I am Cummins.

I know what my company stands for. I am ready to carry out its mission of returning value to our customers, shareholders and communities—and to be a good steward of the environment along the way. I bring my own unique perspective to work every day, as do thousands of my colleagues around the world. Together we create a rich diversity of cultures and views. I understand my company’s vision includes all the communities we serve around the globe, not just my own. And I believe my success will contribute to the success of everyone we serve, everywhere. I am Cummins. You can depend on me.
About this Report

The information in this report is presented in the spirit of the guidelines set by the Global Reporting Initiative (GRI). The aim of the GRI is to develop a consistent way for companies around the world to voluntarily report on the economic, environmental and social components of their business.

Started in 1997 by the Coalition for Environmentally Responsible Economies (CERES), the GRI became independent in 2002 and works in collaboration with the United Nations Environment Program (UNEP) and the UN Secretary-General's Global Compact.

We are proud of the positive impact Cummins products and the people who manufacture them have had on our society. We look forward to the opportunity to make a difference, not just today, but for future generations as well.

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As I write this, Cummins is completing its third consecutive year of record financial performance. The Company has rebounded from a deep recession in the early part of the decade and, through the hard work of more than 30,000 employees worldwide, today is stronger than ever and poised for a bright future.

We have worked extremely hard to transform Cummins into a diversified, global leader in all the markets we serve. We have gained share in key businesses around the world. We have launched successful new products and announced plans to enter exciting new markets in the near future. We are investing wisely in new technologies and products, consistent with our strategic goal to grow our business in related markets.

Just this year, we have delivered additional value for our shareholders by significantly reducing our debt, increasing the dividend and repurchasing shares of our stock – while continuing to support current and past employees through increased pension funding.

Perhaps more importantly, however, we have been able to achieve these results while remaining true to our core values of ethical business behavior and corporate social responsibility. We pride ourselves on operating under a set of values that emphasizes integrity, innovation, delivering superior results, corporate responsibility, diversity and global involvement.

Many of the tenets central to our vision, mission and core values are highlighted in this, our fourth annual Sustainability Report. Among them: Our commitment to social responsibility; our strong belief in the value of diversity; and our efforts to ensure that everything we do leads to a cleaner, safer, and healthier environment.

We were proud to be included in the Dow Jones World Sustainability Index for 2006, for the second straight year. Likewise, we were named to the top Corporate Citizens list by Business Ethics magazine in 2006 for the seventh consecutive year.
We also have had a number of other notable achievements since our last report, many of which we have highlighted in the pages that follow, including:

- Development of a greenhouse gas emissions reduction target
- Inclusion in the U.S. Environmental Protection Agency’s (EPA) “Climate Leaders” program
- Development and global implementation of a Supplier Code of Conduct
- Participation in the Carbon Disclosure Project, an institutional investor consortium that seeks to encourage greater environmental reporting among companies
- Creation of a corporate-wide Customer Support Excellence initiative to implement a systemic framework for building a world-class customer care ethic at Cummins
- Launch of a global effort to establish a common brand across all of Cummins that stands for ‘dependability’ in every respect
- Helping to strengthen the educational and employment foundation in central and southern Indiana by linking the site selection for a new plant to a public-private agreement that will provide enhanced educational opportunities for an underserved community
- Helping to improve the capabilities of the Purdue University engineering program through a commitment to fund capital improvements as well as an endowed professorship in the mechanical engineering school

The concept of sustainability is important to Cummins and the employees who work hard every day to deliver on our vision and mission. We welcome this opportunity to provide insight into many aspects of Cummins and its operations in this Sustainability Report.

Tim Solso
Chairman, CEO – Cummins Inc.
December 2006
Our Profile

Vision and Strategy

Our Vision

Making people’s lives better by unleashing the power of Cummins.

That simple statement is the framework for Cummins Inc. and its employees worldwide. The Company takes pride in manufacturing high quality products that serve the needs of our customers. But the power of our Company is not just our products, but the ideas, energy and passion of our employees. That passion fuels their energy and commitment, making it possible for Cummins to maintain a leadership position in the markets it serves.

Cummins also recognizes that with its role as a corporate leader comes the responsibility to make positive contributions in the communities in which employees work and live. Accordingly, Cummins’ corporate mission and values reflect its desire to return value to its customers, employees, shareholders and communities:

Mission

• To motivate people to act like owners working together
• To exceed customers’ expectations by always being first to market with the best products
• To partner with our customers to ensure their success
• To demand that everything we do leads to a cleaner, healthier, safer environment
• To create wealth for all our stakeholders

Values

Integrity
We strive to do what is right and what we say we will do.

Innovation
We will apply the creative ingenuity necessary to make us better, faster, first.

Delivering Superior Results
Our goal is to consistently exceed expectations.
Corporate Responsibility
We will serve and improve the communities in which we live.

Diversity
We embrace the diverse perspectives of all people and honor them with both dignity and respect.

Global Involvement
We seek a world view and to act without boundaries.

Strategic Principles
Cummins has five key elements to its business strategy. This strategy has not changed in recent years – what has changed is our improved performance and our continued ability to deliver on commitments.

Being a low cost producer in as many of the Company’s markets as possible.
Cummins realizes that in order to successfully compete in the marketplace, it must offer the best products at the best prices. To do that, we leverage our innovative technology, economies of scale, global presence and customer partnerships.

The Six Sigma quality program, launched in January 2000, is an integral part of that strategy. Since the program’s inception, Cummins has completed more than 5,800 Six Sigma projects and 4,000 “belts” have been trained in Six Sigma tools.
The Company estimates this program generates savings of approximately 2 percent of annual revenue per year, while infusing quality into every process. Cummins also has expanded the program to include processes with customers, suppliers, distributors and corporate social responsibility with positive results.

Cummins pursues cost leadership in other ways: through global sourcing, global research and development access, sharing development costs with OEM partners and technical productivity, including the use of computer design and modeling in lieu of building expensive physical prototypes.
We have reshaped the Company into what we are calling a “New Cummins”

Expanding into related markets

The Company will continue to focus its growth initiatives on related businesses where it can use its existing investments in products or technology, leading brand names or market presence to establish a competitive advantage. That focus is particularly on ventures that complement its capital-intensive and cyclical core businesses, for example, the production of light-duty diesel engines in an existing Cummins facility that will introduce Cummins to a new consumer customer base.

Creating greater shareholder value

Return on capital, specifically return on average net assets (ROANA) and return on equity (ROE) are our primary measures of financial performance. Each of our business segments uses ROANA targets and the Company, as a whole, has an ROE target. Cummins has dramatically improved its return on capital in recent years; for example, since 1999 (the last peak in the heavy-duty truck cycle), ROE has increased from 10 percent to 26 percent in 2005.

Leveraging complementary businesses

Increasingly, Cummins looks for ways to leverage the synergies among its four business segments. These synergies capitalize on shared capabilities including technology, distribution systems, common customers (cross selling), joint venture partners for global growth and cost reduction through the larger scale of shared services.

Creating the right environment for success

At Cummins, creating the right environment for success means creating an inclusive learning environment, while reinforcing a performance ethic that attracts, develops and retains high-quality talent. We measure our success through strategic skill and competency mapping, leadership development outcomes and participation in tailored individual development and training programs.
Profile

Cummins roots are planted in soil nourished by innovation, persistence and a commitment to community. Founded in Columbus, Ind., in 1919 as the Cummins Engine Company, for its namesake Clessie Lyle Cummins, the fledgling firm was among the first to see the commercial potential of an unproven engine technology invented two decades earlier by Rudolph Diesel. The Company has grown to be a global power leader with nearly $10 billion in annual sales in 2005 and moving toward $11 billion in 2006. Today, half of Cummins employees and half the Company’s sales are from outside the United States.

A New Cummins and a Strong New Brand

We have reshaped the Company into what we are calling a “New Cummins” – a company that is less cyclical, more diversified, more results-oriented and committed to turning a greater share of its sales into profits. We have adapted to changes in the competitive landscape by vertically integrating through original equipment manufacturer (OEM) partnerships and establishing ourselves as a global technology leader in a constantly changing emissions environment.

As the Company sought in recent years to reshape itself, it also considered that a stronger, more coherent look and feel to its branding would translate into competitive advantages in the marketplace and bring cost synergies for marketing and communications.

Cummins announced the brand strategy at the annual meeting of shareholders in May. All Cummins businesses and products are united under the Cummins name, with the Company’s earliest historical colors, red and black, representing it along with the large Cummins “C” in contrasting white or black. The new brand standards are being implemented worldwide, from signage to vehicles to packaging.

Our brand is the sum total of all our years in business. From our beginning, when the Company’s founders first stood behind the products they sold to the ongoing growth of our diversified
business, Cummins has maintained a reputation for integrity. In terms of a brand, that translates into a single vision: dependability. We want stakeholders to know that they can depend on Cummins. And we want employees to be able to unify around the Cummins brand to create value and competitive advantage.

Even with its new brand look, Cummins is at its core a family of four interrelated, yet diversified business segments that create or enhance value as a result of those relationships and doing business with one other. These four business segments are Engine, Power Generation, Components and Distribution.

Cummins products can be found in nearly every type of vehicle, from the heavy-duty diesel-powered trucks that travel the world’s highways, to tractors that till the soil, large trucks that carry natural resources from the mine and ships that travel the world’s waterways. Cummins-built generators supply both prime and auxiliary power around the globe. Filters and related components help engines run cleaner and more efficiently. A network of distributors provide repair and maintenance service for customers worldwide.

**Engine Business**

Cummins manufactures and markets a complete line of diesel engines for on-highway and off-highway use and natural gas engines for automotive and stationary applications. Its markets include heavy- and medium-duty truck, bus, recreational vehicle (RV), light-duty automotive and a number of industrial uses including agricultural, construction, mining, marine, oil and gas and governmental equipment. The Engine Business also provides a full range of new parts and services, as well as remanufactured parts and engines through an extensive distribution network.

Cummins engines range in size from 31 to 3,500 horsepower and from 1.4 liters to 91 liters.

**Power Generation Business**

Cummins Power Generation is a global provider of power generation systems, components and services
Our brand is the sum total of all our years in business

Cummins Power Generation also provides a full range of services and solutions, including long-term operation and maintenance contracts, and turnkey and temporary power solutions.

Cummins Power Generation products include diesel and alternative-fueled electrical generator sets from 2.5 to 2,700 kW, alternators from 0.6 KVA to 30,000 KVA, transfer switches from 40 amps to 3,000 amps, paralleling switchgear and generator set controls.

**Components Business**

The Components segment is made up of four lines of business:

**Cummins Filtration** designs, manufactures and distributes heavy-duty air, fuel, hydraulic and lube filtration, chemicals and exhaust system technology products for diesel and gas-powered equipment.

**Cummins Turbo Technologies** designs and manufactures turbochargers and related products, on a global scale, for diesel engines above 3 liters.

**Cummins Emission Solutions** develops and supplies catalytic exhaust systems and related products to the medium- and heavy-duty commercial diesel engine markets. The exhaust systems include packaging of catalytic exhaust systems, engineered aftertreatment components and system integration services for engine manufacturers.

**Cummins Fuel Systems** designs, develops and manufactures new fuel systems and remanufactures electronic control modules in the United States. In Mexico, it remanufactures Cummins and other’s fuel systems. This business serves engines ranging from 9 to 78 liters.

**Distribution Business**

Cummins Distribution drives a comprehensive global distribution strategy and channel management. Capitalizing on synergies in parts
and services, this business helps Cummins by providing outstanding support to our customers, while growing a less cyclical and less capital intensive business.

The business consists of 17 company-owned distributors and 10 joint ventures, covering 90 countries and territories through 233 locations. Through this network, trained personnel sell and distribute Cummins-branded products, related services and broader solutions such as maintenance contracts, engineering services and customized integrated products.

The Company-owned distributors are located in key geographic markets such as China, India, Russia, Japan, Korea, South East Asia, Australia, Europe, Africa, the Middle East and Latin America.

**Joint Ventures**

Joint ventures offer many advantages to Cummins. They help decrease capital investment, increase scale, decrease development costs, expand our products into new geographic markets and expand our service capability. Cummins participates in 53 joint ventures, 39 of which the Company owns 50 percent or less (known as unconsolidated JVs). The income and cash from these unconsolidated JVs have contributed substantially to the Company’s bottom line. JV income is broad-based geographically – with about 46 percent coming from China, 24 percent from our North American distributor joint ventures and 8 percent from India.

**Commitment to Stakeholders**

Cummins recognizes that its duty goes beyond the bottom line. While Cummins must deliver value to shareholders, it also strives to responsibly and effectively serve all stakeholders – customers, employees, business partners and the communities in which it operates.

The Company actively engages all stakeholders, seeking feedback and doing its best to keep them informed of Cummins’ actions and performance. The Company’s policies reflect a commitment to financial excellence, environmental stewardship,
workplace equity, social responsibility and fair competition.

**Customers**

Cummins is dedicated to exceeding the expectations of its customers, making products and providing support that give customers a competitive advantage in the marketplace.

Cummins works with key customers during development and production to ensure that products are manufactured to the customers’ satisfaction. Increasingly, Cummins is using Six Sigma tools to help its customers and suppliers reduce costs and improve quality.

The Company’s goal for using Six Sigma with customers is to create the shared belief that Cummins cares as much about the customer’s business as the customers themselves. Cummins currently has approximately 185 active customer-focused Six Sigma projects and has completed nearly 400 projects over the last three years.

In some cases, Cummins has sent Six Sigma “belts” to work directly with a customer to solve a specific challenge. In other instances, Cummins has trained and provided support to belts working for our customers. Some recent examples of Cummins customer-focused Six Sigma efforts:

- Projects to improve fuel economy for Knight Transportation and CREngland, two large truck fleets
- A project to improve the efficiency of freight between Cummins MidRange Engine Plant and DaimlerChrysler’s St. Louis North Plant
- A project to reduce the number of monthly debit memos for International Truck, a major truck OEM partner

**Customer Care**

One of the biggest challenges for Cummins in our extremely competitive global business environment is becoming and staying the first choice of customers.
That is why Cummins launched its Customer Support Excellence (CSE) initiative more than two years ago. As a company, we realized that it is not enough to develop the most innovative technology or build the most dependable engines. Our customers have to believe, and we must show them, that we care as much about their success as they do. Cummins uses the voice of the customer to drive improvement and we strive to execute customer-critical work flawlessly.

Each business unit has a leader responsible for developing projects to meet the needs of its customers. Also, each business unit is charged with developing Customer-Focused Six Sigma projects that tackle the issues and problems facing individual customers.

Cummins has developed several corporate-wide initiatives to improve the level of customer support across the Company.

By focusing on making measurable improvements in the things that matter most to customers, we move closer to our objective of becoming the first choice of customers.

**The Cummins Operating System**

The Cummins Operating System (COS) helps develop common practices and approaches designed to improve customer satisfaction and profitability. The COS is designed to reduce waste, improve quality, increase responsiveness and develop people.

The COS consists of 10 operating practices that are common across the Company. It is supported by nine common functions, each with a Functional Excellence framework. The Functional Excellence framework at Cummins provides standards, measures, skills requirements and an individual work plan so each function in the Company can provide service or support at world class levels. Employees are trained on the COS and Functional Excellence approaches and their importance to Cummins future success.
A key aspect of the Functional Excellence approach at Cummins involves promoting leadership across all business units and groups. Leaders at Cummins are measured on their ability to:

- Drive the organization toward the Vision by accomplishing the Mission
- Live and foster the Cummins core values of integrity, innovation, delivering superior results, diversity, global involvement and corporate responsibility
- Focus on customer success and deliver results
- Create an environment in which people can develop and flourish, and where championship teams flourish

In 2006 Cummins began conducting COS assessments. These assessments allow Cummins to demonstrate that the 10 COS practices are embedded in our key processes. They also allow us to identify improvement opportunities in our key processes. Once these opportunities are identified, an improvement plan is created and implemented to close the gaps.

Employees

Cummins has a long history of being an employer of choice. That reputation continues to this day and is reinforced by the Company’s competitive salary and benefits offerings, training and career development opportunities and positive work environment.

Cummins employees enjoy a full slate of benefits, including innovative and competitively priced health-care coverage; pension and retirement programs; generous tuition reimbursement benefits for continuing education; access to world-class child development centers; flexible work schedules; employee assistance programs and more. These benefits also were made available to non-spousal domestic partners in 2000.

Cummins places a premium on its workers treating one another with respect and dignity. Treatment of others at work is a key component of the Company’s Code of Business Conduct and is the subject of mandatory training for all new hires. Training and career development opportunities also play a crucial
The work Cummins did with DaimlerChrysler on the launch of the new 2006 Dodge Ram Mega Cab 4X4 pickup shows the practical value of the Customer Support Excellence initiative to the Company and the customer.

Prior to the launch of the Mega Cab, DaimlerChrysler came to Cummins to reduce the vibration the Cummins-powered truck, so a Six Sigma project was launched to determine the source of the vibration.

A Cummins Black Belt put a team together that included engineers from Cummins and a representative from DaimlerChrysler to work on the problem. The team determined what would be an acceptable level of vibration and how to measure the problem. They then conducted a series of tests to determine the source.

The problem was found in a key dimension on the crankshaft, which the team fixed, resulting in a 16 percent reduction in the vibration. The team demonstrated the improvements to DaimlerChrysler’s satisfaction and even earned praise for the truck from a USA Today reviewer who said it was “…perhaps the easiest of all pickup diesels to live with because it is quiet and smooth.”

DaimlerChrysler also was impressed with the project. Luke Marsh, DaimlerChrysler’s representative on the project team, said “I was surprised that they (Cummins) were able to reduce the engine vibration that much. It was pretty impressive that they were willing to do what they did for us.”

Vibration Work Resonated with DaimlerChrysler

The team of Ryan Pivonka, Dan Showalter and Mathew Meek pictured left to right.
role in Cummins’ success and in the Company’s efforts to attract and retain a talented workforce.

All new hires must attend mandatory training courses covering treatment of others, diversity, information and physical security, sexual harassment issues, the Cummins Performance Management System and the Cummins Operating System. In addition, the Company’s Powertrain program offers on-line training on a variety of subjects, ranging from business software applications to project management skills to interpersonal and communications skills to presentation and leadership skills. Employees’ performance and development plans are reviewed through the Cummins Performance Management System (CPMS). Through CPMS, employees work with their supervisors to create challenging work plans that reflect the goals of the Company and its individual performance cells. Employees receive formal feedback from supervisors and peers quarterly, in addition to a comprehensive annual evaluation.

Cummins also offers its employees myriad challenges and opportunities for growth within the Company as their skills and interests dictate. Cummins has a strong history of “growing its own” leaders, and employees regularly move freely from one part of the Company to another.

Employees are encouraged to seek out new challenges and to continually broaden their skill sets. High-potential employees are identified and offered comprehensive leadership training as part of the Company’s ongoing efforts to develop its leaders from within.

**Business partners**

Cummins has working relationships with distributors and suppliers across the world. Similarly, the Company acts as a supplier of components to a number of equipment manufacturers, and has been able to build strong bonds with its business partners.

