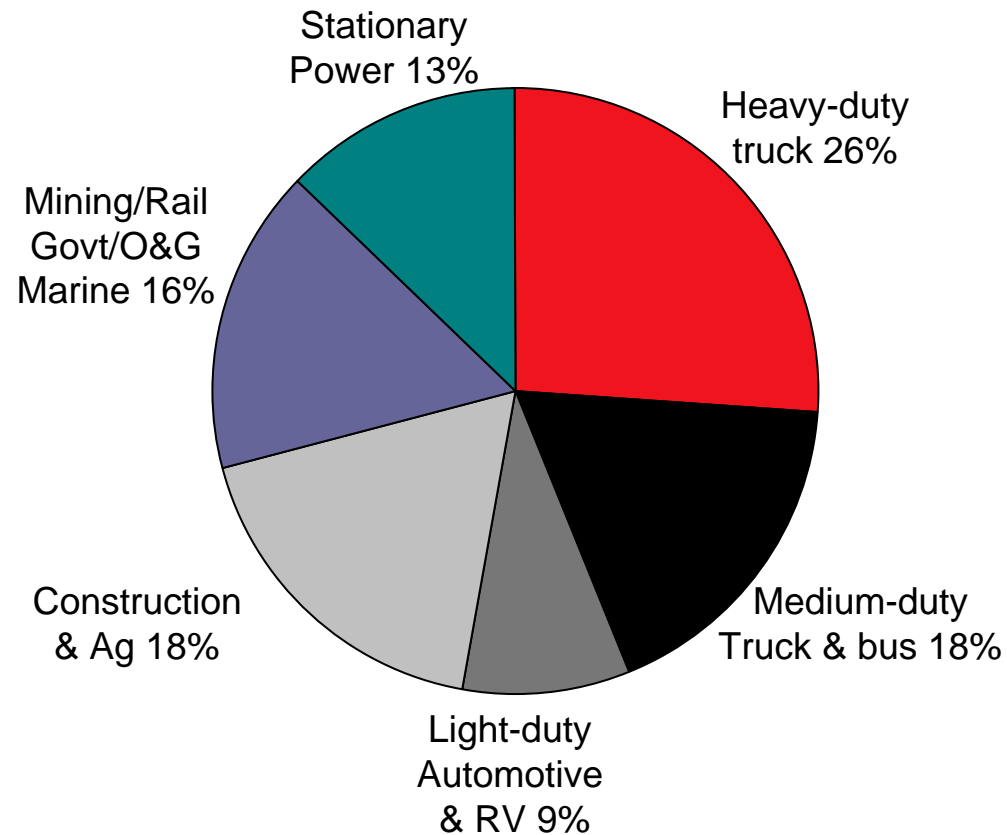




# Engine Segment

## 2008 Revenue by Market Application

- Diversified end-market applications across entire economic cycle
- Leverage share gains in on-highway markets as markets recover
- Technology leadership and new platforms to benefit from tougher emissions and fuel efficiency requirements.



