

Cummins Inc.

2007 Sustainability Report



2007 Sustainability Report

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 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.



Cummins Inc.

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 today 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 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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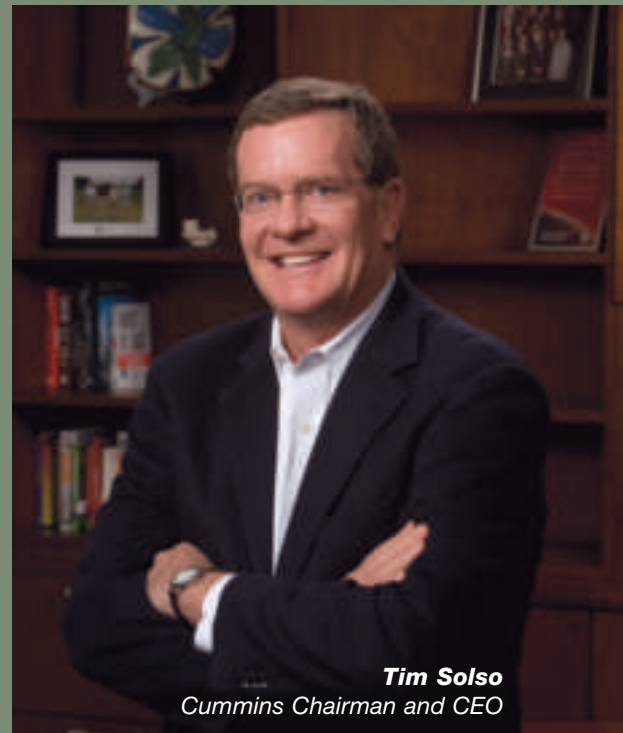
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Letter from the Chairman



Tim Solso
Cummins Chairman and CEO

“Corporate responsibility and working toward a cleaner, healthier, safer environment are primary components of Cummins’ commitment to sustainability.”

Throughout its history, Cummins has been committed to corporate responsibility and the goal of improving the communities where our employees live and work. The primary driver behind this ongoing effort is the enthusiasm of thousands of individuals who have donated countless hours of their personal time to projects and programs that make people’s lives better.

Employees also have an ongoing interest in the environment and global climate change. While Cummins is a leader in developing new products to meet tough emission standards, I am equally impressed by the work people in our plants are doing to reduce energy usage and focus on the prudent use of our natural resources. Not

only is it the right thing to do, but it makes good business sense for the Company.

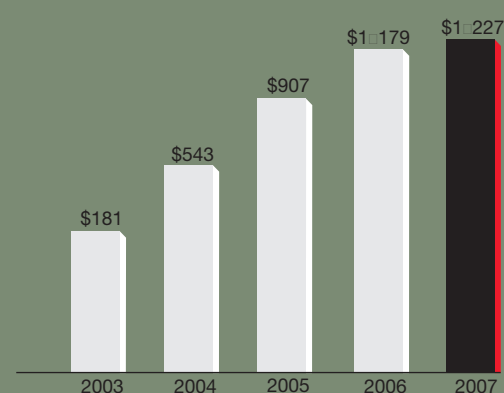
Corporate responsibility and working toward a cleaner, healthier, safer environment are primary components of Cummins’ commitment to sustainability. We are also very serious about our obligations to the Company’s stakeholders, including shareholders, employees, customers and suppliers. We have had a number of achievements on their behalf since our last Sustainability Report. Highlights of our efforts include:

- Our fourth straight year of record financial performance and a five-year average annual total shareholder return of 58 percent.

Net Sales (\$ in billions)



EBIT (\$ in millions)



- The launch of exciting new products in 2007, including engines that meet tough global emissions standards.
- Expansion of our Customer Support Excellence initiatives to all parts of the corporation.
- Recognition of technological innovation for many Cummins products.
- Awards for excellence in corporate governance and business ethics.
- The revamping of our Code of Business Conduct for employees.
- Acknowledgment of our leadership in diversity and our employment of Asians and Asian-Americans.