The Company is proud of its efforts to earn “preferred supplier” status with customers. For
example, Eicher Motors Limited recently recognized Tata Holset, one of our joint ventures in India that manufactures turbochargers, as Best Supplier for outstanding contribution to supply chain management in the category of proprietary items. Judging criteria for best vendor included parts per million (PPM) level, quality certification, adherence to schedule, on-time delivery, cost reduction, response time and service support.

**Suppliers**

Cummins has launched a focused effort to ensure that the Company’s most critical suppliers are committed to improvement through Six Sigma. Critical suppliers to Cummins must meet particular Six Sigma performance requirements. Cummins’ quality is heavily dependent on the quality of our suppliers’ products. Our experience is that Six Sigma is a reliable approach to quality improvement.

Columbus Components Group, a minority-owned Cummins supplier located in Columbus, Indiana, has been recognized for its use of Six Sigma tools to assess quality control and create an overall quality improvement plan. Columbus Components Group closed its first Six Sigma project, which resulted in a significant improvement in quality for components supplied to the Cummins Jamestown Engine Plant. This improvement was a significant factor in awarding Columbus Components Group additional business for the model year 2007 Dodge Ram pickup engine.

**Shareholders**

Returning value, in terms of profits, rising stock prices and dividends, is a primary measure of a company’s commitment to its shareholders. Beyond returning financial value, Cummins believes it owes investors a transparent window into its financial workings. Cummins goes to great lengths to keep the investing community up-to-date on its performance and future outlook. Top executives hold quarterly teleconferences with industry analysts to discuss financial results. Company representatives also host or attend a number of investor conferences during the year, and meet or talk directly with individual analysts and investors on nearly a daily basis.
“Dream It. Do It” is designed to educate young adults about careers in advanced manufacturing.
Economic Performance

Over the past several years, the Company has launched new businesses, built partnerships and expanded its global reach. In the face of troubling times early in this decade, the Company made a commitment to focus on becoming the lowest cost producer, pursue efficiency and process improvements and rethink its go-to-market strategies. Also, Cummins has introduced quality products that have been well received by customers. At the same time, Cummins has continued to fund important development efforts, while wisely managing capital investments and improving its return on average net assets.

As a result, Cummins’ financial performance in 2005 was the best in its history. Net sales, earnings before interest and taxes (EBIT), net earnings and net cash provided by operating and investing activities were all records for the Company. In 2006, we expect greater than 25 percent growth in net earnings year-over-year on better than 10 percent growth in revenue.

Cummins has benefited from strong demand across a number of our more cyclical markets, and our focus on execution has delivered excellent bottom-line results. We are seeing margin expansion and profitable market share growth with disciplined pricing, a focus on cost reduction and superior product performance in existing and emerging markets. And we are building a core base of stable, diversified earnings that will continue to provide increased stability in our financial performance.

Evidence that our stable, diversified earnings are growing:

- Stronger international mix, with a focus on emerging markets
- Growth in related markets has lessened our concentration in the North American heavy-duty truck engine market
- An expanding relationship with DaimlerChrysler, our largest customer
- Profitable growth in our distribution channels
- Profitably growing joint ventures globally
In 2006, Cummins’ credit ratings were upgraded to investment grade status by two major rating agencies. They cited improved operating performance and strengthened financial profile as rationale for the upgrades. In fact, the Company has sustained its operating performance above its financial targets for return on equity, return on average net assets and earnings before interest and taxes for the last 10 quarters. (as of third quarter 2006.)

The Company has been very clear about its operational cash priorities: strengthening the balance sheet, investing wisely in the business and returning value to shareholders. For example, Cummins has reduced its debt by nearly $900 million over a two-year period. This summer we completed the $100 million dollar share repurchase we began last fall, increased our quarterly cash dividend by 20 percent and announced an additional authorization to repurchase 2 million shares.

The Company continues to spend its capital wisely while still funding all important development initiatives. In 2005 and 2006, the Company announced new or expanded investments in the on-highway markets of India and China in addition to investments in engine, fuel system and aftertreatment technology for new emission requirements. Our businesses are tightly managing their capital expenditures by focusing on generating asset returns above performance targets and leveraging our partnerships to share in the financial investment.

Cummins’ commitment to being a low-cost producer also has not wavered. In addition to the pervasive use of Six Sigma, increased global sourcing and improvements in both facility and technical productivity have helped to lower the Company’s cost structure. These initiatives have streamlined administrative processes, cut overhead, reduced variation and allowed us to be more innovative in developing products that meet customer expectations for quality and performance.
Investors have recognized the Company’s improved performance with an increase in the stock price. The Company’s stock has outperformed the Standard & Poor’s 500 Index for the previous one-, three- and five-year time periods, and our stock price hit an all-time high of $19.0 in October. Yet the Company understands that it must continue to deliver value to its stakeholders, by reducing the impact on earnings of the cyclicity in our end-user markets, by focusing on positive cash flow and by investing in the right technologies for the future.

Detailed financial information can be found in the Company’s filings with the U. S. Securities and Exchange Commission, which are available in the Investor Information section of the Company web site, www.cummins.com. The Company’s Fact Book, also found on the web site, provides a brief summary of the Company and contains income statement and balance sheet trends for the past 10 years.

Cummins is growing net income faster than revenue and converting more income into cash, helping it to outperform its peers in several key measures.
Fruit or vegetable? A more important question for Belgium tomato-grower Geert de Breuck to answer was, “How can I reduce my energy costs?”

With the help of an innovative combined heat and power (CHP) system from Cummins Power Generation, the business produces nearly 4 million pounds of tomatoes each year. The system uses natural gas to generate electricity, heat and carbon dioxide, while at the same time accelerating tomato growth.

Year round, waste heat from the generator is recovered through a heat exchanger and can be used to provide heat in De Breuck’s covered plant-growing areas. The generator’s exhaust gases, cleansed first by a special exhaust gas washer, also provide the carbon dioxide the tomato plants need for photosynthesis. While the tomato plants use only 5 percent of the electricity generated, the remainder is injected into the grid.

It has sometimes been tricky to balance the needs of the growing tomato plants with the realities of operating a generator set. For example, during summer daylight hours the tomatoes need ample carbon dioxide, but require little additional heat. By only running the CHP system during daylight hours, it produces carbon dioxide when the plants need it, and generates electricity when its value is the highest. When heat is needed during the night, hot water is circulated from the large buffer tank that was warmed by the system during the day.

The project has proven to be economical, helped by the system’s operation at more than 90 percent efficiency, and government rebates and tax exemptions via CHP certificates and CO2 emission permits.

The system should pay for itself in about 3.5 years, depending on the price of natural gas and tomatoes, the value of the electricity sold, maintenance costs and the value of government incentives.
Cummins is governed by a nine-member Board of Directors. Among the directors, only Cummins Chief Executive Officer Theodore (Tim) M. Solso and Cummins President Joe Loughrey are current employees of the Company. Board members are:

**Theodore (Tim) M. Solso** – Chief Executive Officer and Chairman of the Board at Cummins since 2000, after serving as Company President since 1995.

**Robert J. Darnall** – Retired Chairman and Chief Executive Officer of Inland Steel Industries and a Cummins director since 1989.

**John M. Deutch** – Institute Professor at the Massachusetts Institute of Technology since 1990 and a Cummins director since 1997.

**Alexis M. Herman** – Chairman and Chief Executive Officer of New Ventures and a director since 2001.

**F. Joseph (Joe) Loughrey** – Named President and Chief Operating Officer in May 2005 and to the Board in July 2005, after serving as Executive Vice President and President – Engine Business for more than five years.

**Georgia R. Nelson** – President and CEO of PTI Resources, LLC. She joined the Cummins Board in 2004.

**William I. Miller** – Chairman and CEO of Irwin Financial Corp. and a director since 1989.

**Carl Ware** – President & Chief Operating Officer of Ware Investment Properties, LLC. He was named a director in 2004.

**J. Lawrence Wilson** – Retired Chairman and Chief Executive Officer of Rohm and Haas Co. and a director since 1990.
As the banner says: “Cummins has a passion for rural children’s education.”

Corporate Governance Principles for the Board

The primary mission of the Board of Directors is to represent and protect the interests of the Company’s stakeholders. In so doing, the Board has the legal responsibility for overseeing the affairs of the Company, and has certain specified powers and authorities with respect to corporate action provided by Indiana statutes.

The Board’s oversight function is exercised through the election and appointment of competent officers. The Board relies on the integrity, expertise and competency of these officers in carrying out its oversight function.

The Board’s responsibilities include the following:

• Adopt corporate governance principles consistent with the Company’s Vision, Mission and Values.
• Exercise sound and independent business judgment with respect to significant strategic and operational issues, including major capital expenditures, diversifications, acquisitions, divestitures and new ventures.
• Advise senior management.
• Monitor
  • The performance of the Company
  • The performance of senior management
  • The effectiveness of internal controls and risk management practices
  • Compliance with all applicable laws and regulations
  • Communications and relationships with stakeholders

In discharging its fiduciary duties to act in the best interests of the Company, the Board considers the effect of its actions on shareholders, employees, suppliers, customers, communities and the interests of society as represented by our regulators. Link here for the Corporate Governance Principles.

Cummins’ corporate governance practices are rated semi-annually and given a Corporate Governance Quotient (CGQ) by Institutional Shareholder Services, Inc., the world’s leading provider of proxy voting and corporate governance...
Cummins’ most recent rating in November 2006 indicates that the Company’s corporate governance practices have outperformed 30 percent of companies in the S&P 500 Index and 79 percent of the companies in its Capital Goods peer group.

The Company’s governance provisions include:

- The full Board is elected annually.
- Executives and director are subject to stock ownership guidelines.
- The Company expenses stock option grants on its income statement.
- The Audit Committee is comprised solely of independent outside directors.

**Committees of the Board**

The Board has seven standing committees: Executive Committee, Audit Committee, Compensation Committee, Governance and Nominating Committee, Finance Committee, Technology and Environment Committee and Proxy Committee. The responsibilities of the Audit, Compensation, Governance and Nominating, Finance and Technology and Environment committees are set forth in written committee charters approved by the Board. Link here for Committee Charters.

The Company complies with all NYSE and regulatory requirements concerning the membership of certain committees, including the requirements with respect to independence and financial expertise. The Governance and Nominating Committee reviews the committee structures of the Board and the membership of the various committees annually, and makes recommendations for any changes to the Board.

**Code of Business Conduct**

The Cummins Code of Business Conduct serves as the blueprint for the Company’s commitment to act with integrity, to do what is right and what we say we will do. This driving principle is reflected in all of the Company’s dealings with customers, suppliers, shareholders, employees and the countries and communities in which it does business. The Code addresses a number of topics, including:
Providing safe and innovative products that meet or exceed appropriate emissions standards

Competing vigorously, but with integrity

Complying with all applicable governmental regulations and laws

Conflicts and potential conflicts of interest with suppliers and customers

Proper treatment of others at work

The value of diversity in the workplace

Promoting a safe workplace

Valuing the environment

Contributing to the communities in which employees work and live

Ensuring accuracy and openness in financial reporting

Maintaining the confidentiality of persons who report violations of Company policies, procedures and rules of conduct, including sexual harassment and other improper conduct

The Code includes a section that deals with expectations regarding employees’ treatment of suppliers and other business partners. The policies specifically address issues of conflict of interest, exchange of gifts and the need to conduct business with integrity at all times. Link to the Code of Conduct.

**Supplier Code of Conduct**

In December 2005, Cummins established a Supplier Code of Conduct designed to ensure that providers of products and services focus not only on good quality, but also on integrity, doing the right thing and treating others with dignity and respect. The code covers 14 main topics including equal employment opportunity and treatment of others, forced and child labor, worker health and safety, the environment, wages and hours, freedom of association, political activity and bribery/corruption of government officials. See sidebar story for more on our Supplier Code.

**Controlling Exports**

As an international Company, Cummins faces a complex set of export controls. The United States frequently imposes trade embargoes against certain countries and places restrictions on items that can be shipped to certain other countries.
Legal requirements and cultural norms vary significantly in a global business environment. Thus, Cummins recognized that it had to walk a line between encouraging good behavior and imposing standards that would prove unrealistic in terms of local norms and regulations when it developed its Supplier Code of Conduct.

Even so, Cummins felt it important to signal its expectations to suppliers. It is a requirement for suppliers to operate within local environmental and labor laws and in compliance with U.S. laws against bribery and conflict of interest. It is a preference that they meet each of the stated policy elements that exceed the local legal requirements. The protection of private information is another key component to the code.

In January 2006, Cummins began sending what became a total of nearly 3,000 letters of introduction to its top suppliers, representing 85 percent of our total 2005 spend, along with a copy of the code and a request for response. Suppliers were asked to establish a process ensuring compliance with the intent of the code and to provide a means for workers to anonymously report violations without fear of retribution.

By August, Cummins had seen a 60 percent response rate overall, with 87 percent of those responding indicating that they were in compliance with every element of the code. All instances of self-reported non-compliance evaluated to-date have indicated no significant variance to the intent of the policy. In certain regions where Cummins conducts a significant part of its business, including India and China, response and compliance rates reached higher than 90 percent. Cummins is working with those suppliers who have not responded to attain our goal of 100 percent participation.
Cummins follows all applicable U.S. export laws, but goes further in some instances. For example, the Company bars transactions with any person or organization where the end destination of a Cummins product is Sudan or Myanmar (Burma); or where any Cummins product or service would be used in a military application in Syria, Libya, North Korea or Iran.

Cummins policy on exports is comprehensive, but can be summed up in the following manner: We will know which countries are subject to sanctions. We will know our customers and business partners. We will know our products and be aware of their export control status. We will obtain necessary licenses where warranted and will strictly follow their conditions. We believe our reputation for ethical and responsible conduct is our most important and valuable asset, and we encourage employees to raise compliance concerns to the highest levels of the Company. All Cummins employees must complete the Annual Ethics Certification and certify their compliance with our most recent Export Control Policy, which was revised in September 2006.

**Online Compliance Training**

In today’s business environment, companies are required to comply with a growing number of laws and regulations on a wide variety of topics. Staying up-to-date on these laws and regulations is important to ensure that employees maintain the highest level of ethics and legal compliance. To that end, Cummins has worked with a leader in ethics training to design and deliver updated and customized compliance courses. The first course available in 2005 was on the Code of Business Conduct.

The interactive online course provides a practical application of the code and reinforces training employees receive at the time they are hired. In 2006, Cummins rolled out the online Code of Conduct worldwide in six languages. In addition, we have added three additional important compliance courses: export controls, anti-bribery and antitrust law.

The Company has resources dedicated to investigating and solving confidential employee reports of violations of the Code of Conduct around

We believe our reputation for ethical and responsible conduct is our most important and valuable asset
Making sure Cummins is prepared if a crisis occurs is a key company responsibility.

globe. In conjunction with the Code of Conduct training, Cummins has enhanced its Ethics Help Line by adding commonality to the process worldwide. The new system enables employees to report violations in the language of their country via toll-free telephone service or the web. It also provides a database that allows Cummins to better track reports and analyze results.

**Crisis Communications**

Making sure that Cummins is prepared if a crisis occurs is a key Company responsibility. To assist facility managers and others involved in emergency planning, Cummins annually updates its Crisis Communications Plan. The plan includes vital information for facilities on how to communicate effectively during a crisis, as well as templates and forms to assist employees in gathering and updating information.

Cummins is also in the process of developing business continuity plans by each business unit or critical function within the business unit.

**Managing Travel Risks**

Cummins serves customers in more than 160 countries, so global travel is part of many employees’ jobs. Travel always involves an element of risk, but in today’s world it is especially important to manage that risk to the best of our ability.

We found ourselves working with numerous travel agencies across the world as Cummins’ business expanded globally, which made data gathering and reporting difficult. This year, we sought to move to a single, global travel agency that could not only measure up in terms of economics, but also capability, systems and emergency reporting. Cummins used Six Sigma tools to develop the bid package and sign the best agency for the job. A world map tool will now be available to Cummins management, enabling the instant location of Cummins personnel worldwide.

**Government Relations**

In August 2001, Cummins opened an office in Washington, D.C. to coordinate government
Over the past year, reports of avian flu outbreaks have made headlines around much of the world. Much has been made about the consequences of a possible pandemic should the avian flu virus gain the ability to easily spread via human-to-human contact.

At Cummins, the well-being of our employees is extremely important. As such, the Company is actively taking steps to ensure the health and safety of employees should a flu pandemic occur.

The Company has formed a Pandemic Planning Team with people representing medical, safety, risk management, human resources, facilities, communications, business continuity and other key areas to help create a strategic response plan in the case of a pandemic.

The team has identified key components of the Company’s response should a pandemic occur. With that in mind, plans are being made to help the Company manage a potentially serious outbreak of avian flu – both as it relates to keeping our employees healthy and ensuring that our business is disrupted as little as possible.

Our plans take into account the full range of our stakeholders – employees, customers, investors, suppliers, vendors and the communities in which we live and work. A critical part of successfully managing a situation such as this one is providing open lines of communication to employees. Employees at Cummins receive regular updates on the avian flu and on our efforts to keep them and our facilities safe. Should a widespread outbreak of flu affect Cummins operations, the Company is prepared to deal with the issue.
relations activities for the corporation. The office provides strategic insight and advice to Cummins business leaders on emerging government issues and activities, provides top level access to government officials and key policymakers, develops and implements government relations strategies to achieve business objectives and advances business marketing objectives relative to government programs.

The office elevates government issues to senior management, ensures alignment with Cummins businesses and objectives, and identifies and aggressively resolves key government issues for the corporation. Specific areas of activity include energy policy, environment, tax, trade, transportation, government research and development, government markets, workplace and human resources issues, defense and homeland security, and facility and infrastructure programs.

In 2006, the office worked to ensure that the EPA’s regulations requiring ultra-low sulfur diesel fuel (ULSD) in October, 2006 and engine emission reductions in January, 2007 proceeded on schedule. Cummins collaborated with other engine companies and stakeholders to fight for full funding of the Diesel Emissions Reduction Act of 2005, a national grant and incentive program to promote voluntary retrofits of new emission reduction technologies on older diesel engines in existing fleets. The Company also supported Department of Energy research and development programs that promote energy efficiency in stationary and transportation applications.

One of the Washington office’s primary focuses is national policies to streamline interconnection of distributed generation resources and obtain incentives for the installation of clean and efficient combined heat and power projects. The office also works to encourage policymakers to take a balanced view on trade with countries such as China and India.

Social Performance

Throughout its 87-year history, Cummins has kept corporate social responsibility a fundamental part of who we are and how we do business. Cummins has several ways of promoting this essential value...
in our global communities. A Corporate Social Responsibility Department oversees strategies and programs to encourage community involvement and responsible citizenship.

The Cummins Foundation plays a role in promoting and developing programs or processes that enable the Company to perform well. However, the most important work is done by Cummins employees through its Community Involvement Teams and record-breaking United Way participation. As a result of the Company’s commitment to living its vision and mission, Cummins was named the “Top U.S. Corporate Citizen” by Business Ethics magazine in 2005 and is one of only a few companies to be named to the “top 100” list every year since its inception seven years ago.

**Every Employee, Every Community**

A new initiative, Every Employee, Every Community, allows employees to give back to their communities by volunteering on Company time. Each Cummins site around the world has the flexibility to schedule community service projects according to local needs, their facility and employee work schedules. From raking leaves to reading to children, from painting to stocking food pantries, Cummins employees have participated in a wide range of projects through this annual initiative.