### 2008 Segment Data

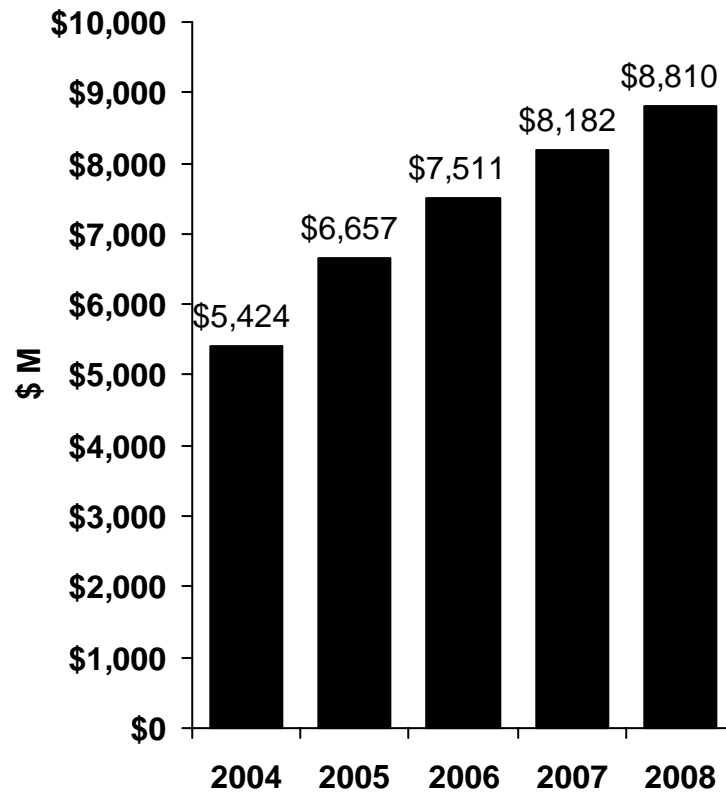
**Sales: \$8.8 billion**

**EBIT: \$535 million**

**EBIT Margin: 6.1%**

# Engines – Historical Performance

## Sales



## Segment EBIT

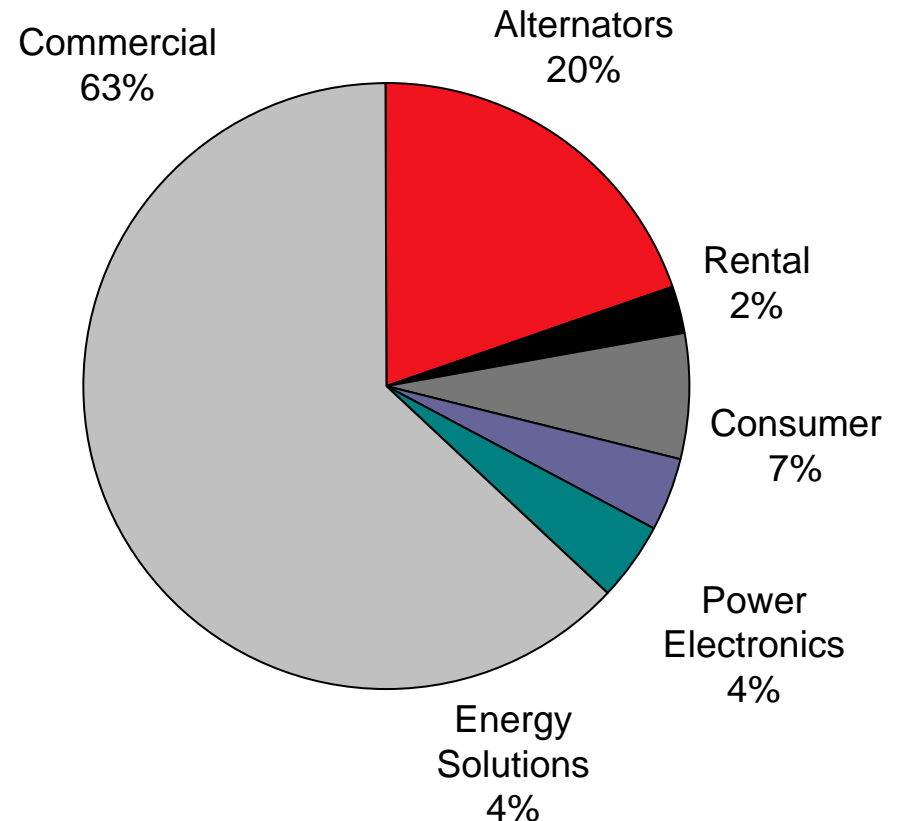


# Power Generation Segment

- Leverage existing market leadership
- Establish leadership in all major markets
- Expand into new and adjacent markets
- Improved mix of Stand-by & Distributed Generation Applications