- Recognition as one of the top companies for leaders.
- Inclusion in the Dow Jones Sustainability Index for the third straight year.

Now more than ever, we understand that operating with an eye toward sustainability is not only vital to our society and our environment, it also nourishes us as a company, enabling our growth today and in the future.

Tim Solso

Chairman and Chief Executive Officer
Cummins Inc.
April 2008

Our Profile

The power of our Company is not just our products, but the ideas, energy and passion of our employees.

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 employee 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.

Deliver 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 both with 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

Cummins realizes that 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 2000, is an integral part of that strategy. Since the program's inception, Cummins has completed almost 9,000 Six Sigma projects and 7,000 "belts" have been trained in Six Sigma tools.



“On any given day, there are approximately 12,000 people in our workforce involved in Six Sigma projects – helping us work smarter, produce better products and making our customers more successful.”

George Stodtbeck

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 original equipment manufacturer (OEM) partners and technical productivity, including the use of computer design and modeling instead of building expensive physical prototypes.

Profitable growth

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. The focus is 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 shareholder value

Return on capital—specifically return on average net assets (ROANA) and return on equity (ROE)—is our primary measure 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 20.8 percent in 2007. ROANA in 2007 was 28.9 percent.

Complementary businesses that work together to create value

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

At Cummins, creating the right environment for success means an inclusive, learning environment that is reinforced by 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.



Cummins employees share information about their award-winning projects at the annual Six Sigma Expo.

Who We Are

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. Today, half of Cummins 37,800 employees and half the Company's sales are from outside the United States.

Since the early part of the decade, 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 partnerships with

original equipment manufacturers (OEMs) and establishing ourselves as a global technology leader in a constantly changing emissions environment.

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.

Our brand is the sum total of all our years in business. From the 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 they can depend on Cummins. And we want employees to be able to unify around the Cummins brand to create value and a competitive advantage.

As of the end of 2007, Cummins was participating in 57 joint ventures in 18 countries.

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.

Cummins Engine

Cummins Engine manufactures and markets a complete line of diesel and natural gas-powered engines for on-highway and off-highway use. Its markets include heavy- and medium-duty truck, bus, recreational vehicles, fire truck and emergency vehicles, light-duty automotive and a number of industrial applications, including power generation, agricultural, construction, mining, marine, oil and gas, rail and government equipment. Cummins also provides a full range of new parts and services and 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.

Cummins Power Generation

Cummins Power Generation is a global provider of power generation systems, components and services in standby power, distributed power generation, as well as auxiliary power in mobile applications to meet the needs of a diversified customer base. 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 kilowatts, alternators from 0.6 kilovolt-amps to 30,000 kilovolt-amps, automatic transfer switches from 40 amps to 4,000 amps, paralleling switchgear and generator set controls.

Cummins Components

Cummins Filtration designs, manufactures and distributes 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 Cummins and other engine manufacturers with catalytic exhaust systems and related products for the medium- and heavy-duty diesel engine markets. The exhaust systems include packaging of catalytic exhaust systems, engineered aftertreatment components and system integration services for engine



Driver Dave Evans, mechanic Jiggee Johnson, with Don and Clessie Cummins (in suits), prepare to qualify for the 1934 Indy 500

manufacturers, as well as catalytic exhaust products for retrofit of engines in the existing population.

Cummins Fuel Systems designs, develops and manufactures new fuel systems and remanufactures electronic control modules in the United States. In Mexico, it assembles new Cummins fuel systems and also remanufactures Cummins fuel systems as well as fuel systems from other manufacturers. This business serves engines ranging from 8 to 78 liters.

Cummins Distribution

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.

Distribution operates within this network with 17 company-owned and 15 joint venture distributors in approximately 300 locations in

more than 70 countries and territories. 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

Cummins has entered into a number of joint venture agreements and alliances with business partners and affiliates in various areas of the world to increase market penetration, expand product lines, streamline supply chain management and develop new technologies. As of the end of 2007, Cummins was participating in 57 joint ventures in 18 countries.