At Cummins, corporate social responsibility has three major areas of focus: community involvement, corporate donations and the Cummins Foundation. When special needs arise, Cummins has several avenues through which to provide assistance.

**Community Involvement Teams**

Community Involvement Teams (CITs) are employee-led committees that represent the diversity of the workforce and all levels of management. They are driven by the philosophy that a company cannot function without a healthy community.

Each team establishes a work plan, a budget and a focus area for community service. Every two years, these teams are audited against a set of Functional Excellence criteria. The audit process ensures that corporate responsibility remains an important
business objective across all business units, provides a measurement and recognition process and identifies areas for development over the next two-year cycle.

Community Involvement Teams have the responsibility of developing an annual plan, organizing volunteer activities, responding to community requests for donations and developing proposals for the Cummins Foundation.

Here are some recent examples of CIT involvement around the globe:

- The Beijing (East Asia) CIT in 2006 made its second delivery of books to the Hebei Huailai Waijinggou School as part of the Cummins Library, a project that was started to provide children in rural areas access to books and to instill in them a love of reading. The team developed a process to establish an age-appropriate library, leveraged business schools’ expertise in book inventory and tracking mechanisms and started a “donate money to wear bluejeans on Friday” fund to maintain a fresh supply of reading material.

- In Korea, the CIT worked to build a house at “The Village of Hope” near the Cummins distribution business office. Team members performed a variety of homebuilding tasks, from pounding nails to pouring cement.

- An excellent example of how one-time Every Employee, Every Community projects turn into longer-term relationships are the following from our Power Generation team in Fridley, Minnesota.

Power Generation did landscaping and office work projects for Rise Inc., an organization that services persons with disabilities. Now Rise clients work for Power Generation in a number of capacities.

Power Generation engineers work to repair, modify and even invent devices to help the physically challenged clients at the Courage Center (see C.F.’s success story above.)

The Minneapolis Indian Women’s Resources Center (MIWRC) was awarded a $77,000 grant, the first Cummins Foundation grant awarded to a Native American organization. The grant money will help develop and support MIWRC’s Native American
Parenting Traditions (NAPTR) program, which addresses Fetal Alcohol Syndrome Disorder and its generational impacts. The Fridley team has collaborated with MIWRC on many initiatives: developing a communication plan, implementing Six Sigma tools and project management for the NAPTR program and painting, cleaning and assisting with special events.

**Corporate Donations**

Donations provide a means for Cummins to participate in community events that are more appropriately funded by the Company than the Foundation. These activities include memberships, sponsorships, dinners or other events. Cummins made approximately $1.1 million in corporate donations to charitable causes in 2005 and $0.9 million in 2006.

**The Cummins Foundation**

The Cummins Foundation is one of the oldest corporate charitable foundations in the United States. The Foundation serves to improve the communities in which Cummins does business by providing the tools and means for people living on the edge of society to overcome the barriers they face. The Foundation's President serves as Cummins’ Executive Director of Corporate Social Responsibility, providing leadership and coordination to all the Company's social work. Cummins also has formed foundations in Mexico and India over the last decade.

The Foundation focuses on embracing the diverse perspectives of all people, seeking innovative ways to address societal needs by emphasizing partnerships and leveraging people, money, products and services to make a difference. The Foundation awarded grants totalling $3.1 million in 2005 and $3.8 million in 2006.

In 2005, the Cummins Foundation began the Community Innovation Grant Program (CIGP), which gives site leadership an opportunity to award grants with a greater financial impact to innovative programs in their communities. The CIGP is the combination of two very successful programs the Foundation has spearheaded in recent years –

Power Generation engineers designed a special switch for C.F. to use for communication and computer access. Its easier activation and tailored positioning has given C.F. improved communication accuracy. C.F. now has abilities not provided by the many commercially-made switches he tried previously.
the Plant Innovation Program and the 50th Anniversary Grant Program.

Donating funds to important projects is just part of the work done by the Foundation. Cummins recognizes that “people power” can be as effective as providing grants, and the Foundation plays a leading role in facilitating Cummins employees and citizens worldwide to become involved in their communities.

Examples of Innovation grants include:

- In Juarez, Mexico, the CIT has partnered with the Multiple Attention Center. This institution provides therapy to 82 children from birth to age 14, who have mild to severe disabilities and have been abandoned. Currently, 80 Cummins employees volunteer at the facility to paint classrooms and therapy rooms, repair the playground area, replace broken windows and provide general clean-up of the building.

- Through the Power Generation Business, Cummins awarded an Innovation grant to the Snehalaya (Gateway to Heaven) Orphanage in India. Grant money covers the cost of running the orphanage for a year. Snehalaya was founded as a crisis intervention organization for young children, many of whom are HIV-infected and who have been forced into the sex trade.

- The Indianapolis, Indiana, CIT has a partnership with Fostering Independence, an organization that helps young people transition out of the foster care system. Fostering Independence is helping participants by providing residential/community living, offering life skills seminars on financial management, health management and medical resources, and providing access to educational opportunities, vocational training and employment.
The Corporate Social Responsibility department launched or completed several Six Sigma projects in 2006, proving that Six Sigma can benefit processes in areas outside of manufacturing.

Some examples include:

**Benefiting Cummins**

**Project**: Design and implement a common process for tracking direct Company charitable contributions.

**Benefits**: Greater awareness of corporate spending, optimized Cummins’ giving power, reduced costs through standardization of processing and ensure tax compliance.

**Project**: Redesign the Cummins Foundation grant payment process for both national and international transactions.

**Benefits**: Optimized the efficiency of the payment in order to reduce/eliminate the administrative tasks, decrease processing time and ensure compliance with federal regulations.

**Project**: Increase the Southern/Central Indiana United Way Plus trackable financial contribution percentage by 13 percentage points while maintaining or improving total contribution dollars.

**Benefits**: Additional money available to United Way Plus agencies.

**Helping our Partners**

**Project**: Improve Bartholomew County United Way pledge and payment processing by reducing data corrections.

**Benefits**: More accurate results earlier in the campaign for more follow-up, ultimately more funds raised, thus enabling United Way employees to devote time to other work and/or not have to hire additional resources.

**Project**: Process redesign feasibility study for domestic violence non-profit agency.

**Benefits**: Develop a strategy for optimizing agency’s case management process while integrating all services (Crisis Calls, Outreach and Shelter) with community service offerings.
Diversity

“We have a far better chance of attracting and retaining the best talent available if we create a work environment that encourages talented people to join us and, once here, to contribute to their full potential. To do so means that every person must be treated with dignity and respect, and be provided fair pay and benefits for the work they do…”
- Tim Solso, current Cummins Chairman and CEO

“In the search for character and commitment, we must rid ourselves of our inherited, even cherished, biases and prejudices... When we indulge ourselves in such irrational prejudices, we damage ourselves most of all and ultimately assure ourselves of failure in competition with those more open and less biased.”
– J. Irwin Miller, former Cummins Chairman and CEO.

Not only is valuing diversity good business, it’s also the right thing to do.

From a business perspective, the Company believes that successfully managing diversity strengthens relationships with an increasingly diverse customer base. Beyond that, a diverse work force – in terms of race, ethnicity, age, gender, sexual orientation and educational background – ensures a variety of perspectives to best address the Company’s business needs. Cummins diversity initiatives include the following:

- All employees complete a comprehensive diversity training program designed exclusively for Cummins. Second generation (advanced diversity management topics) training is a mandatory part of career development for leaders.

- The Chairman’s Diversity Council, made up of senior leaders from across the Company, sets the course for diversity issues including hiring practices, supplier relations, benefits matters and training.
In all, 48 Local Diversity Councils (LDCs) have been created to address diversity issues in the communities in which Cummins does business. In addition, the LDCs focus on recruiting, retention and cultural differences in the workplace. Affinity groups, or employee resource groups, have been instrumental in Cummins’ diversity journey. Currently, we have affinity groups for African and African-Americans, Asians, Chinese, Latino, new hires and lesbian, gay, bisexual and transgender employees.

Cummins’ long-standing commitment to use qualified minority-owned suppliers has yielded good results in recent years. In 2005, Cummins spent $311 million with small business and minority-owned suppliers.

Cummins offers health care and other benefits to non-spousal domestic partners. In making these benefits available to employee life partners, Cummins recognizes that it must provide attractive and flexible programs to all employees.

In 2006, the Human Rights Campaign recognized Cummins – for the second year in a row - as one of the corporations that achieved a 100 percent score on its Corporate Equality index.

Cummins has received local, state, national and global recognition for its work to develop and manage diversity in the workforce. In early 2006, Diversity Inc., a nationally-recognized magazine in the U.S. that covers diversity issues, named Cummins one of the Notable Companies for Diversity.

In 2006, Cummins won the prestigious Australian Government Business Achievement Award for the advancement of women in the workplace. Cummins was also a finalist for the Outstanding Initiative/Result for the Advancement of Women, presented by Australian government’s Equal Opportunity for Women in the Workplace Agency.

Cummins Parts and Service is participating in a university program in which students intern locally and at our international remanufacturing locations. This program helps increase cultural awareness and diversity appreciation, and enables the next generation workforce to function effectively in our increasingly global enterprise. GEARE is a unique program originating in the College of Engineering at Purdue University in partnership with Universität Karlsruhe (Karlsruhe, Germany), Shanghai Jiao Tong University (Shanghai, China), and Indian Institute of Technology Bombay (Mumbai, India).
Cummins’ concept of diversity in the workplace has two parts. The first is creating a diverse workplace in terms of the representation of people from many different backgrounds. The second is creating an environment that manages people’s differences effectively and, in doing so, inspires innovative ideas and solutions. Making sure that everyone has a voice can lead to creative solutions that address real-time problems.

The Company relies on the insight that comes from a diverse workforce to enter new markets and geographies. The Company depends on the varied talents of its people, systems and organizational knowledge to solve complex problems, reduce costs, and create differentiated products and services that delight customers.

Diversity provides Cummins with a competitive advantage in the following areas:

**New markets and new businesses**
Sales in markets outside of the United States currently are growing faster than in the U.S.

Nearly all world growth to 2050 is projected to occur in Africa, Asia and Latin America. The best way to grow into new businesses and more geographic regions is to have employees who understand the culture or are part of it.

**Customer requirements**
Purchasing materials and services from a diverse supply base puts Cummins in a position to take advantage of all opportunities to be the low-cost producer. Cummins’ customers demand we create economic opportunity for all parts of society, especially those under-represented in today’s economy.

**Changing demographics**
Successful companies understand how the world’s population is being transformed by immigration and changing birthrates. The population of Latinos, people of African descent and Asians is growing and more women occupy positions of authority in business and government. Companies that understand and adapt to these demographic changes will thrive in the economy of the future.
Competitive performance
Having a diverse workforce enables a company to solve complex problems, innovate and otherwise adapt more quickly in a competitive environment.

Attracting and retaining the best people
Employees who feel welcome and valued in the workplace will be more innovative, act as owners and engage customers to provide superior products and service.

A company that promotes diversity in hiring and increases an understanding and appreciation of differences will reap the following benefits:

- A positive work environment where all people can perform at the highest levels
- Increased employee engagement and creativity
- Attraction and retention of the best talent
- A positive reputation in the community
- Improved decision-making capabilities provided by more viewpoints and choices
- Improved problem resolution
- Doing the right thing – A company is only as healthy as the environment and communities in which its employees work and live. It is in Cummins’ self-interest, not selfish interest, to create an environment in which people treat others as they want to be treated. This is consistent with the Company’s core values.
"At Cummins we take seriously our obligation to continue to invest in new, more efficient products, practices and technologies, which both meet our customers’ needs and emission reduction objectives.

“We have taken many steps to fulfill our Corporate environmental mission, which demands that everything we do leads to a cleaner, safer, healthier environment. And while our accomplishments to date have been significant, we are ready for the next challenge: to develop a company-wide global climate change policy that will guide us in improving energy efficiency and minimizing our impact on the environment.

“This new policy will be developed in cooperation with our international entities and will reflect their unique objectives and capabilities.

“This policy also will establish objectives and milestones that will help us achieve annual goals for both our facilities and products.

“Finally, it will provide opportunities for individuals within the Company to make a difference. Already, over the past six years, we have recognized energy efficiency improvements from Six Sigma projects which amount to several million dollars. This gives us confidence that there is more to improve, and many employees eager to participate. Employee involvement and bold objectives help Cummins achieve its mission to make peoples lives better by unleashing the power of Cummins.”

- Christine Vujovich

**Setting A Greenhouse Gas Reduction Target and Joining EPA’s Climate Leaders**

As a part of its continued commitment to sustainable practices, Cummins announced in October 2006 its participation in the U.S. Environmental Protection Agency’s (EPA) Climate Leaders program.

By participating in Climate Leaders, Cummins has pledged to reduce its corporate-wide greenhouse gas (GHG) emissions intensity by 25 percent by 2010, against a base year of 2005. The Company will track greenhouse gas emissions at Cummins-managed facilities worldwide.

The GHG reduction goal is in addition to the 20 percent reduction in GHG intensity that Cummins has already achieved from 2000-2005. See pages 57 through 61 to read about ways we already work to reduce carbon emissions for our customers and in our own facilities.

Launched in February 2002, EPA’s Climate Leaders is an industry-government partnership that works to develop long-term comprehensive corporate
climate change strategies. Climate Leaders Partners set a corporate-wide greenhouse gas reduction goal, inventory their emissions to measure progress and report that data to the EPA.

**Carbon Disclosure Project and the Dow Jones Sustainability Index**

As with Climate Leaders, Cummins seeks to partner with groups that help us be a better steward of the environment.

In 2006, we participated in the Carbon Disclosure Project (CDP), an institutional investor consortium that seeks to encourage greater environmental reporting among companies. On behalf of investors representing $31 trillion in assets under management, CDP asks companies to provide details on their carbon emissions, their positioning in response to the impact of climate change on their markets and regulatory environment, their use of energy and planning for the future.

The Company was named to the Dow Jones World Sustainability Index for the second year in row, being recognized again for its economic, environmental and social leadership. This index represents the top 10 percent of the world’s largest 2,500 companies in these corporate sustainability metrics.

Cummins also is a member of the Business Round Table Climate RESOLVE (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts), whose members have voluntarily committed to reduce or offset greenhouse gas (GHG) emissions. Cummins also is a member of the Global Environmental Leadership Council of the Pew Center on Climate Change and Resources for the Future Climate Forum.

Note: Greenhouse gas intensity is a normalized (versus absolute) measure, which allows reporting to be done in the context of changes in production volume.
Performance Indicators: Products

Cummins products are designed to provide customers with the highest levels of performance, durability and dependability at the lowest cost of operation. At the same time, the Company is committed to meeting and exceeding clean air standards.

To achieve its commitment, Cummins has long been a pioneer in emission research and development, investing in critical technologies to achieve future emission standards while meeting the needs of the customer. The emission solutions the Company uses today are the result of a technology plan set in motion in the early 1990s. This plan will carry Cummins through 2010 and beyond.

At the core of this road map is a strategic decision not to limit the Company’s approach, but to develop the right technology for each application and market served. Different operating conditions and factors can and will influence the technology path for each market. While developing multiple emission solutions has required a broad and deep investment in research and development, the Company believes it will guarantee Cummins’ customers optimum performance and reliability at the lowest possible cost of operation.

More than half of the $2.4 billion spent by Cummins on research and development in the last 10 years has been invested in emission reduction technologies. Nothing the Company does is more important. Through our technical productivity initiatives, we have reduced our cost of research and engineering from 5 percent of sales to less than 3 percent of sales while growing market share and extending our product lines. One part of this strategy involves process improvement tools such as Six Sigma and Analysis-Led Design (using computer analysis and simulation tools to optimize designs analytically and eliminate expensive prototype testing). Another is to involve original equipment manufacturers (OEMs) and joint venture partners as early as possible in the development and integration process. This open exchange of information and technology has been – and will continue to be – instrumental in developing high-performance products that deliver optimum performance and reliability at the lowest total cost.
First in 2002 – Ready for 2007

Cummins was the first to meet the EPA standards in 2002 – and we’re well on our way to meeting the next level of EPA standards in 2007. The proven products in operation today are the base platform for 2007. Engines with 2007 technology have been in field tests with end-users since mid-2005. And in 2007 Cummins’ ability to leverage its businesses will become even more of an advantage, as Cummins is the only engine manufacturer with wholly-owned subsidiaries providing technology for air-handling (Cummins Turbo Technologies), aftertreatment systems (Cummins Emission Solutions), and fuel systems (Cummins Fuel Systems).

As a result, the Company is able to practice system integration across all critical components and subsystems. The Cummins technology plan for on-highway, heavy-duty applications in 2007 is straightforward: Cummins will continue to use cooled EGR as the base technology for NOx reduction and will use a particulate filter to achieve the required 90 percent reduction in particulate matter (PM).

The Right Technology Matters

Leadership in combustion research, fuel systems, air-handling systems, electronics, filtration and aftertreatment allows Cummins to maintain its goal of maximizing customer value by providing the most appropriate emissions control solution for each market served.

Cummins is committed to designing and delivering the right technology for the customers we serve. Emissions standards vary by market and by region; Cummins’ diverse product portfolio meets or exceeds all emissions requirements, and at the same time, delivers on customer needs for fuel economy, performance, reliability and durability. Nearly 30 major automotive and industrial Cummins engine development programs, including heavy-duty, midrange and high-horsepower engines, will launch products globally in 2006:
Ten new high-horsepower engines meeting Tier 2 emissions standards for industrial, power generation and marine markets

Eighteen new midrange and heavy-duty engines for EPA ‘07, Euro IV and Tier 3 industrial markets

Six new midrange and heavy-duty engines for marine markets

Until the Euro IV and EPA 2007 emissions standards, Cummins engines have achieved NOx and PM reductions using in-cylinder and cooled EGR technologies. For the U. S. on-highway truck market, Cummins has been the leader in the application of cooled EGR technology. During combustion, EGR reduces flame temperatures, which, in turn, reduces NOx production. This allows the engine to be tuned for the best fuel economy and performance at lower NOx levels. EGR technology is the foundation for Cummins 2007 products and beyond.

In Europe, Cummins meets the Euro IV on-highway emissions standards, which became effective in October 2005, by using Selective Catalytic Reduction (SCR) aftertreatment. SCR uses urea in a chemical reaction to reduce NOx in the exhaust. Manufacturers have developed this technology for the European market because it is the most cost-effective trade-off when considering emission control and fuel economy. Cummins expects to use a relatively simple evolution of this technology to meet the more stringent Euro V standards that take effect October 2008. Cummins Emission Solutions is producing SCR systems in the United Kingdom and South Africa to enable its European medium- and heavy-duty vehicle customers to meet Euro IV and V emission levels.

Our EPA 2007 engines will use the Cummins Particulate Filter (a diesel oxidation catalyst and diesel particulate filter) to meet the new emissions standards. The Cummins Particulate Filter will achieve a 90 percent reduction in PM compared to 2004 levels. All North American engines produced in 2007 and beyond must meet a .01 gram PM standard, which represents a virtual elimination of this pollutant from the emissions mix.
Cummins also supports biodiesel use. B5 biodiesel (5 percent pure biodiesel with 95 percent standard petroleum diesel) is suitable for the full range of current automotive engines in North America. Cummins is evaluating the potential for concentrations of biodiesel higher than 5 percent. Cummins Emission Solutions currently has the only particulate filter verified for retrofit use with biodiesel blended with ultra-low sulfur diesel fuel, which became the standard for heavy-duty trucks in the U.S. in October 2006. A number of Cummins customers have successfully operated their retrofit devices with biodiesel blends.