**2008 Segment Data**  
**Sales: \$3.5 billion**  
**EBIT: \$376 million**  
**EBIT Margin: 10.7%**

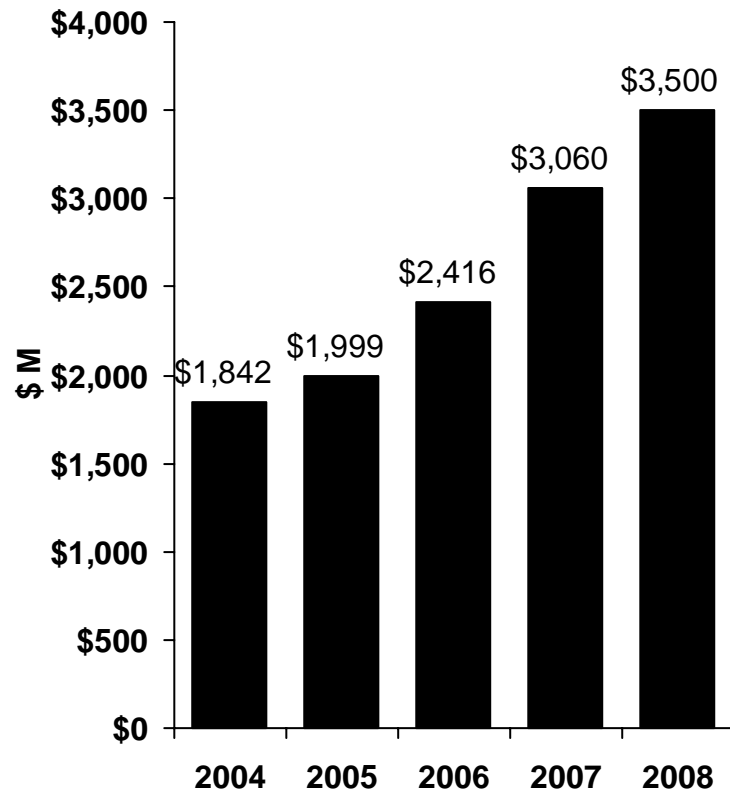
## 2008 Revenue by Product



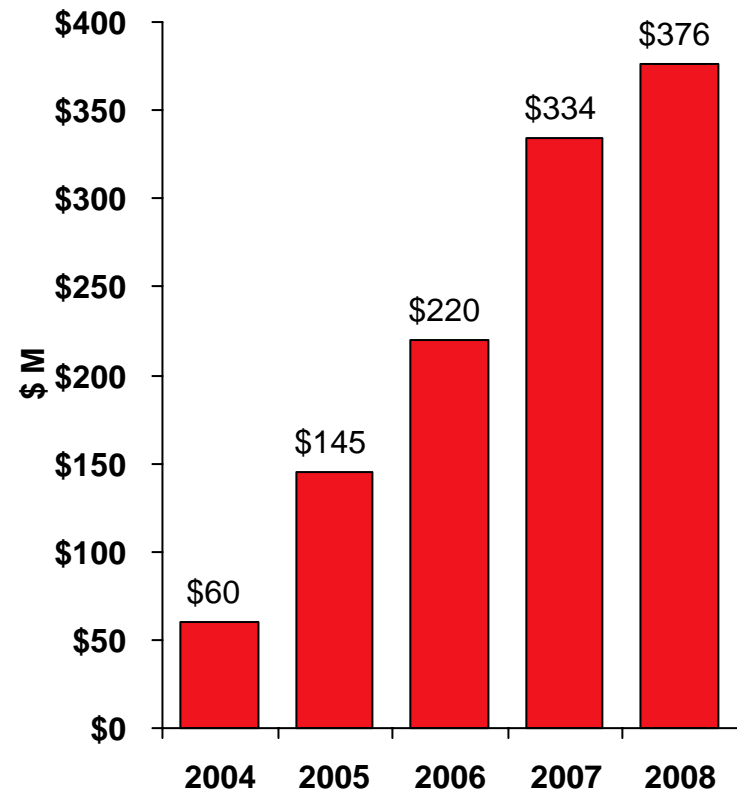


# Power Generation – Historical Performance

## Sales



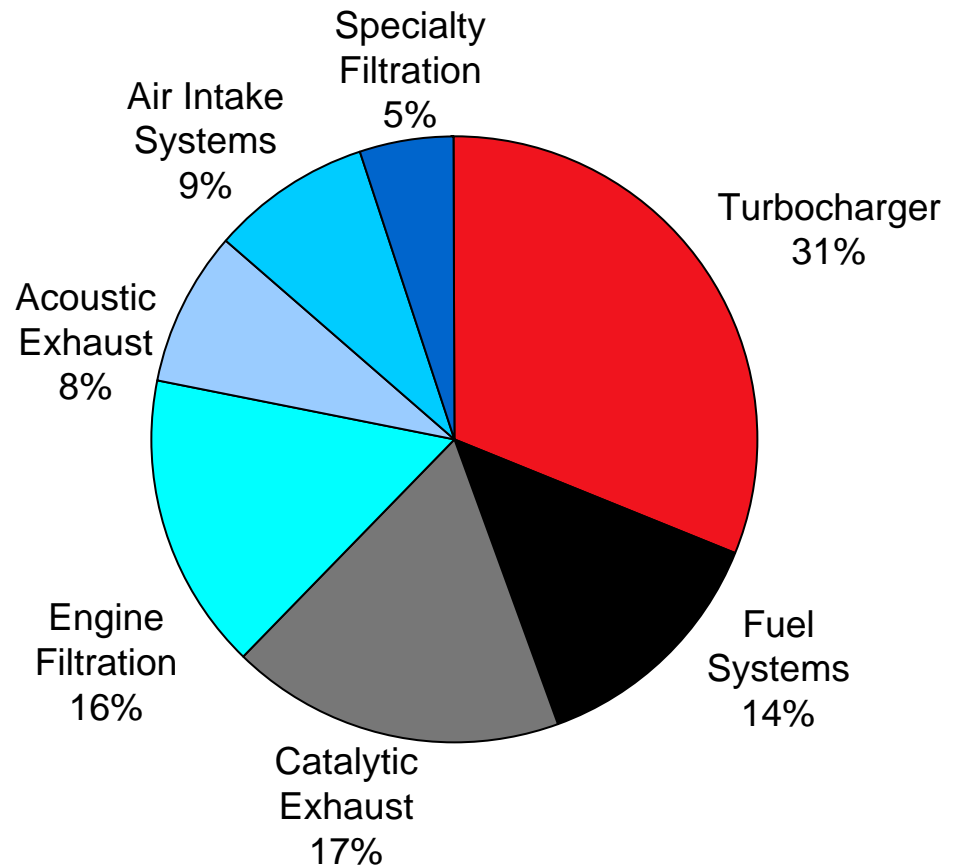