**"Cummins
can create an
advantage over
our competitors
when we
understand
our customer's
feelings
and provide
a positive
experience for
him or her."**

**Jose
Parra-Morzan**

Commitment to Stakeholders

Cummins recognizes that its duty goes beyond the bottom line. While the Company 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, corporate responsibility and fair competition.

Our activities related to the community are detailed in the Corporate Responsibility section of this book, which begins on Page 90.

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 220 active customer-focused Six Sigma projects and has completed nearly 640 projects since 2005.

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:

- Reducing a customer's soot filter field issues without an adverse effect on the aftertreatment system.
- Increasing the fuel filter change interval on certain heavy-duty trucks from 30,500 miles to 34,500 miles.
- Increasing a co-generation plant's average monthly availability to 90 percent and meeting all emissions requirements of the operating permit.

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.

As a company, we realize 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, we care as much about their

The Dodge Ram 3500 heavy-duty pickup achieves 2010 emission standards.



The Dodge Ram: An Environmental Winner

The Cummins Dodge Ram pickup heavy-duty engine received top honors among the 2007 winners of Chrysler's environmental awards. Cummins was a winner in the Product Related Environmental Protection category.

In 2007, new heavy-duty diesel engine emission regulations took effect in the United States that required the diesel-powered Dodge Ram to make dramatic reductions in oxides of nitrogen (NOx) and particulate matter (PM) emissions. The new 2007 Dodge Ram heavy-duty engine uses a diesel particulate filter to virtually eliminate PM emissions and a NOx adsorber catalyst to reduce NOx by as much as 90 percent from 2006 levels.

In presenting the award, Chrysler noted the following: "Working in a close partnership, Chrysler and Cummins achieved remarkable results in meeting and exceeding both regulatory requirements and customer needs. The new Dodge Ram 2500 and 3500 are the first vehicles to achieve the stringent NOx 'phase-in' emission standard in all 50 States, and to do so three years early. The 6.7-liter Cummins Turbo Diesel maintains fuel efficiency as compared to the 2006 model. It also maintains the diesel engine's 30 percent fuel economy savings over gasoline engines, and thus lower CO2 emissions."

Cummins uses a voice of the customer approach to drive improvement, and we strive to execute critical customer work flawlessly.

success as they do. Cummins uses the voice of the customer to drive improvement and we strive to execute critical customer 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.

Customers are noticing. In fact, Knight Transportation, a key national trucking company in the southwestern U.S., asked to join Cummins in the Company's Six Sigma training. Working together, Knight and Cummins have been able to focus on a specific customer need – elimination of billing errors and instituting more reliable processes – that saved the customer more than \$300,000 a year.

Cummins has developed several corporate-wide initiatives to improve the level of customer support across the Company. Notable is the CSE training, which includes a different approach to meeting customer needs by looking at an issue through the customer's perspective.

Since the program started, more than 19,000 employees have received CSE awareness training in 17 different countries, with 57 groups implementing customer-focused projects. We are now moving beyond Cummins employees and are reaching out to independent distributors.

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 us to demonstrate that the 10 COS practices are embedded in our key processes. They also allow us to identify improvement opportunities and develop an improvement plan 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 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.