**Emission Regulations and Cummins Product Goals**

Since the 1970s, Cummins on-highway engines have been regulated by the EPA and similar regulatory agencies around the world for combustion emissions, including NOx, carbon monoxide (CO), hydrocarbons (HC) and PM, also known as soot.

Cummins works closely with regulatory bodies to seek aggressive, but technologically feasible, emission reductions that also allow us to continue to make products that meet the exacting needs of our customers.

When compared to emissions from unregulated engines -- i.e. before EPA standards became effective in 1973 -- today’s on-highway diesel engines emit 90 percent less PM and nearly 90 percent less NOx. Cummins and other engine-makers are required by the end of the decade to further reduce PM and NOx to levels 99 percent lower than the unregulated levels.

Off-highway engines produced by Cummins also are subject to stringent emission standards. While the combustion process for off-highway engines is fundamentally the same as for on-highway engines, the emission control strategies are not interchangeable because of the broad horsepower range, unique applications and the wide variety of duty cycles typical of off-highway products.
Between 1995 and 2006, off-highway engine emissions for NOx and PM have been reduced by 80 percent and 85 percent, respectively. And from 2010 to 2014, off-highway engines will be controlled to essentially the same level of emissions as their on-highway engine counterparts. By 2014, NOx and PM emissions from off-highway engines will be 98 percent lower than they were in 1995.

The charts on the previous pages and above depict Cummins’ commitment to the environment by demonstrating that the Company’s engines often exceed emission standards. The on-road charts compare the estimated maximum allowable emissions by EPA standards versus Cummins’ estimate of its engines’ actual emissions for the past three years. Estimates are based on the number of engines, both heavy-duty and midrange, manufactured in the United States for on-highway use per year.

Cummins engines have released far less hydrocarbon and carbon monoxide into the environment than the maximum allowed by the EPA.

And even by the tough NOx and PM measures, Cummins has been under the standards.

The figures in the non-road charts are based on the number of midrange, heavy-duty, and high horsepower engines produced for regulated markets worldwide. As with Cummins on-road engines, these non-road engines release far less HC and CO into the environment than the maximum allowed by regulatory agencies. Likewise, NOx and PM actual emission levels are under the applicable standards.

Cummins also participates in a regulatory program called Averaging, Banking and Trading (ABT). This program allows emission credits to be generated and “banked” by a company whose products generate emissions that are lower than the regulated level. These banked credits may be applied to other engines whose emissions are higher than the standard. However, some credits are discounted by a certain percentage depending on engine type and ABT program rules. As a result of this discounting process, a portion of the emissions credits go unused by the Company, and are thus an additional benefit to the environment.
Looking ahead to 2007-2010, emission requirements will change dramatically for heavy-duty trucks over this period. Both NOx and PM will be reduced by 90 percent from 2004 levels.

The EPA will allow for a NOx phase-in from 2007 through 2009. During this time, 50 percent of the engines produced must meet the stricter, 2007 NOx standard, while 50 percent may continue to meet the 2004 standard.

The PM requirement is not phased in, and thus all engine production is required to be in compliance with the new standard beginning in January 2007.

By 2010 all heavy-duty diesel engines are expected to meet the NOx standard of 0.20 grams per brake-horsepower hour (g/bhp-hr) and the PM standard of 0.01g/bhp-hr.

Also by 2010, regulations will require the phase-in of advanced on-board diagnostics with additional sensors to monitor the effectiveness of emission-control systems on the engine, which will alert the driver if a failed emission-reduction device needs to be repaired.

### Ultra-Low Sulfur Diesel Fuel

In addition to the new exhaust emission standards and in support of them, the EPA is lowering the limit for diesel sulfur fuel from 500 parts per million (ppm) to 15 ppm. The new fuel standard began to be phased in October 2006 and will be completed by September 1, 2010 (100 percent participation). Cummins has publicly expressed its support of ultra-low sulfur fuel. ULSD has several benefits. It produces less particulate matter from combustion, so it is a particulate matter control strategy for all equipment in use. In addition, ultra-low sulfur fuel enables the use of advanced aftertreatment control systems.

### Aftertreatment Solutions

While cooled EGR is an “in-cylinder” technology that can reduce NOx, there are several aftertreatment
solutions that can achieve reduced NOx levels by treating the exhaust gases after they leave the engine. These include SCR and NOx catalysts. As noted above, our heavy-duty strategy is to use EGR to achieve NOx reduction. NOx aftertreatment devices are being considered for 2010 when the 0.20 g/bhp-hr Nox standard becomes effective.

While previous reductions in PM emissions have been achieved through engine combustion improvements and oxidation catalysts, the stringent 2007 particulate standards requires the use of very effective particulate aftertreatment. A typical filter consists of an array of small channels through which exhaust gas flows. Adjacent channels are plugged at opposite ends, forcing the exhaust gas to flow through the porous wall, capturing the soot particles on the surface and inside pores of the media. Soot accumulates in the filter, and when sufficient heat is present a “regeneration” event occurs, oxidizing the soot and cleaning the filter.

**Aftermarket: Emission Solutions**

Cummins has leveraged its research, product development and technology expertise to create businesses such as Emission Solutions. This Components Group business is a market-leading global designer, manufacturer and distributor of exhaust aftertreatment systems and devices for the on and off highway medium duty, heavy duty and high horsepower engine markets. With key operations in Indiana, Wisconsin, the United Kingdom and South Africa, Cummins Emission Solutions products serve both OEM and retrofit customers.

Emission Solutions specializes in exhaust products and systems for diesel engines (9-7,000 horsepower). Emission Solutions offers exhaust aftertreatment systems that control harmful emissions such as CO, HC, NOx and PM. Emission Solutions products reduce PM and NOx to 99 percent less than unregulated levels. With retrofit and first-fit options, Emission Solutions has integrated service solutions to help customers understand local air quality regulations and
identify sources of funding for specific emission reduction efforts. Cummins Emission Solutions has established a leadership position in the North American school and urban bus markets with its retrofit and “neofit” aftertreatment products.

**Cummins Filtration and the Environment**

As the global leader in providing filtration, exhaust, coolant and chemical technology for diesel and gas-powered equipment worldwide, Cummins Filtration takes its environmental responsibility seriously. With more than 200 active global patents for innovative technology, Cummins Filtration continues to provide environmental leadership by designing products for the future that extend service life, lower emissions and eliminate harmful toxins. Cummins Filtration products continually meet or exceed global emissions and noise regulations, reduce disposal issues and support extended maintenance.

The Company has developed a specific line of environmentally safer products to ensure:

- Reduced environmental impact
- Lower operating costs and increased vehicle uptime
- Excellent performance

To achieve these results, Cummins Filtration offers an integrated system approach for equipment maintenance with environmentally friendly product choices for all major engine systems. This stable of green products includes the following state-of-the-art technologies:

**Open Crankcase Ventilation**

The Fleetguard line of Open Crankcase Ventilation meets global emission standards for 2007 and protects the environment by:

- Reducing blow-by oil emissions to the atmosphere by more than 65 percent
- Lowering PM emissions
- Reducing oily residues on the back of vehicles
- Reducing oil drip by 99 percent, eliminating oil dripping onto roads, crops, bodies of water, garages and driveways
Reducing oil waste and clean-up costs
Minimizing engine downtime and lowering maintenance costs

**User-Friendly Filter™**
(see sidebar story for more information)
The innovative User-Friendly Filter provides a green alternative to conventional spin-on filtration technology. The product uses no steel or adhesives and is comprised of advanced polymers, making it more dent-resistant than metals. Other features that enhance environmental protection include:
- Flat bottom to eliminate oil spills
- Rugged, corrosion-free design
- 50 percent less weight
- Environmentally friendly disposal options
- No paint or adhesive is needed

**Industrial Pro™ Diesel Fuel Filtration**
The FH234 Series Industrial Pro™ diesel fuel filtration system is standard on all Cummins 2007 high-horsepower engines. The all-in-one fuel filter, fuel/water separator and fuel heater combines EleMax™ filter technology and multi-layered StrataPore™ media to provide higher fuel/water separation efficiency over time and reduced restriction to flow. Other outstanding features and benefits include:
- 5-minute maintenance with self-priming port
- Clear cover showing users when NOT to change filter
- Seeing is Believing® patented technology with superior water and contaminant removal

**Sea Pro® Marine Diesel Fuel Processor**
The FH234 Series Sea Pro® 5 diesel fuel processor is standard on all Cummins 2007 Tier II marine engines and may be used on other manufacturers’ new and existing engines. Sea Pro® 5 includes fuel filtration, fuel/water separation, water-in-fuel sensors, and proprietary StrataPore™ media. Its unique features provide competitive benefits while protecting the environment with:
- Remote mount design allows 5-minute, no-mess filter change
- Highly durable, corrosion-resistant shell
- Superior fuel/water separation and reduced restriction
- Longer service intervals with three times the life of conventional similar sized cellulose filters

Cummins filters help reduce the environmental impact of engine emissions.
Cummins set out in 2003 to design a completely new filtration product, one that was better for the environment and more serviceable for the customer. Cummins historically has led the market with creative filtration products. But this time we literally broke the mold.

Traditional filters are housed in steel. They hold up well, but at the end of their life they prove difficult to recycle and generally are sent to landfills. Landfill space conservation is an important issue worldwide, and space is especially scarce in Europe.

What if we could make a filter out of something that would be easier to recycle or be burned for heat recovery at the end of its life, creating energy instead of taking up space? One answer was to look at plastic.

Initially, engineers were resistant. Plastic had never been used before. Could it be made strong enough? Would it be seen as evidence of poor quality? An outside engineering design firm hired for its unbiased view helped us see the idea with fresh eyes. Cummins also talked with employees and customers around the world about product ideas, preferences and concerns.

The outcome was a filter with significantly less environmental impact than a steel filter; requiring a third less in material cost and presenting unprecedented design serviceability for customers, including ribbed “grips” for easy installation. The User-Friendly Filter, introduced in February 2006, is now selling ahead of projections. And there is significant additional environmental benefit going forward. One of the key considerations for development of the plastic filter is that it does not need to be painted. Cummins expects it could replace 1.3 million filters in 2007 with User-Friendly Filters, saving 700 gallons of paint annually and an associated reduction in volatile organic compounds (VOCs) of 2,450 pounds. In addition, the paper filter media has been reformulated for this product line, with a new “no cure” plant process that further reduces VOCs by an additional 8,737 pounds. Lastly, eliminating plastisol adhesive in approximately 2.2 million plastic and metal filters could reduce another 2,416 pounds of VOCs.
Going Beyond Requirements in Other Countries

Cummins meets or exceeds emission regulations in every country that it operates. In South Africa, where there are no emission regulations for existing types, Cummins sells EPA certified 1998/1999 engines. Standards in South Africa commence in 2010. Similarly, in Taiwan, emissions regulations require EPA 1994 standards, yet Cummins sells EPA 1999 certified engines. In Mexico, the Company sells EPA 2004 certified engines, although the law requires EPA 1999 certified engines.

Cummins has worked closely with the Chinese government and original equipment manufacturers to introduce “green engines” to China. Cummins is committed to bringing in advanced, low-emission environmental products to Chinese customers concurrently with international markets, including the United States and Europe. Cummins and its joint venture partner Dongfeng Automotive started limited production of Euro III diesels in late 2006 with volume production slated for the second quarter of 2007, in advance of the Chinese Government’s requirements to produce Euro III engines beginning in 2008.

Cummins has a history of being a “green leader” In China. Cummins was the first foreign diesel maker to power the large-scale Euro II transit fleet in 1999 in south China’s Shenzhen City, two years before China implemented the Euro I standards. Currently, more than 10,000 Cummins Euro III diesels power transit buses and coaches across the country, making Cummins the top Euro III diesel supplier in China.

Although China does not currently have a nationwide emission standard for off-road equipment, Cummins has been working closely with local OEMs to introduce emission-compliant industrial engines at the same time as the European and U.S. markets. All of the imported engines we sell for China’s construction market are either Tier 2 or 3 compliant, with local production moving to Tier 2 already. In addition, Cummins’ Chinese engineers are helping the local EPA draft the first generation of China’s off-road emission standards.
In October, Cummins made two important announcements on opposite sides of the world regarding its plans to bring clean, high-performance light-duty diesel engines to the market.

The Company announced plans to build a new family of light-duty clean diesel engines at its flagship engine facility in Columbus, Indiana. DaimlerChrysler will be the first major customer for these engines, which will be in production no later than 2010.

Cummins will invest more than $250 million in this engine family, which is the result of a nine-year partnership between Cummins and the Department of Energy. The engines will meet the most stringent emissions standards in the world and will result in at least a 30 percent improvement in fuel efficiency over comparable gasoline engines.

A week later, Cummins executives were on hand in Beijing for the signing of a joint venture agreement with Beiqi Foton Motor Company to produce 2.8-liter and 3.8-liter engines for the light-duty automotive market in China and elsewhere. Initially, the engines primarily will be used in light commercial pickups and SUVs, and will, at a minimum, meet Euro IV emissions standards when production begins in 2008.

These announcements represent Cummins’ entry into the light-duty diesel market and are consistent with the Company’s strategic goal of growing in related markets. They also dovetail with our belief that clean diesel technology can play a significant role in decreasing our dependence on fossil fuels and bolster our commitment to contributing to a cleaner environment.
In the November Bauma Expo in Shanghai, Cummins showcased its full solution of Tier 3 off-road engines from 1.7-L to 15-L for Chinese customers.

Cummins is pursuing low-emission and high-efficiency power generation solutions in China. Following the first Cummins Power Generation gas combined heat and power project (CHP) in a Shanghai sports center in 2005, which is an efficient producer of both heat and electricity for the recreational facility, this environmental power solution has been applied to customer facilities in Beijing, Wuxi and Chengdu in 2006.

**Recycling Cummins Products**

The Company’s environmental focus extends beyond a product’s initial useful life. Nearly all Cummins engines are candidates for remanufacturing. Today, we remanufacture some of our smallest engines (such as the 4B) up to the high-horsepower K19 engine. Cummins also remanufactures and recycles engine blocks, crankshafts, cylinder heads, turbochargers, water, oil and fuel pumps, fuel injectors, aftercoolers, oil coolers, rocker housings, connecting rods and other parts through its reconditioning initiatives. In 2005, Cummins Parts and Service recaptured about 22,000 metric tons of used “core” material. More than 99 percent of this material is reused or recycled, either by Cummins directly or by recyclers to whom Cummins has sold scrapped materials.

Our remanufacturing division is working with the new product design teams to ensure that the next generation of products eventually can be remanufactured. This includes analysis and testing of products in the remanufactured configuration. The remanufacturing technology team and salvage development laboratories in the plants work intimately with corporate technical centers to develop new methods to recover core material. This includes methods to clean, inspect and refurbish components.

**Engine Innovations Beyond Diesel Power**

Cummins is part of a joint venture with Westport Innovations Inc., a leading developer of
technologies that allow engines to operate on natural gas, hydrogen and hydrogen-enriched natural gas. Cummins Westport (CWI) develops and markets the world’s widest range of high-performance, low-emission engines for commercial applications, such as trucks and buses. CWI has five mid-range engines in commercial production today: the L Gas Plus, C Gas Plus, B Gas Plus, B LPG Plus and BGI.

About 1,500 C Gas Plus engines are in service in transit buses for major U.S. fleets, including Boston, Washington, D.C., Atlanta, Fort Worth, Phoenix, San Diego, Los Angeles, Sacramento, San Bernardino, Calif. and Tacoma, Wash. The C Gas Plus also is used in larger school buses, larger airport shuttle buses and truck applications such as refuse collection.

The largest customer for B5.9G engines is Beijing Public Transportation Corp., which acquired more than 2,000 of these engines for transit buses.

In February 2005, CWI announced plans to commercialize a new engine for medium-duty truck, refuse and urban transit markets. Scheduled for commercial launch in 2007, the ISL G will be introduced three years ahead of the EPA emissions deadline. It will surpass EPA and CARB 2007 phase-in levels and meet 2010 emission standards of 0.2 g/bhp-hr NOx and 0.01 g/bhp-hr PM at launch in 2007.

**Supporting Independent Health Research**

In the early 1980s, Cummins anticipated the need for sound, independent research on the health effects of mobile source emissions. In response to that need, the Company – together with the EPA – was instrumental in chartering the Health Effects Institute (www.healtheffects.org), which provides unbiased information on the health effects of motor vehicle emissions. This institution receives equal funding from the EPA and the motor vehicle industry. Today, Cummins continues to support this important work, even as exhaust emissions have improved considerably since the Institute was established. In addition, Cummins supports various efforts at renowned research institutions that focus on the health effects of mobile source emissions.

We recaptured 22,000 metric tons of used “core” engine material in 2005.
Cummins West, a Cummins distributor in California, is participating in a project with the U.S. EPA and the Sacramento Air District to dramatically reduce the emissions from the large generators used to supply “hotelling power” on the locomotives that operate on two Northern California commuter rail lines. The locomotives used by these rail lines have large generators, or Head End Power (HEP), that supply power for heating, air conditioning, lighting, cafeteria operations and passenger power requirements for small appliances such as laptop computers. These large generators produce approximately one third of the total emissions from the locomotive.

In a demonstration program scheduled for completion by mid-2007, Cummins West will replace two of the existing non-Cummins engines with Tier 2 Cummins QSX engines fitted with Cleaire exhaust purification retrofit devices that reduce PM, NOx, Hydrocarbons and Carbon Monoxide. PM emissions will drop from 0.4g/bhp-hr to approximately 0.02, a 95 percent reduction. NOx emissions will drop from around 6g/bhp-hr to around 3, more than 50 percent. In addition to the re-powering plus retrofitting project, Cummins West application engineers worked with Caltrans to develop an automatic shut-down system for the HEP units that should reduce their total operating hours by more than 30 percent, further reducing HEP emissions.

Cleaire, a division of Cummins West, has installed more than 2,500 NOx plus PM retrofit systems in on-road heavy-duty vehicles such as transit buses, refuse trucks, regional delivery trucks, local delivery trucks and some school buses and public works vehicles operated by government and utility fleets. It also has held demonstrations of this technology in off-road construction equipment.

Counsel in Developing Products and Meeting Standards

In developing products to meet various standards, as well as the demands of its customers, Cummins seeks advice and counsel from its Science and Technology Advisory Council and the Technology...
and Environment Committee of its Board of Directors.

Cummins Science & Technology Advisory Council, formed in 1993, has given the Company access to some of the country’s leading scientific thinkers and policymakers from the worlds of academia, industry and government.

The Cummins Science and Technology Advisory Council members regularly discuss the future of the internal combustion engine and the use of alternative power sources. As an example, Cummins already has pursued alternative energy options, including clean natural gas bus engines and power generation units that harness waste gases such as methane available in landfills.

The Cummins Science and Technology Advisory Council members are:

**Dr. John M. Deutch (Chairman)**
Institute Professor at Massachusetts Institute of Technology, former Provost and Dean of Science at MIT, CIA Director and Assistant Secretary DOE.