## Segment EBIT



# Components Segment

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

## 2008 Revenue by Product



### 2008 Segment Data

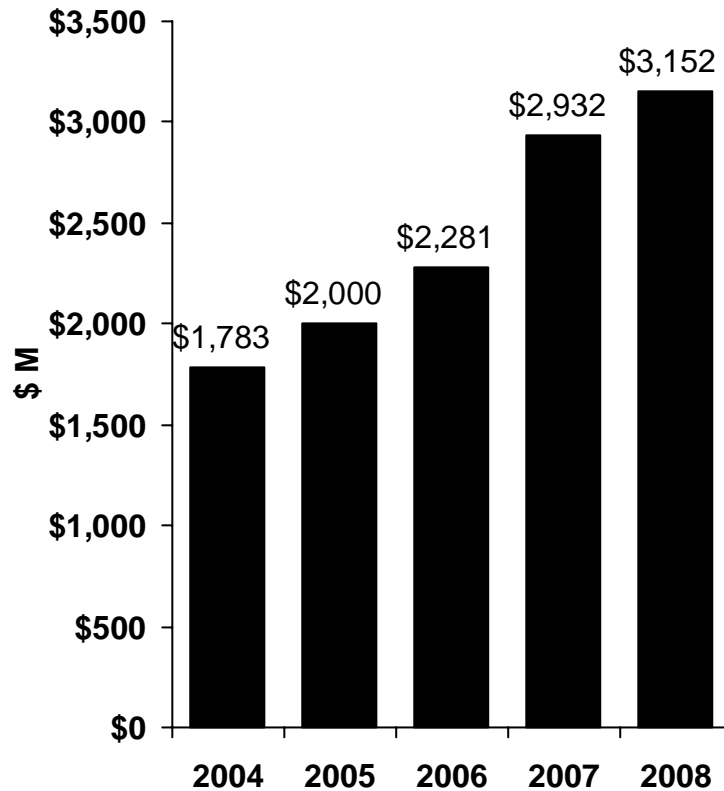
Sales: \$3.2 billion

EBIT: \$169 million

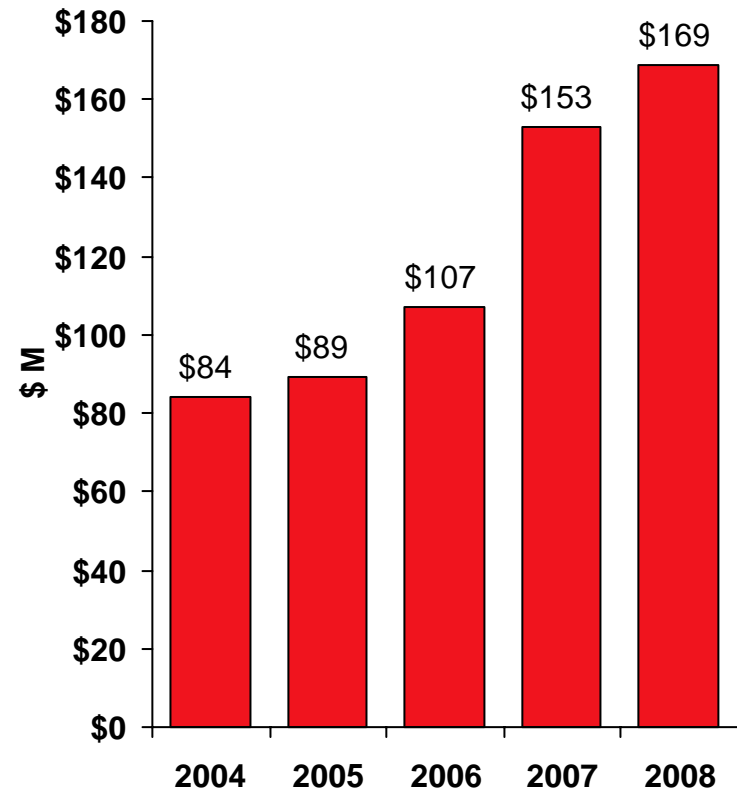
EBIT Margin: 5.4%