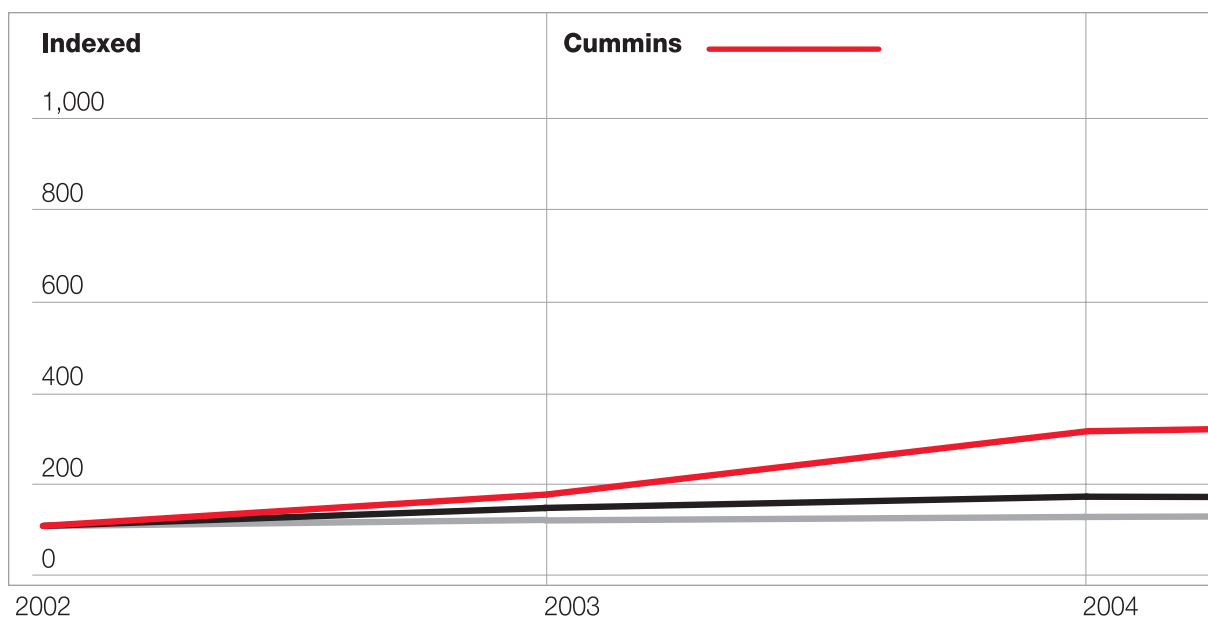
*Nekedia Gaillard, Assembly Technician,
Cummins Turbo Technologies*

Employees' performance and development plans are reviewed through the Cummins performance management system called OnTrack. Through OnTrack, 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 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.

Five-Year Total Shareholder Return at Year-End 2007



Cummins has launched a focused effort to ensure the Company's most critical suppliers are committed to improvement through Six Sigma.

Business Partners

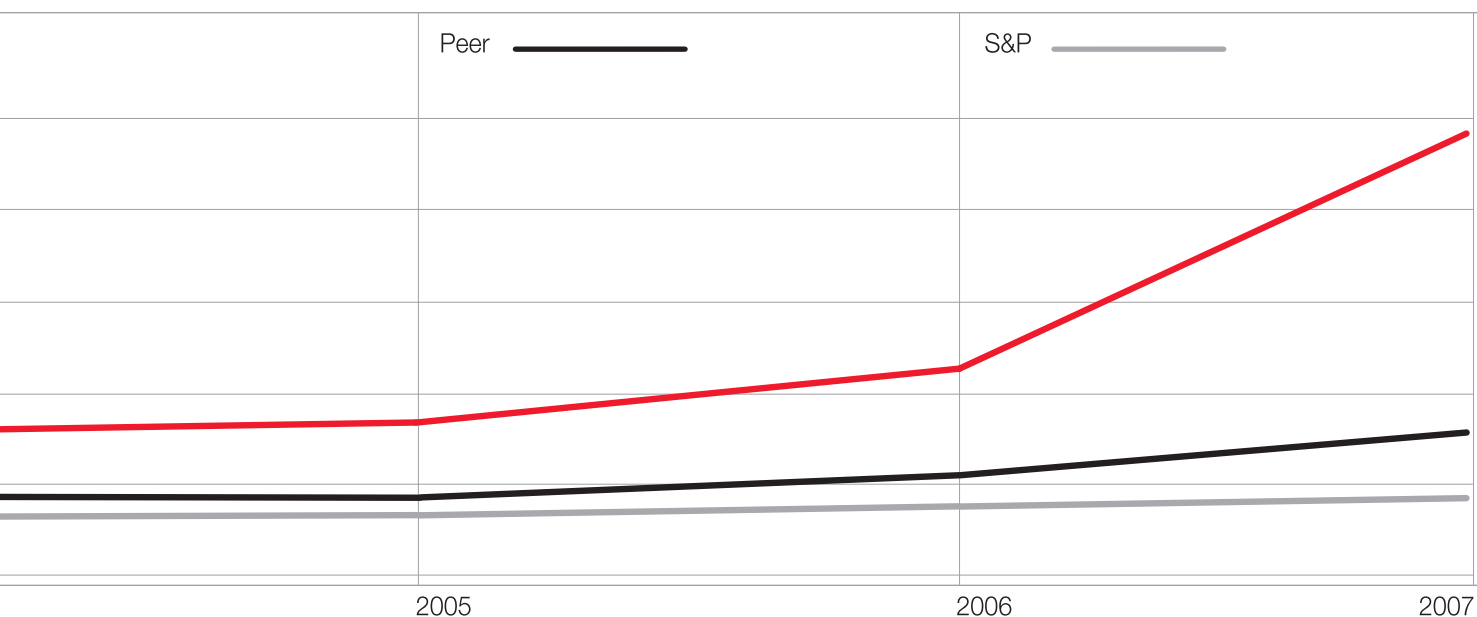
Cummins has working relationships with distributors and suppliers across the world. Similarly, the Company acts as a supplier of components to a number of equipment manufacturers, and has been able to build strong bonds with its business partners.