**Dr. Harold Brown, Counselor**
Center for Strategic and International Studies, retired Cummins Director, former Secretary of Defense and President of CalTech.

**Dr. George M. Whitesides**
Mallinckrodt Professor of Chemistry at Harvard University.

**Dr. Michael Oppenheimer**
Albert G. Milbank Professor of Geosciences and International Affairs at Princeton University and Director of the Program in Science, Technology and Environmental Policy at the Woodrow Wilson School.

**Dr. Ernest Moniz**
Professor of Physics at the Massachusetts Institute of Technology.

**Dr. Anita K. Jones**
Lawrence R. Quarles Professor of Engineering and Applied Science at the University of Virginia and Vice Chair of the National Science Foundation.
We help our customers manage their emissions through management of engine idle, cruise control and speed.

**Dr. Sophie V. Vandebroek**
Chief Technical Officer and President, Xerox Innovation Group for Xerox Corporation, Stamford, Connecticut. Fellow of the Institute of Electrical & Electronics Engineers and served as an elected member on the IEEE Administrative Committee. Fulbright Fellow and a Fellow of the Belgian-American Educational Foundation.

**Dr. Gerald L. Wilson**
Professor of Electrical Engineering and Mechanical Engineering, Massachusetts Institute of Technology, formerly Dean of Engineering at MIT.

The Technology and Environment Committee of the Cummins Board of Directors advises top management and the technical leadership of Cummins regarding:

- Technology strategy and planning
- Significant research and technology projects and tools
- Major new product programs
- Environmental policy and strategy within the public arena as well maintaining as an internal action plan

Its membership includes the following Directors: John M. Deutch, Chair, Alexis M. Herman, Georgia R. Nelson, William I. Miller and Carl Ware.

The committee also encourages collaboration between Cummins and the external technical and environmental community and reviews the technology plans of the Company.
Cummins’ efforts to reduce carbon intensity encompass both our products and our manufacturing operations.

**Helping Customers Manage Their Carbon Emissions**

**Engines**

Cummins has numerous initiatives in this area, with key ones focused on the management of automotive heavy-duty engine idle, cruise control and speed. Idle management features supported within the Electronic Control Modules (ECMs) of our engines can help our customers reduce fuel consumption by shutting off the engine after a specified amount of time at idle or allowing the fleet manager/owner to make decisions about “rewarding” drivers with slightly more cruise control maximum set speed if they have minimized their idle time. Customers can allow a driver a little more speed but retain a positive balance on fuel saved - and fuel saved is fuel not burned and therefore less carbon released.

The second aspect of reducing/managing the carbon risks involves our fuel economy features. We have a long list of features within our ECMs that are specifically designed to help customers minimize the amount of fuel they burn. Again, this ultimately becomes a means of minimizing carbon.

Some of these features are:

**Road Speed and Cruise Control Governor**

The feature limits the maximum vehicle speed with the driver’s foot on and off the throttle. Power required, and therefore fuel burned, is directly proportional to vehicle speed.

**Smart Torque**

By allowing high torque in the top two gears, you can minimize the number of downshifts required to maintain speed on the highway. By avoiding a downshift, overall engine speed is lowered and a lower engine speed generally equates to less fuel burned.
In addition to these “active” features, Cummins engines also have a number of “information features” where “trip” or “duty cycle” information is stored. By reviewing these data, a fleet manager can look for variations between drivers or trucks, look for trends and use the data for driver coaching or to schedule maintenance.

**Power Generation**

**ComfortGuard APU**

A typical long-haul truck spends an average of 2,000 hours a year idling with the base engine fuel consumption of one gallon per hour at idle. A product developed by our Power Generation business, the Cummins ComfortGuard Auxiliary Power Unit (APU), mounts to the frame of the tractor and can provide heating and air conditioning while using only about 0.2 gallons of fuel per hour.

In addition, the APU can keep the main engine heated in cold ambient conditions so it will start when needed. All of these requirements can be achieved with the APU as an alternative to running the main engine. Use of the APU can reduce the fuel consumption of a typical long-haul truck fleet by 1,600 gallons of diesel fuel per truck each year.

**Combined Heat and Power Applications**

Cogeneration, or Combined Heat and Power (CHP), is the production of two kinds of energy -- usually electricity and heat -- from a single source of fuel. Cogeneration can replace the traditional method of supplying energy from multiple sources, e.g., purchasing electricity from the power grid and burning natural gas or oil separately in a furnace to produce heat or steam. These methods can waste up to two-thirds of the energy in the original fuel – losses that translate into high utility rates.

Cummins Power Generation has installed numerous CHP systems. One of the most recent and unusual applications is a 1.5 Megawatt system at a tomato greenhouse in Belgium. It uses the waste exhaust and engine coolant energy to heat the greenhouse, CO2 in the exhaust for plant food, and the excess electricity is sold. The benefits include a reduction in CO2 (greenhouse gases) versus traditional electric power plants.
Biogas
A team from Cummins Power Generation partnered with Earth University in Costa Rica to develop a system that uses animal manure as a fuel source to generate electricity for the campus. The system works by processing pig and cow manure through a biological digester that separates the methane gas into an enclosed chamber. The gas is then consumed by an adapted Cummins Power Generation generator set, powered by a Cummins B series 5.9 natural gas engine. The unit is a 40Kw system, capable of powering critical operations on the campus.

The biodigester system filters water drainage from farm operations to prevent pollution and contamination. The digester and power generation system provide an additional benefit to the environment by consuming the naturally produced methane, a greenhouse gas. Methane has over 20 times the global warming potential of carbon dioxide.

Emission Reduction in Cummins Facilities
From a facilities GHG emissions perspective, Cummins’ improvement efforts are focused on efficiencies associated with the energy used to operate our facilities and power our manufacturing processes. These projects have ranged from energy efficient lighting and compressor efficiency endeavors to installation of Cummins turbine products that energize a combined heat and power system. Cummins has initiated a number of process improvements and quality initiatives at its manufacturing and test facilities to improve the quality of our products, while at the same time, reducing associated emissions from those facilities.

Engine Testing
Cummins is working to reduce energy consumption, lower pollution levels and reduce costs through initiatives to reduce engine testing in product development and in manufacturing. These initiatives encompass design, the verification of manufacturing quality and the advanced diesel
Analysis-Led Design

Cummins has applied Six Sigma disciplines and processes in our product design and technology development areas to ensure we are designing components and systems that will be robust in the manufacturing environment. The analytical tools being used are part of our analysis-led design initiative.

In analysis-led design, computer simulations replace traditional hardware testing, which involves building and testing many expensive prototypes. Instead, a “virtual engine” is built and then tested in a computer simulation which allows us to look at more designs in a shorter time. Using analysis-led design on our most recent product launches has allowed us to increase the number of analysis hours by as much as 200 percent while cutting total program costs by more than 20 percent. In one engine family alone, more than 10,000 hours of testing was avoided – along with the prototypes that go along with it. The process yields better designs faster, at a lower cost and with substantial reductions in test cell time and the fuel use and its associated emissions.

Verification of Manufacturing Quality

Engine attribute testing requirements have been reduced on certain product lines because in-process verification allows the identification of potential problems upstream of the test cell process. This product quality initiative promotes the concept of “Right First Time,” a more effective means to test a component and engine system, with an associated environmental benefit.
Advanced Diesel Engine Quality Verification

Cummins has used Technology Development for Six Sigma tools to develop the next generation of production diesel engine testing – Advanced Engine Functional Test (AEFT). The enabling technology for AEFT is the introduction of the new family of high-pressure common rail fuel systems. This advancement allows the engine to self-prime and thus removes the need for even the most rudimentary form of running engine test. As Cummins migrates to this fuel system technology, production facilities can introduce AEFT as the primary end-of-line test solution.

MidRange Engine Plant AEFT Initiative

The environmental impact of AEFT is best understood in the context of comparing the emissions from an existing test to its AEFT counterpart. In the existing MidRange no-load two-minute attribute test, for example, at current plant build levels, this attribute test uses approximately 4,000 gallons of fuel. In contrast, AEFT is projected to consume approximately 88 gallons. This represents a 97 percent reduction in fuel consumption. As of the end of 2006, three of the four AEFT test stands at the Columbus MidRange Plant are operational and the fourth is being installed. The existing Attribute Hot Test Stand decommissioning is planned for mid-2007.

Future AEFT Impact

Project development work has started incorporating AEFT into other engine programs. The new Light Duty Diesel will incorporate AEFT technology; plus it is also planned for the Beijing Foton Cummins Engine Company joint venture in China. The same technology has been developed for testing turbochargers at Cummins Turbocharger Technologies. The Heavy Duty team is evaluating the technology for the engines built at the Jamestown Engine Plant as a means of increasing the efficiency in their Hot Test process, thereby reducing fuel consumption at this location as well.
Performance Indicators: Facilities

**Environmental Policy**

Cummins’ commitment to being a good corporate citizen is realized in many forms, including protecting our employees and the environment. Yet, doing our part to promote a healthy environment goes beyond producing the cleanest possible products. Our facilities have a large role to play in helping create a safe and sustainable environment for today and in the future. Minimizing workplace injuries, reducing facility emissions and waste and conserving natural resources are fundamental to our commitment to the communities in which we work and live. These efforts also have a direct positive impact on the profitability of our business.

The Safety and Environmental Council promotes environmental health and safety initiatives through the development and implementation of our ISO 14001 certified Environmental Management System and the Cummins Safety System. The framework for the environmental and the safety management systems was built upon the Corporate Health Safety and Environmental Policy.

This policy statement acknowledges the importance of protecting the environment and conserving our natural resources, and includes our formal commitment to the long-term sustainability of our operations. Consistent with our policy and our pursuit of environmental sustainability, our efforts to establish and achieve measurable environmental objectives and targets ensure that we are continually improving our environmental performance.

As we continue to diligently meet our regulatory obligations, we also will persist in our efforts to identify opportunities for improvement and to reduce the environmental impacts of our operations.

**Safety and Environmental Council**

Cummins Corporate Health, Safety and Environmental (HSE) Council includes the manufacturing, safety and environmental leaders from across the Company’s seven business units and from the corporate staff. The Council meets quarterly and is responsible for building a best-in-class safety and environmental organization across
Cummins worldwide entities. The group develops, reviews and recommends improvement initiatives at all levels of the organization, with the goal of minimizing the global impact of the Company’s operations.

Among these initiatives are a focus on facility registration to the ISO 14001 standard, deployment of the Enterprise Environmental Management System, functional excellence development through an auditor certification program and environmental training programs. The Council also is the forum where company-wide objectives and targets are established. In 2006 and into the future, the Council will focus its efforts in the reduction of greenhouse gas emissions to support achievement of the GHG reduction goal set through the EPA Climate Leaders Program.

**ISO 14001 Registrations**

Cummins is committed to using ISO 14001 as a means of effective environmental management as the Company strives to become a world leader among manufacturers in protecting the environment.

Corporate-level procedures were developed and incorporated within the Cummins Health, Safety and Environmental Management System (HSEMS) to serve as a framework for the organization’s conformance to the ISO 14001 Standard. A key component of the HSEMS framework is a worldwide “enterprise” approach to ISO 14001 registration. This global, single registration includes a centralized management review process that captures key environmental performance data for analysis at the Business Unit and Corporate levels.

The process allows Cummins to identify superior environmental management programs within the organization and implement those programs worldwide. The enterprise, which supports the Safety and Environmental Policy, provides the platform for setting environmental improvement objectives and ongoing monitoring of our environmental performance. The enterprise approach also is a cost-effective way for Cummins sites around the world to obtain and maintain their ISO 14001 registration.

Environmental Management System Registrations to ISO 14001 and Sustainability Reporting Facilities

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<tr>
<th>Site</th>
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<th>Sustainability Reporter</th>
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<td>2002</td>
<td>UK</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Cummins Turbo Tech. – Charleston</td>
<td>2002</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration – Neillsville West</td>
<td>2002</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Dongfeng Cummins Engine Co. Ltd/ Cummins Xiangfan Machinery Co. Ltd</td>
<td>2002</td>
<td>China</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Original Equipment Remanufacturing</td>
<td>2003</td>
<td>Canada</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Tata Cummins Limited</td>
<td>2003</td>
<td>India</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins - Fuel Systems Plant</td>
<td>2003</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Brazil Ltd.</td>
<td>2003</td>
<td>Brazil</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins - Midrange Engine Plant</td>
<td>2003</td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration – Lake Mills</td>
<td>2003</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration – Black River Falls</td>
<td>2003</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins - Corporate</td>
<td>2003</td>
<td>NA</td>
<td>Worldwide</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration – Bloomer</td>
<td>2003</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration – Neillsville East</td>
<td>2003</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Turbo Tech. - Tata</td>
<td>2004</td>
<td>India</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Kuss Corp</td>
<td>2004</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Turbo Tech. - Wuxi</td>
<td>2004</td>
<td>China</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Consolidated Diesel Company</td>
<td>2004</td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins - Jamestown Engine Plant</td>
<td>2004</td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Power Gen – Fridley</td>
<td>2004</td>
<td>USA</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Fuel Systems – Juárez/El Paso</td>
<td>2004</td>
<td>USA/Mexico</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Generator Tech. - SLP</td>
<td>2005</td>
<td>Mexico</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration - SLP</td>
<td>2005</td>
<td>Mexico</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Diesel ReCon - Memphis</td>
<td>2005</td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Power Gen - Kent</td>
<td>2005</td>
<td>UK</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration - Brazil</td>
<td>2006</td>
<td>Brazil</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins Filtration - Cookeville</td>
<td>2006</td>
<td>USA</td>
<td>Components</td>
<td></td>
</tr>
<tr>
<td>Cummins - Columbus Engine Plant</td>
<td>2006</td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Power Gen Beijing</td>
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<td>USA</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Cummins Power Gen Singapore</td>
<td></td>
<td>Singapore</td>
<td>Power Gen</td>
<td></td>
</tr>
<tr>
<td>Corporate Office Building</td>
<td></td>
<td>USA</td>
<td>Corp.</td>
<td></td>
</tr>
<tr>
<td>Memphis Parts Distribution Center</td>
<td></td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
<tr>
<td>Cummins Technical Center</td>
<td></td>
<td>USA</td>
<td>Engine</td>
<td></td>
</tr>
</tbody>
</table>

Sites shaded in grey represent enterprise registrations
By the end of 2006, Cummins will have 37 manufacturing facilities and the corporate entity registered to the ISO 14001 Standard. Of those, 25 will be registered within the worldwide Cummins Enterprise registration.

In 2007, Cummins sites in the U.S., China, India, South Africa and Brazil will be added to those sites participating in the ISO 14001 Enterprise.

**Greenhouse Gas Emissions**

Cummins has pledged to reduce its corporate-wide greenhouse gas (GHG) emissions, as a percentage of net sales, by 25 percent by 2010, against a base year of 2005. The Company will track greenhouse gas emissions at Cummins-managed facilities worldwide that contribute to the Company’s net sales. Historical energy and fuels use data indicate that Cummins achieved an absolute GHG emissions reduction of 2.3 percent in 2005 versus the year 2000. This equates to a 28 percent overall and a 20 percent, inflation adjusted, GHG intensity reduction expressed in tons of CO2e (equivalents) per million dollars in net sales.

Climate change management and greenhouse gas (GHG) emissions reductions are key strategic environmental initiatives at Cummins facilities. Over the past several years, we have increased the number of entities reporting emissions and related data for compilation in this report. The data also are used to identify areas of opportunity where we can leverage improvement initiatives around the worldwide organization. Additional efforts have involved addressing worldwide variability in regulatory requirements and other inconsistencies that make the collection and assimilation of the data a challenge. We are continually improving the reporting process to support the accurate reporting of comprehensive measures that represent impacts to the environment, both positive and negative.

**Reporting Scope**

Cummins has been collecting environmental performance data selectively from its manufacturing facilities since 1999. Expansion of the reporting effort encompasses each of the Cummins’ manufacturing divisions worldwide.
Cummins tracks a wide range of facility data to measure the potential environmental impacts of its operations. The data compiled for this report represent a substantial majority of Cummins’ manufacturing facilities, the corporate headquarters building and the larger non-manufacturing facilities. Increases in the number of reporting facilities and the evolution of our data reporting and collection process has made trend analysis of our environmental measures a challenge. Still, our many efforts that address waste minimization, energy efficiency and recycling provide significant and incremental contributions that ensure our environmental impacts are diminishing.

For perspective on our areas of environmental focus, a general description of the manufacturing operations by business unit follows.

**Engine**

Within the Cummins Engine Business, manufacturing facilities employees conduct product design, research and development, engine manufacturing and engine and component reconditioning. Engine assembly facilities perform engine block and component machining, assembly, painting, alkaline bath parts washing and engine performance testing. Product design and engine testing are the primary operations in the research and development technical centers where production processes are limited.

Engine testing is conducted in stationary test stands or cells, where product performance information is measured as engines run at various duty cycles. Test cells also are used for certification testing to ensure products meet emissions requirements. Rebuild/reconditioning facilities perform engine tear-down and reassembly, using alkaline parts washing processes.

**Components**

Cummins Components Group facility operations primarily involve filtration and exhaust product design, research and development, filter and exhaust component assembly, and product distribution and warehousing. Emission Solutions
designs and manufactures emission controls aftertreatment products. In addition, the Cummins Turbo Technologies and Fuel Systems businesses are now incorporated within the newly organized Components Group. Key operations conducted among the Components Business divisions include filter, fuel systems, turbocharger and exhaust component assembly, metal stamping, tube bending and component machining, welding, product assembly, painting and performance testing.

**Power Generation**

Cummins Power Generation Business facility operations primarily involve product design, research and development, alternator manufacturing, assembly of generator sets, switchgear and controls and product testing. Alternator manufacturing facilities perform component machining, lamination stamping, rotor and stator winding, resin impregnation and alternator assembly. Assembly facilities perform housing fabrication, genset assembly, switchgear and controls assembly, painting, alkaline bath parts washing and genset performance testing. Product design and performance testing are conducted in the research and development technical centers. Genset testing is conducted in stationary test stands/cells, where product performance information is measured while gensets are run at various duty cycles. Test cells also are used for certification testing to ensure products meet emissions requirements.

**Waste Streams**

The primary waste streams generated at Cummins manufacturing facilities include waste paint and associated materials, paint filters, sludges and filter cake, machine coolant, used oil and resins. Metals and metal parts that cannot be reconditioned for re-use in Cummins products are salvaged for off-site recycling, as are used oils. Other waste streams include filter media and resins. At most facilities, machine coolant is recycled until ineffective and ultimately added to the wastewater stream for pretreatment prior to discharge to public treatment works.
Environmental Performance Measures

Reporting Sites

Cummins has collected key environmental performance measures from our facilities worldwide for a number of years. The data-gathering effort has focused on our facilities serving manufacturing, warehousing and administrative functions that have the most significant potential incremental environmental impact, based on their size and the nature of operations conducted. In light of Cummins’ participation in the Climate Leaders Program and the GHG inventory scope requirements as prescribed in the World Resources Institute protocols, the population of sites for that data gathering effort has widened significantly. Consequently, measures have been compiled from two different data sets, which are indicated accordingly in the following sections of this report.