# Components - Historical Performance

## Sales



## Segment EBIT

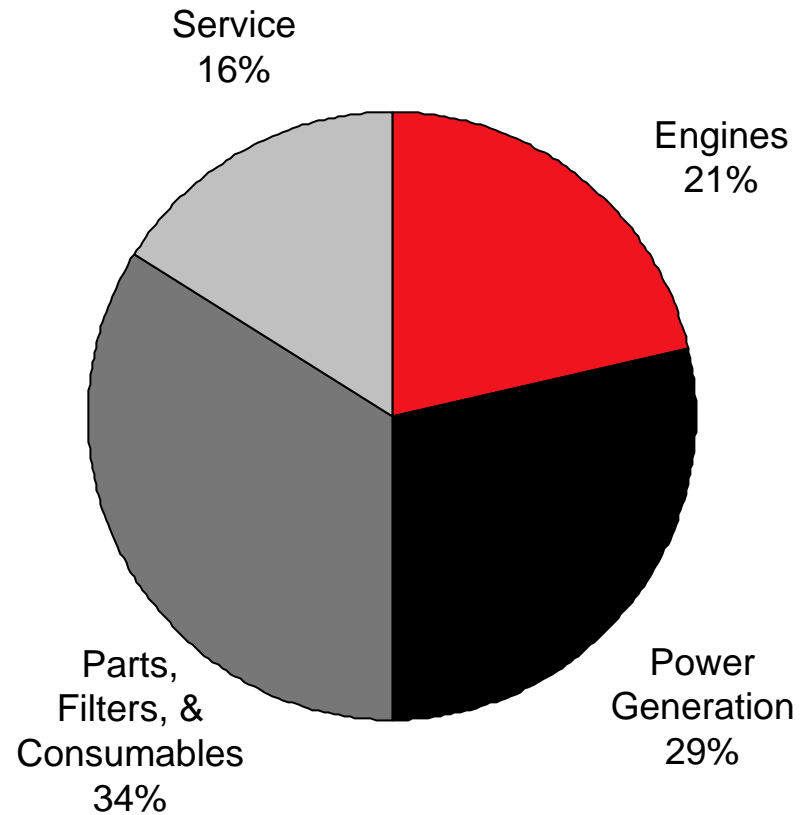


# Distribution Segment

- Continue acquisitions, consolidations and integrations
- Leverage aftermarket with Cummins equipment growth
- Build capabilities for World-class customer support