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.

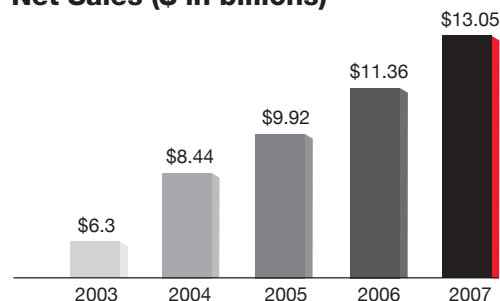
Cummins goes to great lengths to keep the investing community up-to-date on its performance and future outlook. Top executives hold quarterly teleconferences with industry analysts to discuss financial results. Company representatives also host or attend a number of investor conferences during the year, and meet or talk directly with individual analysts and investors on nearly a daily basis.

Cummins' positive corporate governance practices on behalf of the shareholders include the following:

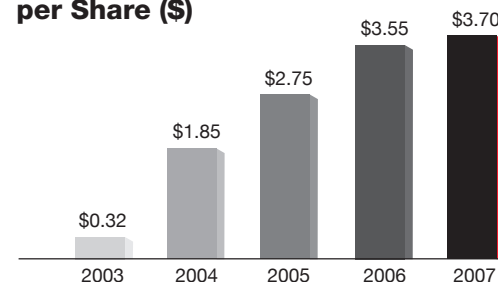
- The full board of directors is elected annually.
- The audit, compensation and nominating committees are made up of independent outside directors.
- The company has a designated lead director.
- Executive and directors are subject to stock ownership guidelines.
- All stock-based incentive plans have been approved by shareholders.

We continuously work with customers to develop new products to improve the performance of their vehicles, equipment or systems at competitive cost levels.

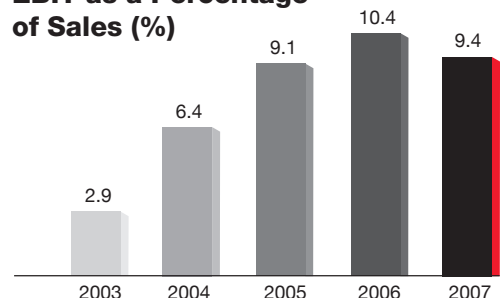
Net Sales (\$ in billions)