This report lists data from 2003, 2004 and 2005 and shows trends over time. Although the number of reporting sites is the same, the reporting entities over the 2003-2005 timeframe is not, with plant closures and new reporting sites added. Still, data trends will provide valuable information relative to environmental performance. Revenue data associated with the reporting sites has been provided to account for swings in production. Normalizing the data also is useful to address the changes in population and operations of the reporting sites.

These data, with the exception of electricity, fuels and their associated direct and indirect emissions, were derived from 38 reporting sites. The fuels, electricity and emissions for the data reported herein, however, were collected from the wider group of 79 facilities from which a greenhouse gas inventory is being developed. Consequently, the fuel, electrical and emissions data in this report are not consistent with that compiled and published in previous years’ reports.

Energy and Fuels/
Greenhouse Gas Emissions

An emissions inventory is being developed at Cummins that will encompass all management-
controlled sites worldwide to support Cummins’ participation in the EPA Climate Leaders program and to help achieve our GHG reduction goal. Data included for the purposes of this report are derived from 79 facilities in the U.S., United Kingdom and Mexico, representing essentially all the sites in these geographies. Net sales also have been collected from these sites to normalize the emissions data and to account for changes in production rates over the reporting timeframe.

Greenhouse gas emissions are based on energy and fuels data from these same 79 reporting sites. These emissions are reported in metric tons of CO2-equivalent and were calculated based on guidance and emissions factors provided in the Climate Leaders Greenhouse Gas Inventory Protocol. Indirect emissions calculations from electricity use take into account the carbon intensity of the fuel and technology used to generate the power. A determination of the electricity emissions was made using emission factors from the EPA eGRID emissions database. Mexico and UK emission factors are from the WRI/WBCSD Greenhouse Gas Protocol calculation tools.

Other Environmental Measures

Materials

Cummins materials data collection includes specific categories of process compounds used most commonly in the Company’s manufacturing processes. In addition, quarterly data are reported and compiled for wastes, recycled materials, utilities and other key measures.

Data trends clearly indicate a greater efficiency in production and revenue generation without a commensurate increase in environmental impacts. Material use increases generally are consistent from 2003 to 2004 although at varying rates, against a 34 percent increase in sales over that timeframe. Materials use is generally consistent in the 2004 and 2005 timeframe in spite of production increases that yielded 17.5 percent increase in sales. A notable exception is natural gas use, which declined by 9.6 percent and 6.8 percent in 2004 and 2005 respectively. Water use also decreased by 9.6 percent and 13.7 percent. Diesel fuel use increased by 25 percent, in spite of
## Materials

### Materials Other Than Water

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel Fuel/Fuel Oil (Gallons)*</td>
<td>8,074,215</td>
<td>8,422,735</td>
<td>10,555,395</td>
</tr>
<tr>
<td>Natural Gas (Cubic Feet)*</td>
<td>1,493,581,289</td>
<td>1,449,516,018</td>
<td>1,350,425,874</td>
</tr>
<tr>
<td>Propane (Cubic Feet)*</td>
<td>5,193,018</td>
<td>5,920,023</td>
<td>5,967,882</td>
</tr>
<tr>
<td>Oil (Gallons)</td>
<td>1,110,160</td>
<td>1,688,349</td>
<td>1,686,505</td>
</tr>
<tr>
<td>Paint (Gallons)</td>
<td>233,427</td>
<td>305,961</td>
<td>293,802</td>
</tr>
<tr>
<td>Coolant (Gallons)</td>
<td>433,450</td>
<td>828,200</td>
<td>825,214</td>
</tr>
<tr>
<td>Solvent (Gallons)</td>
<td>92,166</td>
<td>92,512</td>
<td>99,250</td>
</tr>
</tbody>
</table>

### Total Water Use

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Water Use (Gallons)</td>
<td>1,048,097,963</td>
<td>1,111,252,451</td>
<td>958,525,983</td>
</tr>
<tr>
<td>Significant Discharges to Water (Gallons)</td>
<td>757,016,449</td>
<td>897,101,545</td>
<td>770,551,878</td>
</tr>
</tbody>
</table>

### Total Amount of Waste by Type

<table>
<thead>
<tr>
<th>Category</th>
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<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Waste (Metric Tons)</td>
<td>1,704</td>
<td>2,463</td>
<td>2,074</td>
</tr>
<tr>
<td>General Refuse (Metric Tons)</td>
<td>8,014</td>
<td>8,481</td>
<td>10,351</td>
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</table>

### Recycled Materials

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron (Metric Tons)</td>
<td>76,559</td>
<td>111,333</td>
<td>99,298</td>
</tr>
<tr>
<td>Aluminum (Metric Tons)</td>
<td>731</td>
<td>983</td>
<td>978</td>
</tr>
<tr>
<td>Copper &amp; Brass (Metric Tons)</td>
<td>318</td>
<td>468</td>
<td>326</td>
</tr>
<tr>
<td>Cardboard (Metric Tons)</td>
<td>4,951</td>
<td>13,096</td>
<td>6,601</td>
</tr>
<tr>
<td>Paper (Metric Tons)</td>
<td>439</td>
<td>210</td>
<td>281</td>
</tr>
<tr>
<td>Wood (Metric Tons)</td>
<td>6,302</td>
<td>8,014</td>
<td>9,541</td>
</tr>
<tr>
<td>Plastic (Metric Tons)</td>
<td>181</td>
<td>252</td>
<td>255</td>
</tr>
<tr>
<td>Reused Liquid Waste (Gallons)</td>
<td>1,559,622</td>
<td>2,483,219</td>
<td>2,750,151</td>
</tr>
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</table>

* 79 reporting sites; all other totals are from a 38 site dataset
Environment and Safety

Direct and Indirect Energy Use

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct (Gigajoules)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Oil/Diesel/Aircraft Fuel</td>
<td>1,160,561</td>
<td>1,213,314</td>
<td>1,524,178</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>1,645,887</td>
<td>1,603,685</td>
<td>1,487,629</td>
</tr>
<tr>
<td>Propane</td>
<td>13,610</td>
<td>15,509</td>
<td>15,614</td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (Gigajoules)</td>
<td>2,141,362</td>
<td>2,460,509</td>
<td>2,574,481</td>
</tr>
<tr>
<td>Electricity (KwH)</td>
<td>594,822,887</td>
<td>683,474,829</td>
<td>715,133,653</td>
</tr>
</tbody>
</table>

The energy data provided represent electricity used at the Company’s facilities to generate power for manufacturing operations, power produced and sold to the regional grid and power used for facility heating and cooling purposes. These data are the source of the greenhouse gas emissions in the Cummins inventory also presented above.

test cell use reduction processes implemented at selected manufacturing locations. Also, recycled metals increased by 45 percent from 2003 to 2004, outpacing production growth, but dropped by 10.8 percent in 2005. The decrease in metals recycled may be attributed in part to efforts to minimize metal waste generated in the manufacturing process.

Totals for recycled paper, plastic and wood are understated because at several locations load weights are unavailable or represent aggregated vs. individual material totals. Significant discharges to water also are estimated because these are not directly measured at all worldwide locations.

Reused liquid wastes represent estimated quantities of industrial process wastes reclaimed for re-use or otherwise returned to process based on Btu content as feedstock in cement kilns or blended fuels. These include oil, coolants, solvents and thinners and residual fluids primarily from painting processes, including selected wastes that are regulated as hazardous as defined within the U.S. Resource Conservation and Recovery Act.

Greenhouse Gas Emissions

Historical energy and fuels use data indicate that Cummins achieved an absolute GHG emissions reduction of 2.3 percent in 2005 versus the year 2000. This equates to a 28 percent overall and a 20 percent, inflation adjusted, GHG intensity reduction expressed in tons of CO2e (equivalents) per million dollars in net sales.

This significant emissions reduction has been accomplished through an environmental improvement project focus at Cummins that employs Six Sigma tools and methodology. These projects highlight the fact that what is right for the environment often is good for the business. Similarly, fuel-use reductions tied to engine-testing efficiencies initiatives, which themselves yield substantial environmental benefits, represent supplemental benefits from what is primarily a quality assurance tool.

Recent data trends, as depicted on page 60 clearly indicate that Cummins is significantly more efficient at manufacturing our products than in years past.
Transportation emissions associated with air travel from the Company airplane fleet has remained essentially constant.

The chart on page 73 illustrates the relative share of 2005 emissions from among the 79 U.S., U.K. and Mexico facilities included in the GHG inventory. Indirect emissions associated with electricity use dominates Cummins emissions profile by a factor of nearly three to one over those direct emissions from stationary source combustion. The relative magnitude of emissions from facilities in Indiana is in part due to the carbon intensity of electricity supplied by the burning of coal. The “other” 27 percent depicted in the pie chart represents the aggregated total emissions from those facilities that contributed less than 3% relative share of the total on an individual basis.

**Other Significant Air Emissions**

Data for NOx, CO, PM and CO2 were developed from the 79 sites reporting fuels and electricity for the GHG inventory. Totals for VOC are based on data from the traditional 38 reporting sites. Emissions from diesel fuel used in product testing applications and No. 2 fuel oil, propane and natural gas used in in boilers and furnaces, were derived using EPA AP-4 Compilation of Air Pollutant Emission Factors, 1996. It should be noted that AP-42 emissions conversions used for large diesel engines are based on obsolete technology. Although we have not used conversion factors developed from our own emission testing, it is certain that the emissions data presented here based on AP-42 is overstated. VOC totals are based on throughput and VOC content of the significant sources at each reporting site; however, total emissions for this parameter are not considered to be comprehensive.

**Ozone Depleting Substances**

In 1995, Cummins implemented a policy that stationary equipment using chlorofluorocarbons (CFCs) would no longer be purchased by Cummins. Equipment already in place would be considered for conversion or replacement depending on its age and repair costs. As a result of this policy,
Cummins has replaced more than 50 percent of its equipment containing ozone-depleting substances.

**Significant Spills of Chemicals, Oils, and Fuels**

**Incidents and Fines for Non-compliance**

**NOTICES OF VIOLATION**

(Editor’s Note: Due to lag-times associated with the public reporting process in various locations, information regarding fines and violations often does not become public record for some time after the initial issue is raised. Fines and violations detailed below represent information not included in previous reports.)

**Consolidated Diesel Company**

On September 16, 2005, the site received a Notice of Violation Letter (NOV) from the North Carolina Department of Environment and Natural Resources. The NOV alleged the absence of an updated Risk Management Plan (RMP).

Although the site developed an RMP in 1999 for storage of propane gas based on their original interpretation of the rules, a subsequent judicial stay was applied that negated the requirement at CDC and similar facilities in the US.

The site contested the NOV, citing the rule and its non-applicability and provided the agency with a request for a withdrawal of the RMP. On May 17, 2006, the site received a Rescission Letter from the North Carolina Department of Environment and Natural Resources, thus nullifying the original NOV.

**Cummins Filtration – Viroqua**

On February 22, 2005, the United States Environmental Protection Agency (USEPA) Region 5 and the Wisconsin Department of Natural Resources performed an inspection at the Cummins Filtration site in Viroqua, Wisc. During this inspection, the USEPA Representative cited deviations from the Resource Conservation and Recovery Act requirements in the site’s waste management program. On April 4, 2005, site personnel informed the USEPA that all corrective
measures necessary to mitigate the issues at hand and prevent their reoccurrence had been implemented.

Although the site had already submitted documentation stating that the issues cited had been addressed, the USEPA issued a NOV on August 3, 2005, as a formality. On August 30, 2005, in response to the NOV, the site again provided evidence of completion of their corrective actions. The USEPA replied with a Letter of Acknowledgement informing the site that no additional action was needed. No monetary penalties were assessed.

**Diesel ReCon – Juarez**

On August 16, 2004, the Diesel ReCon facility in Juarez, Mexico was inspected by PROFEPA. During this inspection, several deviations were noted related to air emissions and hazardous waste management. A formal written response was sent by the site to PROFEPA in November 2004 that addressed the majority of the deviations identified during the original inspection.

Nevertheless, the site received a citation on January 11, 2005, that included a fine equivalent to $2,839, which was subsequently paid by the plant.

In November 2005, the site experienced a verification inspection by PROFEPA. During this inspection, PROFEPA noted that there were some remaining issues that required attention. As a result, the site received a citation in the amount of $928, which was subsequently paid. The site implemented corrective measures for all remaining deviations.

**Continual Improvement and Six Sigma**

Six Sigma is the key problem-solving tool used by Cummins for environmental improvement projects. From a facilities perspective, Cummins has implemented a number of projects to address sustainability issues based on commitments made in the environmental mission and policy. These commitments include natural resource conservation and pollution prevention, which have been a continuous improvement focus at Cummins for a number of years.

<table>
<thead>
<tr>
<th>Metric Tons</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOX</td>
<td>2396</td>
<td>2490</td>
<td>3058</td>
</tr>
<tr>
<td>CO</td>
<td>532</td>
<td>553</td>
<td>674</td>
</tr>
<tr>
<td>PM10</td>
<td>160</td>
<td>167</td>
<td>167</td>
</tr>
<tr>
<td>VOC</td>
<td>726</td>
<td>854</td>
<td>791</td>
</tr>
</tbody>
</table>
Watching paint dry may not seem like a fascinating topic, but it’s crucial when you’re painting thousands of filters per day. Cummins Cookeville Production Line was expending a great deal of energy re-painting hundreds that came from the drying oven either tacky or spotted with soot. The solution was a new electric drying oven that not only reduced the re-paint average from 640 to only 8 per day, but also reduced BTU requirements by 55 percent. This process improvement reduced paint use by approximately 1,000 gallons and 800 pounds per year of VOC emissions.

Over a four-year period, Cummins Filtration worked with paint suppliers to reformulate coatings applied to exhaust products to significantly reduce the metals content. Successful reformulations were developed, which met product quality requirements and at the same time resulted in a more environmentally friendly coating. As a result of the largely metal-free formulation, hazardous wastes generated at six Wisconsin exhaust component manufacturing plants were reduced by 70 percent. In addition, each of the six participating plants reduced their RCRA hazardous waste generator status from large quantity to that of a small quantity generator.

Fuel pumps and injectors produced at the Cummins Juarez Fuel System plant are shipped in plastic insert trays that are suitable for re-use. To encourage recycling, specific instructions were given to return all such packaging to Juarez, where it could be sorted, washed, repaired and reused. Not all trays were salvageable, but re-use has gone from zero to an annualized 30 percent since the program was instituted in 2005.

San Luis Potosí, Cummins Plant
2005 Environmental Achievements

Cummins SLP in México was an industry leader in promoting a cleaner, healthier and safer environment in Mexico by improving its environmental processes long before it became mandatory. The site did this by targeting numerous projects to identify and control major environmental impacts.
One of its main goals was reducing electrical consumption. Through the use of Six Sigma and a robust environmental management system, Cummins SLP reduced its usage 5 percent (revenue adjusted). This was made possible by reducing air leaks in the compressed air system, replacing inefficient motors and pumps and the innovative use of natural sunlight that reduced energy consumption by 90 percent in the offices. A new dust collector system was installed to reduce particulate emissions.

SLP is located on the border of the Chihuahense desert where fresh surface and ground water are scarce; Cummins SLP reduced ground water consumption by 25 percent through employee education and eliminating leaks at the site. This action saved Cummins money and also helped conserve a scarce resource.

**Water Conservation**

Cummins Daventry Engine Plant has taken the opportunity to reduce its consumption of natural resources by collecting and using rain water to supplement in-house operations. The re-routing of subsurface pipes being conducted at the Daventry Engine Plant, as part of its pollution prevention initiatives, presented the opportunity to tap into a natural resource, rain water. The rain is collected from roof drains and is captured into large, filtered holding tanks. This water is then fed into the engine cooling water circuits, thus removing the need to replenish evaporative losses via the incoming potable water supply. The plant collected more than 1,030 cubic meters of water (more than 292,000 gallons) over an eight-month period, despite the hottest July on record in the U.K. Plans are in place to collect water from roof drains across the entire facility and recycle it into process operations.

**Pollution Prevention – Going Above Ground**

Conveying fuels and other process chemicals in below-ground piping represents a risk of releases to the environment. Cummins’ new facility construction design takes this into account by specifying all new piping be above ground or contained in concrete trenches. No longer is “out-of-sight, out-of- mind” a concern for these critical systems. Piping installations placed accordingly not only provide
the opportunity to build in capture mechanisms in the event of a release and immediate recognition in such an event, they also ease a preventive maintenance and inspection program.

**Daventry Engine Plant**

Cummins’ existing facilities also are taking the above-ground approach to their systems. As part of their ongoing continuous improvement programs, the Daventry Engine Plant is systematically removing old underground pipework that carries storm and used process waters and moving it above ground. These new systems are included in the regular inspection processes conducted at the plant.

The Daventry England site has also equipped its sanitary sewer lines systems that must remain below ground with electronic sensors that send automated phone calls to designated plant staff in the event of an overflow condition. Future plans will include fitting the storm water pipes with sensors that not only raise a similar alarm but will bypass water to the sewer in the event that contaminants are detected in the water. This measure will ensure that the local Country Park reservoir is protected from impacts from any potentially harmful materials originating from the Daventry plant site.

**Consolidated Diesel Corporation**

At CDC in North Carolina, 16 pipe lines, each extending 545 feet and used to convey fuels and oils at the site, are being replaced with new systems contained within a covered concrete, sub-grade, containment vault. The vault is connected to the existing containment basin surrounding CDC’s tank farm. This will allow any releases to be easily identified, contained and processed through the wastewater treatment system.

**Distributors**

At our distributor service locations, waste water is generated through washing of engines and components. Over the last decade, Cummins has implemented a program to systematically upgrade our waste water systems to include state-of-the-art pollution prevention measures at our distributor locations.
Specifications for the Cummins preferred waste water system design include secondary containment and leak detection for any below-ground waste water system components. Further, the specification calls for system components, such as oil/water separators, to be placed above-ground to aid in leak detection and routine maintenance. This specification dramatically reduces the potential for these washing operations to affect the environment. To date, Cummins has upgraded these systems at dozens of facilities worldwide.

**Energy Conservation and Cost Containment at Cummins Facilities**

Cummins’ energy costs are increasing, although we try to minimize the financial impact of these increases by informed and competitive buying strategies in the countries in which we have manufacturing operations. Cummins’ consumption of fossil fuels and electric power represented significantly less than 1 percent of sales in 2004 and in 2005. With the forward contract purchases of utilities, we are able to postpone or lessen the impact of rising energy costs on our facilities worldwide.

To highlight our efforts in a particular country as an example, this year we have limited our U.K. natural gas cost increases to 17 percent versus a published average increase of 43 percent. Similarly, we held electricity increases to 25 percent versus the average of 43 percent. (Source - EIC Market Intelligence, May 2006).

Further, this year we have secured 6 million kWh of electricity for our European operations, which is to be generated from ‘Good Quality Combined Heat and Power’ (GQCHP) sources. This represents 97 percent of our U.K. requirements for the contract year. GQCHP is the simultaneous generation of electricity and useful heat from a single fuel source, a generation technology that significantly reduces carbon dioxide emissions to the atmosphere. It is recognized as a ‘green’ generation source by the U.K. government and, as such, is exempted from the U.K. Government’s ‘Climate Change Levy’ charge. We also have power generation capability...
at two of our sites where we can sell our excess generation back into the U.K. distribution network.