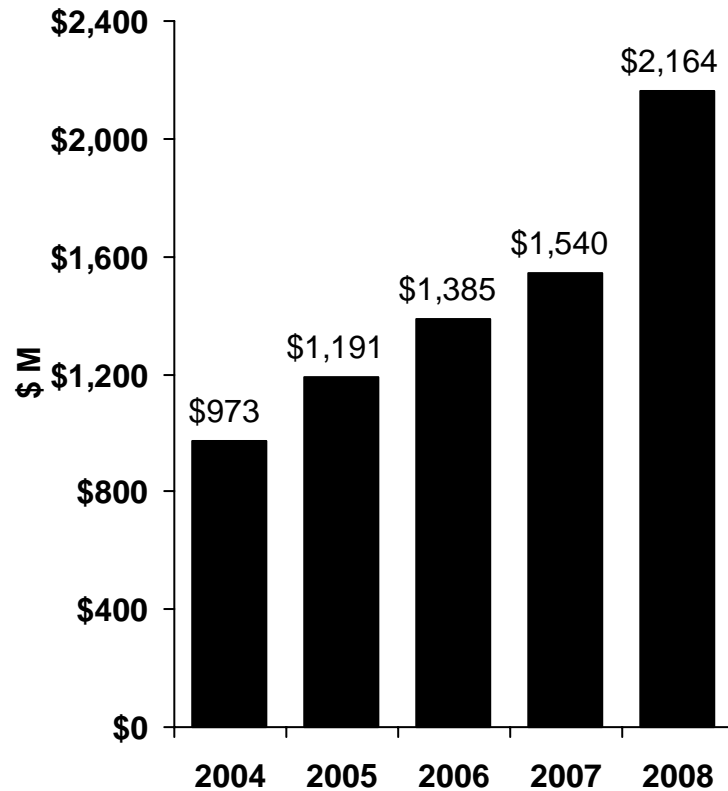
**2008 Segment Data**  
**Sales: \$2.2 billion**  
**EBIT: \$242 million**  
**EBIT Margin: 11.2%**

## 2008 Revenue by Product

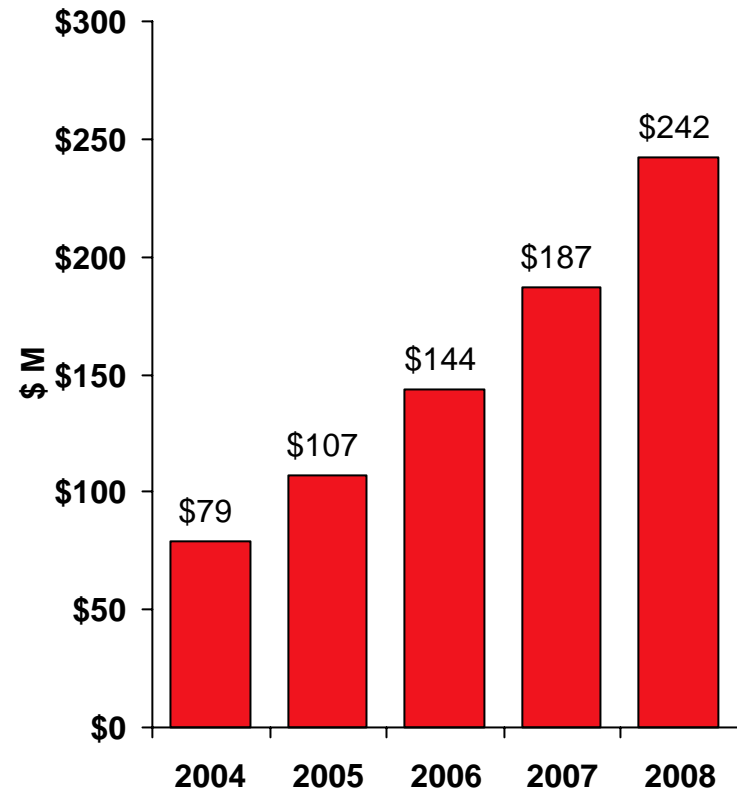


# Distribution – Historical Performance

## Sales



## Segment EBIT





# Non-GAAP Reconciliation – EBIT

Millions	<u>Years Ended</u>				
	2004	2005	2006	2007	2008
EBIT	\$ 543	\$ 907	\$ 1,179	\$ 1,227	\$ 1,220
Less: Interest Expense	<u>\$ 111</u>	<u>\$ 109</u>	<u>\$ 96</u>	<u>\$ 58</u>	<u>\$ 42</u>
Earnings before income taxes and minority interests	\$ 432	\$ 798	\$ 1,083	\$ 1,169	\$ 1,178

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.