The U.K. government provides a monetary subsidy for use of certain power sources, including GQCHP, based on theoretical reductions in GHG emissions avoidance by the source. Combined heat and power can increase the overall efficiency of fuel use to more than 75 percent, including avoidance of transmission and distribution losses in electricity it supplies locally. Based on the government allowance, the GHG avoidance exceeds 27,000 tons of CO2.

**Safety and Environmental Awards**

In order to recognize outstanding performance, the Safety and Environmental Council presents awards to those Cummins entities that best demonstrated excellence in one or both of these areas. Through their efforts, these sites are instrumental in helping Cummins meet the commitments of the Company Vision and Mission. The Council evaluated the performance of each entity, using the following criteria:

- Benefit to environment and safety
- Level of management and employee commitment
- Economic efficiency
- Innovation
- Ability to serve as a model for use by others

The environmental awards focus on projects and initiatives that promote sustainability, emissions reductions and the conservation of natural resources. Bonus points are awarded for site recognition in government and NGO environmental stewardship programs.

Entities are recognized at four levels: Chairman, Business Unit, Director and Best Practice. The HSE Council also honored five individuals, including facility HSE leaders and plant managers, for their personal efforts to improve safety or environmental performance.
In addition to the recognition within the Company, Cummins Mexico (Cummins San Luis Potosi plant and the businesses of Components, Parts and Service, and the Parts Distribution Center) also received the prestigious award for Excellencia Ambiental, the Environmental Excellence award. On September 6, Mexico President Vicente Fox Quesada presented the Recognition for Environmental Excellence to 16 companies that have shown an environmental performance excellence for performance beyond what is required by regulation.

The process of selecting the winning companies involved a committee of academic, private sector, social and environmental authorities, who selected those organizations that have demonstrated environmental stewardship through:

- An ongoing commitment to improve their environmental performance.
- Investments made to support environmental protection centered at the plant and outreach efforts to encourage stewardship among communities around the country.
- Leadership that advocates environmental responsibility and the betterment of society in general.

The recognition is the highest distinction available from the Mexican government through the PROFEPA, the Mexican environmental agency.

About the photo: Jose Luege, Mexican Secretary of Environmental and Natural Resources and Vicente Fox Quesada, President of Mexico (center) are pictured with Miguel Kindler, Cummins Mexico Operations Director (left) and Trinidad Guzman, Cummins Mexico Safety and Environment Manager (right).
The environment award winners for 2005 were:

**Chairman Award Level**
- Cummins Mexico Components, ReCon and Parts Distribution Operations

**Business Unit Award Level**
- Cummins Industrial Center/ Cummins Komatsu Engine Co.
- Cummins Generator Technologies Mexico, SLP Plant
- Dongfeng Cummins Engine Co., Ltd.
- Fuel Systems Plant/ General Office Building Cummins
- Cummins Rocky Mountain LLC

**Director Award Level**
- Columbus MidRange Engine Plant

**Best Practice Award Level**
- Jamestown Engine Plant
- Daventry Engine Plant
- Tata Holset Limited
- Consolidated Diesel Company

Cummins Mexico Components Plant was the 2005 winner of the Chairman’s Award for both Safety and Environment. As a result of this outstanding achievement, the Safety and Environmental Council decided to hold its 2006 workshop in San Luis Potosi to honor the plant personnel and so that the workshop participants can observe first-hand, the excellent safety and environmental practices in place at the plant.

The Chairman’s award for environment at Cummins Mexico includes Components, the Parts Distribution Center and the ReCon operations and is being given for several projects reducing electricity consumption, continued efforts to conserve the precious local water resources, the installation of a dust collection system and program development that supports wildlife conservation in central Mexico.
**Incidence Rate**

Of special note: The Cummins Filtration Plant in Muscoda, WI. reached 24 months without a work related injury during 2005.

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**Cummins Worldwide Health, Safety and Environmental Workshop**

This year’s worldwide Health, Safety and Environment Workshop was held in San Luis Potosi, Mexico, and more than 135 leaders from various Cummins facilities attended. The event brought together people from Canada, the U.S., Brazil, France, Germany, England, India, China, Australia, Belgium and Singapore, representing all parts of the Company. More than 40 conferences, exhibitions, training sessions and best practice-sharing exercises were conducted during the event.

To support Cummins’ efforts to minimize greenhouse gas emissions air travel to and from the workshop was conducted in a “carbon neutral” manner. Workshop participants planted trees on the site grounds that will absorb carbon dioxide from the atmosphere as they grow. During their lifetimes, the growing trees are projected to absorb the volume of CO2 equivalent to that emitted through the consumption of jet fuel necessary to bring the participants to Mexico.

The tree planting was conducted in association with the Cummins Mexico partnership that supports the community “Salvemos un Arbol” (Let’s Save a Tree) initiative. More than 1100 trees have been planted on the facility grounds in 2006, including those dedicated for the workshop, plus an additional 2,025 planted at local and rural schools.

**Safety**

The Corporate Health, Safety, and Environmental (HSE) Council was established in 2003 and continues to strengthen today. The HSE Council brings together manufacturing, safety and environmental leaders from across the Company’s business units, along with the corporate HSE staff and General Counsel. The HSE council meets quarterly to recommend and implement HSE policies and strategic initiatives.

The Company’s safety measures include goals and targets for Incidence Rate (IR), Severity Lost Workday Rate (SLWR), Severity Case Rate (SCR) and Cummins Safety System (CSS) audit score (formerly known as CPE/COS Audit). For Cummins
facilities worldwide, the Company measures itself against the U.S. OSHA standard. In addition, it measures and scores manufacturing facilities against the CSS audit criteria, which has been established under the Cummins Operating System umbrella for manufacturing excellence.

**Incidence Rate (IR)**

IR is the annualized rate of occupational injuries and illnesses per 100 employees. The corporate goal for IR is zero work-related injuries and illnesses. The Company experienced a slight increase in IR in 2005, demonstrating that we must continually maintain our focus on safety. Through the HSE council, we strive to engage all employees in improving safety at work, and we continue our efforts toward the goal of zero occupational injuries and illnesses.

**Severity Case Rate (SCR)**

SCR is the annualized number of cases with days away from work per 100 employees. 2005 is a baseline year for this measure, so no specific performance target has been established yet. This measure primarily will be used to benchmark the Company’s performance against similar manufacturing companies. Overall, the Company experienced a SCR of 0.74 in 2005.

**Severity Lost Workday Rate (SLWR)**

SLWR is the annualized number of days away from work per 100 employees. The corporate goal for SLWR is zero days away from work because of occupational injury or illness. The 2005 SLWR performance target was 8.0, or a 50 percent performance improvement from the previous year. The Company experienced a decrease in SLWR as a result of safety initiatives aimed at lowering the rate of ergonomic injuries and the use of Six Sigma methodologies for implementing Return to Work programs.

Of special note: The Consolidated Diesel Company in Rocky Mount, NC. worked one million hours with no lost time days during 2005.
Cummins Safety System (CSS Audits)

The CSS Audit is based on the 10 Cummins Operating System statements, and defines within its 82 criteria statements the minimum safety requirements for the Company. Audit scores enable Cummins facilities globally to benchmark themselves against each other and against the Company’s standards. Sites whose previous year performance did not meet the IR and SLWR targets are required to participate in the CSS Audit program. CSS Audits are conducted in three phases:

Pre-Audit
Performed to identify the gaps between current site practices and the system requirements. The pre-audit is conducted three to six months before the formal audit.

Formal Audit
A formal audit is conducted with the participation of corporate lead auditors, to determine level of conformance to CSS criteria. The site must have participated at least in the formal audit stage in order to be eligible for the Company’s internal Health & Safety recognition program.

Verification Audit
A verification audit is performed following the formal audit when the site needs to demonstrate safety system performance has been maintained or improved.

45 Corporate CSS Audits were performed during 2005 resulting in implementation of numerous process improvements. As an additional benefit, the lead auditors become more aware of safety best practices and are able to facilitate sharing between the sites.

OHSAS 18001

The Cummins Safety System is based on the Occupational Health and Safety Assessment Series (OHSAS) 18001 specification, an international occupational health and safety management system measure. The purpose of the specification is to enable the organization to control its occupational health and safety risks and improve
its safety performance. Registration of a Corporate CSS meeting the OHSAS 18001 specification is anticipated in 2007.

**Cummins Health and Safety Recognition Program**

Sites are eligible for Health and Safety recognition at three performance levels; Chairman’s Award, Business Unit (BU) Award and Director’s Award. In addition, awards are given by the business units in recognition of Best Practices the sites have implemented.

The 2005 Corporate Health & Safety Recognition is based upon the following performance criteria:

**Chairman’s Award**
To be eligible for this award, a site must achieve an IR of 0.0 to 0.5 and a minimum CSS Formal or Verification Audit level 3, with 95 points.

**Business Unit Award**
To be eligible for this award, a site must achieve an IR of 0.6 to 1.0 and a minimum CSS Formal or Verification Audit level 3, with 85 points. The site may not win this award in successive years, as we strive for improvements.

**Director’s Award**
To be eligible for this award a site must achieve the corporate health and safety targets: IR less than 2.0 and a minimum CSS Formal or Verification Audit level 3, with 70 points. The site may not win this award in successive years.

The Health and Safety Performance Award winners for 2005 are:

**Chairman’s Award Level**
- Cummins Filtration, Viroqua
- Cummins México, San Luis Potosí

**Business Unit Award Level**
- Cummins Filtration, Universal Silencer, Muscoda, WI
- Kuss Corporation
- Fuel Systems Plant, Columbus, IN
- Fuel Systems Plant, Juarez, Mexico
- Cummins South-Pacific
Sustainability is for real because it is part of what we are. If our efforts to create a New Cummins are to last, then they have to originate in our roots.

**Director’s Award**
- Consolidated Diesel Company
- Columbus MidRange Engine Plant
- Jamestown Engine Plant
- Generator Technologies Mexico, SLP Plant
- Cummins Power Generation Brazil
- Cummins Turbo Technologies Huddersfield

Each site is eligible to nominate a Health and Safety Best Practice. Nominations are evaluated by the Business Unit representatives serving on the HSE Council. Best practice winners for 2005 were:

**Cummins Filtration, Viroqua**
“HSE Steering Committee”

**Turbo Technologies Huddersfield**
“Promotion of Positive HSE Culture”

**Tata Cummins Limited**
“Operators Owning Safety”

**Generator Technologies Wuxi**
“Visual Controls”

**Jamestown Engine Plant**
“Safety Improvement Council Process”

**Cummins Cal Pacific LLC**
“Distribution Best Practice”

**Other Safety Honors and Milestones**

**Mexico Distribution Center Completes Nine Years Without a Safety Incident**

In September, Cummins Filtration’s Mexico Distribution Center celebrated nine years of operations in San Luis Potosí without a single safety incident. The distribution center has faced many operational challenges over the years - from growing volumes to implementing improvements to changing the physical layout of the facility - but has done so safely.

The achievement was made possible by a workforce that is committed to safety and a comprehensive safety program that includes periodic audits and safety improvement projects.
Sustainability nourishes our society and our environment even as it nourishes us as a company, enabling our growth today and in the future. Sustainability is not a fashion. It is an enduring part of our character that not only defines us, but also our place in the world.

**Two Cummins Facilities Receive State Safety Awards**

The Cummins Filtration Plant in Cookeville, Tenn., was awarded its second consecutive Tennessee Commissioner’s Award of Excellence for Workplace Safety and Health at the Tennessee Safety and Health Congress in 2005.

Consolidated Diesel in Rocky Mount, N. C., received two awards from the North Carolina Department of Labor (DOL). The first award was for working one million hours with no lost time days. The second award was for achieving at least 50 percent lower than the state average incidence rates for this type of industry. It was the seventh consecutive year CDC has received this award.

**Health and Safety Professional Development**

Cummins continues to support professional development of employees working in health and safety. In 2005, the Engine Business Unit held its first Engine Business Unit Safety Workshop in Memphis, Tenn. More than 70 participants from the EBU around the world came to Memphis to participate in the five-day workshop. The workshop included training opportunities, speakers from other industries, sharing of internal and external best practices and development of EBU safety programs.
Cummins Foundation Directors and Committees

**Foundation Management**

**Directors of the Foundation**
- Tim Solso, Chairman
- Tracy Souza, President
- Jean Blackwell, Secretary and Treasurer
- Mark Gerstle, Board Member
- Tom Linebarger, Board Member
- Joe Loughrey, Board Member
- Will Miller, Board Member

**Audit Committee**
- Marsha Hunt, Committee Chair
- Luther Peters
- James Guilfoyle

**Investment Committee**
- Richard Harris, Committee Chair
- Nadeem Ali
- Marsha Hunt

**Domestic Committees**

**Columbus, IN Committee**
- Joe Loughrey, Committee Chair
- Rich Freeland
- Ignacio Garcia
- Mark Gerstle
- Jim Kelly
- Will Miller
- Tracy Souza
- Don Trapp
- Tina Vujovich
- John Wall

**Indianapolis, IN Committee**
- Jean Blackwell, Committee Chair
- Susan Hanafee
- Marya Rose
- Tim Solso
- Tracy Souza
International Committees

**C3-Cummins Community Connection - Central Area**  
Raymond Eyres, Committee Chair

**Cummins Community Cares - South Pacific**  
Gino Butera, Committee Chair  
Csilla Csorba, Manager

**Cummins India Foundation**  
Anant Talaulicar, Chairman of Foundation

**Asociacion Filantropica de Cummins AC**  
Rafel Dorador, Chairman of Foundation  
Edgar Freeman Rubio, Director

Financial Summary

Cummins charitable contributions were $8.1 million in 2005 and $11.9 million in 2006. Company donations to the Foundation were $7 million in 2005 and $8 million in 2006. Direct donations accounted for $1.1 million in 2005 and $3.9 million in 2006.

In 2005, the Cummins Foundation committed $3,102,984 in grants and paid $2,992,984. Administrative expenses were $260,355.

In 2006, the Foundation Board made commitments of $5,021,058 with actual grant payments of $3,820,115. Administrative expenses were $339,142.
Cummins charitable contributions were $8.1 million in 2005 and $11.9 million in 2006.

**Statement of Financial Position (YTD)**

<table>
<thead>
<tr>
<th>Assets</th>
<th>November 30, 2006</th>
<th>December 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,034,814</td>
<td>$8,020,742</td>
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<td>Contributions Receivable</td>
<td>-</td>
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<td>Program-related investments</td>
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<td>222,000</td>
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<tr>
<td>Other assets</td>
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<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>$13,891,621</strong></td>
<td><strong>$9,195,850</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants payable</td>
<td>$593,441</td>
<td>$253,500</td>
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<td>Excise Tax Payable</td>
<td>680</td>
<td>680</td>
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<tr>
<td>Total Liabilities</td>
<td>594,121</td>
<td>254,180</td>
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<tr>
<td>Unrestricted net assets:</td>
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<td></td>
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<tr>
<td>Undesignated</td>
<td>3,090,357</td>
<td>1,770,371</td>
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<tr>
<td>Board-designated discretionary fund</td>
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<td>34,156</td>
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<td>Board-designated grant fund</td>
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<td>503,143</td>
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<td>Board-designated Columbus committee fund</td>
<td>64,500</td>
<td>234,000</td>
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<tr>
<td>Board-designated architecture fund</td>
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<td>3,900,000</td>
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<tr>
<td>Board-designated reserve fund</td>
<td>5,000,000</td>
<td>2,500,000</td>
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<tr>
<td></td>
<td><strong>13,297,500</strong></td>
<td><strong>8,941,670</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$13,891,621</strong></td>
<td><strong>$9,195,850</strong></td>
</tr>
</tbody>
</table>

* Most recent data as of press time. Full-year 2006 data will be posted on cummins.com when available.
Company donations to the Foundation were $7 million in 2005 and $8 million in 2006.

### Statement of Activities (YTD)*

<table>
<thead>
<tr>
<th></th>
<th>November 30, 2006</th>
<th>December 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$7,999,994</td>
<td>$6,955,954</td>
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<tr>
<td>Investment return, net</td>
<td>392,428</td>
<td>226,420</td>
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<tr>
<td><strong>Total support and revenues</strong></td>
<td>8,392,422</td>
<td>7,182,374</td>
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<tr>
<td><strong>Program grants</strong></td>
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<tr>
<td>Core programs</td>
<td>$2,942,057</td>
<td>$1,939,883</td>
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<tr>
<td>Community development</td>
<td>435,500</td>
<td>61,000</td>
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<tr>
<td>Community initiative</td>
<td>429,500</td>
<td>776,500</td>
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<tr>
<td><strong>Total program grants</strong></td>
<td>3,807,057</td>
<td>2,777,383</td>
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<tr>
<td>Administrative expenses</td>
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<td>262,199</td>
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<tr>
<td><strong>Total expenses</strong></td>
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<td>3,039,582</td>
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<td>Unrealized gain/(loss) on investment</td>
<td>104,863</td>
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<tr>
<td><strong>Change in net assets</strong></td>
<td>4,355,830</td>
<td>4,142,792</td>
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<tr>
<td>Unrestricted net assets, beginning of year</td>
<td>8,941,670</td>
<td>4,798,878</td>
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<tr>
<td>Change in net assets</td>
<td>4,355,830</td>
<td>4,142,792</td>
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<tr>
<td>Unrestricted net assets, end of period</td>
<td>$13,297,500</td>
<td>$8,941,670</td>
</tr>
</tbody>
</table>

* Most recent data as of press time. Full-year 2006 data will be posted on cummins.com when available.
<table>
<thead>
<tr>
<th>Grantee</th>
<th>Community</th>
<th>Purpose</th>
<th>Amount</th>
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<tbody>
<tr>
<td>ABC - Stewart School</td>
<td>Columbus, IN</td>
<td>2006 Scholarship Support</td>
<td>$25,000.00</td>
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<tr>
<td>Adult Day Care Corporation</td>
<td>Columbus, IN</td>
<td>2006 General Support</td>
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<td>Autism Speaks</td>
<td>New York, NY</td>
<td>Kick-off for a Cure Benefit Dinner</td>
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<td>Backfield in Motion</td>
<td>Nashville, TN</td>
<td>General Support</td>
<td>$25,000.00</td>
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<td>Bartholomew Area Legal Aid, Inc.</td>
<td>Columbus, IN</td>
<td>2006 General Support</td>
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<tr>
<td>Bartholomew Consolidated School Corporation</td>
<td>Columbus, IN</td>
<td>Home School Partners Program</td>
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<td>Bartholomew Consolidated School Foundation</td>
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<td>Diversity Training Session Guest Speaker</td>
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<tr>
<td>Bartholomew Consolidated School Foundation</td>
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<td>2006-07 Diversity Mini-Grants Support</td>
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<tr>
<td>Bartholomew Consolidated School Foundation</td>
<td>Columbus, IN</td>
<td>BCSC Diversity Award Annual Grant</td>
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<td>Bartholomew County Sheriff's Office</td>
<td>Columbus, IN</td>
<td>Water Rescue Team Boat Purchase</td>
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<tr>
<td>Boys &amp; Girls Clubs of Nash Edgecombe Counties, Inc.</td>
<td>Rocky Mount, NC</td>
<td>General support</td>
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<td>Brown County Big Brothers Big Sisters</td>
<td>Nashville, IN</td>
<td>Community Match for Activities Fund</td>
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<td>Charities Aid Foundation - UK</td>
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<td>700 Club / Emma Project</td>
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<td>Freebrough Specialist Engineering College</td>
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<td>Charities Aid Foundation - UK</td>
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<td>Ithemba Institute of Technology</td>
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<td>Casa Del Migrante</td>
<td>Juarez, Mexico</td>
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<td>Catholic Charities Inc.</td>
<td>Jamestown, NY</td>
<td>Children’s Interview Room</td>
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<td>Charleston Orphan House, Inc.</td>
<td>North Charleston, SC</td>
<td>Educational support for Bakker Career Center programs within the Carolina Youth Development Center</td>
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<td>Chautauqua Striders, Inc.</td>
<td>Jamestown, NY</td>
<td>Support for ‘The Light House’ tutoring program</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Children's Museum of Indianapolis</td>
<td>Indianapolis, IN</td>
<td>To support the Power of Children: Making a Difference exhibit</td>
<td>$25,000.00</td>
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<tr>
<td>CitiHope International Inc.</td>
<td>Belarus, Russia</td>
<td>CitiHope's 20th Commemoration of Chernobyl Disaster (Medical Humanitarian Airlift to Belarus)</td>
<td>$35,000.00</td>
</tr>
<tr>
<td>City of Columbus</td>
<td>Columbus, IN</td>
<td>Robert Garton Veterans Plaza</td>
<td>$2,250.00</td>
</tr>
<tr>
<td>City of Columbus</td>
<td>Columbus, IN</td>
<td>Urban Design Fit &amp; Analysis work done by Koetter, Kim &amp; Associates</td>
<td>$179,859.03</td>
</tr>
<tr>
<td>City of Lake Mills</td>
<td>Lake Mills, IA</td>
<td>Support for the Lake Mills Fire Department</td>
<td>$2,900.00</td>
</tr>
<tr>
<td>City of Stoughton</td>
<td>Stoughton, WI</td>
<td>$2,140 to Fire Department to purchase computer hardware; $7,860 for the Stoughton Area EMS to purchase equipment for new ambulance.</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Clovis Municipal Schools</td>
<td>Clovis, NM</td>
<td>Support for The Arts Academy at Bella Vista</td>
<td>$2,100.00</td>
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<tr>
<td>Columbus Area Arts Council</td>
<td>Columbus, IN</td>
<td>2005 General Operating Support</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Columbus Area Arts Council</td>
<td>Columbus, IN</td>
<td>Support for the Sculpture Invitational</td>
<td>$10,000.00</td>
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<tr>
<td>Columbus Area Arts Council</td>
<td>Columbus, IN</td>
<td>2006 General Operating Support</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Columbus Area Chamber of Commerce Foundation Connected Community Partnership</td>
<td>Columbus, IN</td>
<td>General Support</td>
<td>$50,000.00</td>
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<tr>
<td>Organization</td>
<td>Location</td>
<td>Description</td>
<td>Amount</td>
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<tr>
<td>Columbus Indiana Philharmonic</td>
<td>Columbus, IN</td>
<td>Sponsorship for ‘A Tribute to Mr. Miller’ Concert</td>
<td>$20,000.00</td>
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<tr>
<td>Columbus Museum of Art and Design</td>
<td>Columbus, IN</td>
<td>Doodles, Drafts &amp; Designs Sponsor</td>
<td>$5,000.00</td>
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<td>Columbus Park Foundation</td>
<td>Columbus, IN</td>
<td>Landscape design work on the 8th Street Roundabout Project</td>
<td>$62,025.00</td>
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<td>Columbus Regional Hospital Foundation</td>
<td>Columbus, IN</td>
<td>Support for Healthy Communities Initiative to produce an informational DVD on meth</td>
<td>$4,000.00</td>
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<tr>
<td>Columbus Service League</td>
<td>Columbus, IN</td>
<td>Freedom Field Playground Project for physically challenged kids</td>
<td>$100,000.00</td>
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<tr>
<td>Courage Center</td>
<td>Minneapolis, MN</td>
<td>Support for Vocational Services Program</td>
<td>$10,000.00</td>
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<tr>
<td>Crisis Ministries</td>
<td>Charleston, SC</td>
<td>Support the update of the family shelter kitchen</td>
<td>$10,000.00</td>
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<td>Cultural Development Foundation of Memphis</td>
<td>Memphis, TN</td>
<td>Support for the Cultural Arts Foundation</td>
<td>$5,000.00</td>
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<td>Decatur County United Fund, Inc.</td>
<td>Greensburg, IN</td>
<td>2006 Contribution</td>
<td>$7,142.00</td>
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<td>Duke University - Center for Leadership and Public Values</td>
<td>Durham, NC</td>
<td>US-Southern Africa Center for Leadership and Public Values-Emerging Leaders Program</td>
<td>$40,000.00</td>
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<td>Eastside YMCA</td>
<td>Jamestown, NY</td>
<td>Support of the family night program</td>
<td>$2,600.00</td>
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<td>Ecumenical Assembly of Bartholomew County Churches</td>
<td>Columbus, IN</td>
<td>Support for ‘Love Songs for Love Chapel’</td>
<td>$6,000.00</td>
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<td>El Paso Center for Children</td>
<td>El Paso, TX</td>
<td>Transitional living program for homeless teenage mothers</td>
<td>$25,000.00</td>
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<td>Franklin Boys &amp; Girls Club</td>
<td>Franklin, IN</td>
<td>General Operating Support</td>
<td>$2,500.00</td>
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<td>Friends of Shawe &amp; Pope John Schools Inc.</td>
<td>Madison, IN</td>
<td>Friends for the Future Campaign</td>
<td>$10,000.00</td>
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<td>Girls Inc.</td>
<td>Seymour, IN</td>
<td>Programming at the new facility</td>
<td>$25,000.00</td>
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<tr>
<td>Gleaners Food Bank</td>
<td>Indianapolis, IN</td>
<td>General Operating Support</td>
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<td>Golden Child Ministries</td>
<td>Memphis, TN</td>
<td>General Support</td>
<td>$2,500.00</td>
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<td>Grace Fellowship Mission Church</td>
<td>Seymour, IN</td>
<td>To purchase kitchen supplies</td>
<td>$3,000.00</td>
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<tr>
<td>Greater Twin Cities United Way</td>
<td>Minneapolis, MN</td>
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<td>Guadalupe Center of Immokalee</td>
<td>Immokalee, FL</td>
<td>Center for Family Education</td>
<td>$7,500.00</td>
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<tr>
<td>Haw Creek-Flat Rock Area Endowment</td>
<td>Hope, IN</td>
<td>$5K towards challenge grant of $10K</td>
<td>$5,000.00</td>
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<td>Haw Creek-Flat Rock Area Endowment</td>
<td>Hope, IN</td>
<td>2006 General Promotion of the Endowment</td>
<td>$1,000.00</td>
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<td>Human Services, Inc.</td>
<td>Columbus, IN</td>
<td>2006 General Support for Horizon House</td>
<td>$5,000.00</td>
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<tr>
<td>Indiana Achievement Awards</td>
<td>Indianapolis, IN</td>
<td>2006 IAA Program Sponsor</td>
<td>$1,000.00</td>
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<tr>
<td>Indiana Grantmakers Alliance</td>
<td>Indianapolis, IN</td>
<td>Support for the fall conference November 9-10</td>
<td>$5,000.00</td>
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<tr>
<td>Indiana University Purdue University Columbus</td>
<td>Columbus, IN</td>
<td>Matching Grant - The Cummins Campaign for IUPUC</td>
<td>$200,000.00</td>
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<tr>
<td>Indiana Youth Services Association</td>
<td>Indianapolis, IN</td>
<td>Platinum sponsor for ‘Celebrate Youth 2006 Event’</td>
<td>$5,000.00</td>
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<tr>
<td>Indianapolis Opera</td>
<td>Indianapolis, IN</td>
<td>2006 Educational Outreach Support</td>
<td>$10,000.00</td>
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<td>Indianapolis Opera</td>
<td>Indianapolis, IN</td>
<td>Support for the Angela Brown Christmas Special</td>
<td>$5,000.00</td>
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<td>Indianapolis Symphony Orchestra</td>
<td>Indianapolis, IN</td>
<td>Support for sending BCSC students to the Symphony's 2007 Young People’s Discovery Concerts</td>
<td>$3,000.00</td>
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<td>Infinity Performing Arts Program</td>
<td>Jamestown, NY</td>
<td>General Program Support</td>
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<td>Iowa Foster and Adoptive Parents Association</td>
<td>Ankeny, IA</td>
<td>General Support</td>
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<td>Jackson County United Fund</td>
<td>Seymour, IN</td>
<td>2006 Contribution</td>
<td>$29,752.00</td>
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<td>Jefferson County United Way</td>
<td>Madison, IN</td>
<td>2006 Contribution</td>
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<tr>
<td>Jennings County United Way</td>
<td>North Vernon, IN</td>
<td>2006 Contribution</td>
<td>$13,364.00</td>
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<tr>
<td>Organization Name</td>
<td>Location</td>
<td>Project Description</td>
<td>Amount</td>
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<td>Johnson County Community Foundation Inc.</td>
<td>Franklin, IN</td>
<td>2006 Starlight Gala</td>
<td>$1,250.00</td>
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<td>Joint Neighborhood Project, Inc.</td>
<td>Jamestown, NY</td>
<td>Purchase shoes for every student in the program</td>
<td>$2,000.00</td>
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<tr>
<td>Kidscommons Children’s Museum</td>
<td>Columbus, IN</td>
<td>Support of Winter Carnivale - Jamaica</td>
<td>$1,500.00</td>
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<td>Lake Mills Area Ministerial Association Inc.</td>
<td>Lake Mills, IA</td>
<td>General Support</td>
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<tr>
<td>Leaders of Tomorrow</td>
<td>Memphis, TN</td>
<td>Support for Leaders of Tomorrow</td>
<td>$2,500.00</td>
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<tr>
<td>Legal Momentum</td>
<td>New York, NY</td>
<td>2006 General Support</td>
<td>$1,500.00</td>
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<tr>
<td>LeMoyne-Owen College</td>
<td>Memphis, TN</td>
<td>Campaign for revitalization of the college</td>
<td>$100,000.00</td>
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<tr>
<td>LeMoyne-Owen College Community Development Corp.</td>
<td>Memphis, TN</td>
<td>Project Second Chance</td>
<td>$25,000.00</td>
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<tr>
<td>Lincoln-Central Neighborhood Family Center</td>
<td>Columbus, IN</td>
<td>Benefit Performance</td>
<td>$7,900.00</td>
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<td>Madison Area Literacy Council</td>
<td>Madison, WI</td>
<td>General Program Support</td>
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<tr>
<td>Mary Rigg Neighborhood Center</td>
<td>Indianapolis, IN</td>
<td>The Fostering Independence Program</td>
<td>$25,000.00</td>
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<td>Memphis Cultural Arts Enrichment Center</td>
<td>Memphis, TN</td>
<td>Watoto de Afrika Dance Troupe</td>
<td>$5,000.00</td>
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<td>Metro United Way of Clark County</td>
<td>Jeffersonville, IN</td>
<td>2006 Contribution</td>
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<td>Metro United Way of Floyd County</td>
<td>Jeffersonville, IN</td>
<td>2006 Contribution</td>
<td>$192.00</td>
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<td>National Society of Black Engineers</td>
<td>Indianapolis, IN</td>
<td>Support for the development of NSBE-IAE high school outreach program</td>
<td>$5,000.00</td>
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<tr>
<td>Northern Kentucky Area Development District</td>
<td>Florence, KY</td>
<td>Designated program support for the Area Agency on Aging</td>
<td>$25,000.00</td>
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<tr>
<td>Password Community Mentoring Inc.</td>
<td>Indianapolis, IN</td>
<td>Program Support</td>
<td>$3,000.00</td>
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<tr>
<td>People Serving People Inc.</td>
<td>Minneapolis, MN</td>
<td>Support for the Workforce Development Program which includes kitchen training, other job training preparation and job placement.</td>
<td>$5,000.00</td>
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<tr>
<td>Piqua Area United Way</td>
<td>Piqua, OH</td>
<td>2006 Contribution</td>
<td>$319.00</td>
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<tr>
<td>Putnam County Adult Literacy Council</td>
<td>Cookeville, TN</td>
<td>GEMS Project Support</td>
<td>$10,000.00</td>
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<td>Rocky Mount Area United Way</td>
<td>Rocky Mount, NC</td>
<td>2006 Contribution</td>
<td>$57,500.00</td>
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<td>Rocky Mount Children’s Museum</td>
<td>Rocky Mount, NC</td>
<td>Imperial Centre to support the Planetarium in the Children’s Museum</td>
<td>$100,000.00</td>
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<td>School on Wheels Corp.</td>
<td>Indianapolis, IN</td>
<td>General Support - Corporate Partners in Philanthropy Initiatives / Homeward Bound Walk</td>
<td>$4,500.00</td>
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<td>Seymour First Church of the Nazarene</td>
<td>Seymour, IN</td>
<td>Celebrate Recovery Program - support for monthly programs, curriculum, books, literature, and outreach activities.</td>
<td>$9,000.00</td>
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<tr>
<td>Shelby County United Fund, Inc.</td>
<td>Shelbyville, IN</td>
<td>2006 Contribution</td>
<td>$4,512.00</td>
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<tr>
<td>Spotlight on Nursing</td>
<td>Indianapolis, IN</td>
<td>Nursing Scholarships</td>
<td>$1,000.00</td>
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<tr>
<td>St. Vincent Jennings Hospital Foundation</td>
<td>North Vernon, IN</td>
<td>Inaugural Golf Tournament</td>
<td>$10,000.00</td>
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<tr>
<td>Su Casa Columbus Inc.</td>
<td>Columbus, IN</td>
<td>Purchase of a new copy machine</td>
<td>$1,500.00</td>
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<tr>
<td>The Findlay-Hancock County Community Foundation</td>
<td>Findlay, OH</td>
<td>For THE FAMILY CENTER: $5K designated to Chopin Hall &amp; $5K designated to Hancock Christian Clearing House for food programs &amp; assistance with utilities for the needy</td>
<td>$10,000.00</td>
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<tr>
<td>The Greater Indianapolis Progress Committee</td>
<td>Indianapolis, IN</td>
<td>Indianapolis Center for Educational Entrepreneurship.</td>
<td>$250,000.00</td>
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<td>The Julian Center</td>
<td>Indianapolis, IN</td>
<td>General Support</td>
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<tr>
<td>The Oasis - Children’s Advocate Center</td>
<td>Clovis, NM</td>
<td>General Support</td>
<td>$2,900.00</td>
</tr>
<tr>
<td>Organization</td>
<td>Location</td>
<td>Description</td>
<td>Amount</td>
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<tr>
<td>Trident United Way</td>
<td>North Charleston, SC</td>
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<td>Trident United Way</td>
<td>North Charleston, SC</td>
<td>Safe Moves Sustainability</td>
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<td>United Communities Ministries</td>
<td>Rocky Mount, NC</td>
<td>General Operating Support</td>
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<td>United Fund of Dearborn County</td>
<td>Lawrenceburg, IN</td>
<td>2006 Contribution</td>
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<td>United Negro College Fund</td>
<td>Indianapolis, IN</td>
<td>2005-2006 Annual Campaign</td>
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<td>United Way of Bartholomew County</td>
<td>Columbus, IN</td>
<td>2005-06 Local NAACP Student Scholarships</td>
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<td>United Way of Bartholomew County</td>
<td>Columbus, IN</td>
<td>2006 Contribution</td>
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<tr>
<td>United Way of Bartholomew County</td>
<td>Columbus, IN</td>
<td>Support for Council for Youth Development - Local Matching Grant</td>
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<td>United Way of Bartholomew County</td>
<td>Columbus, IN</td>
<td>Partial match for the 2007 campaign paid in 2006 - $70K for UW Center; $25K for the Volunteer Action Center; $155K to support the Children &amp; Youth Focus Area</td>
<td>$250,000.00</td>
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<tr>
<td>United Way of Bloomington &amp; Monroe County, Inc.</td>
<td>Bloomington, IN</td>
<td>2006 Contribution</td>
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<td>United Way of Central Indiana</td>
<td>Indianapolis, IN</td>
<td>2006 Contribution</td>
<td>$48,034.00</td>
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<tr>
<td>United Way of Dane County, Inc.</td>
<td>Madison, WI</td>
<td>2006 Contribution</td>
<td>$21,995.00</td>
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<td>United Way of Eastern New Mexico, Inc.</td>
<td>Clovis, NM</td>
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<td>United Way of El Paso County</td>
<td>El Paso, TX</td>
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<td>United Way of Fayette County</td>
<td>Connersville, IN</td>
<td>2006 Contribution</td>
<td>$240.00</td>
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<td>United Way of Greater Cincinnati Northern Kentucky</td>
<td>Florence, KY</td>
<td>2006 Contribution</td>
<td>$5,801.00</td>
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<td>United Way of Hancock County</td>
<td>Findlay, OH</td>
<td>2006 Contribution</td>
<td>$11,788.00</td>
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<td>United Way of Johnson County</td>
<td>Franklin, IN</td>
<td>2006 Contribution</td>
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<td>United Way of Lawrence County</td>
<td>Bedford, IN</td>
<td>2006 Contribution</td>
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<tr>
<td>United Way of Metropolitan Nashville</td>
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<tr>
<td>United Way of North Central Iowa</td>
<td>Mason City, IA</td>
<td>2006 Contribution</td>
<td>$22,347.00</td>
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<tr>
<td>United Way of Putnam County</td>
<td>Cookeville, TN</td>
<td>2006 Contribution</td>
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<td>United Way of Scott County</td>
<td>Scottsburg, IN</td>
<td>2006 Contribution</td>
<td>$2,544.00</td>
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<tr>
<td>United Way of Southern Chautauqua County</td>
<td>Jamestown, NY</td>
<td>2006 Contribution</td>
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<td>United Way of the Central Savannah River Area, Inc.</td>
<td>Augusta, GA</td>
<td>2006 Campaign Contribution</td>
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<td>United Way of the Mid-South</td>
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<td>UTOPIA Wildlife Rehabilitators, Inc.</td>
<td>Hope, IN</td>
<td>Purchase of an In-Focus Projector</td>
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<td>Washington State University Foundation</td>
<td>Pullman, WA</td>
<td>William D. Ruckelshaus Policy Consensus Center</td>
<td>$100,000.00</td>
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<td>WFYI TelePlex</td>
<td>Indianapolis, IN</td>
<td>Communities Building Community</td>
<td>$25,000.00</td>
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<td>Wishard Memorial Foundation</td>
<td>Indianapolis, IN</td>
<td>Support for the Pecar Health Center</td>
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<td>Y-Med, Inc.</td>
<td>Columbus, IN</td>
<td>Board Training</td>
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<td>Youth Villages Inc.</td>
<td>Arlington, TN</td>
<td>Designated to Recruiting Adoptive Families for Waiting Children in the Upper Cumberland Region</td>
<td>$25,000.00</td>
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</table>

**Total Grants**  $3,820,115.03