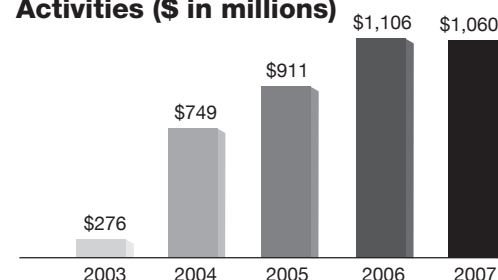
Diluted Earnings per Share (\$)



EBIT as a Percentage of Sales (%)



Cash from Operating Activities (\$ in millions)



Economic Performance

Cummins' financial performance in 2007 was the best in its history. Sales exceeded \$13 billion – a 15 percent increase over 2006. Earnings before interest and taxes were \$1.2 billion – or 9.4 percent of sales. Net earnings were \$739 million, compared to \$715 million for the previous year.

This fourth straight year of record sales and profits reinforces our value promise to shareholders. As of the end of 2007, Cummins investors have enjoyed a five-year average annual total return of 58 percent.

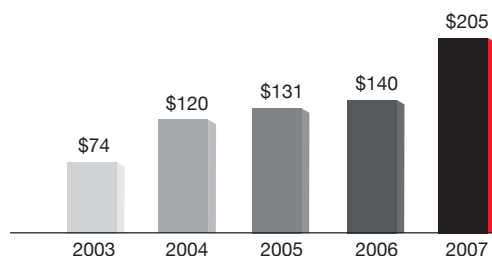
Along with this outstanding performance, we have increased our dividends by 67 percent and purchased almost \$500 million in stock over the last two years. In December, we announced plans to buy back another \$500 million worth of shares. We also executed a pair of two-

for-one stock splits, one during 2007 and the other in early 2008.

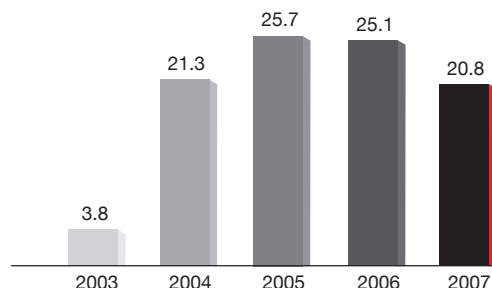
Cummins has benefited from strong demand across a number of our more cyclical markets, and our focus on execution has delivered excellent bottom-line results. We are seeing margin expansion and profitable market share growth with disciplined pricing, a focus on cost reduction and superior product performance 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.

Our extended effort to build relationships and infrastructure in China and India and other emerging markets has positioned us to capture significant growth opportunities

JV Income (\$ in millions)



Return on Equity (%)



JV income is recorded as Investee Equity, Royalty and Other Income in regulatory filings.

EBIT is a non-GAAP measure, defined as earnings before interest expense, income taxes and minority interests.

The return on equity calculation is a non-GAAP measure as it excludes pension and other post-retirement benefit amounts in shareholders' equity.

in those markets. Several new product platforms also offer us great profitable growth opportunities across all of our business units. However, our future success is directly dependent on our ability to build the infrastructure and operating system, create excellent customer support worldwide and recruit the diverse talent necessary to get this done.

Detailed financial information can be found in the Investors and Media section of the Company's website, www.cummins.com. The Cummins' 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.

Competitive Strengths

We believe the following competitive strengths are instrumental to our success:

Leading Brand. Our product portfolio includes products and services marketed and branded under various trademarks and trade names, primarily Cummins, throughout the world.

During 2006, we successfully re-branded our major operating business units to reflect the Cummins name and brand to further our overall branding strategy. In part, as a result of this investment, we also are gaining additional recognition across our markets.

Customers and Partners. To maintain technology leadership and a global presence in a cost-effective manner, we have established strategic alliances with a number of our leading



“We rely on our core values to guide us through difficult issues, including the daily challenges of conducting business in a complex, global marketplace.”

Inness Liu

customers. These partnerships provide us with a knowledge and understanding of our customers' technology and business needs and enable us to develop products and services that better meet their requirements at lower costs.

For example, we have both customer and supplier arrangements with Komatsu, Ltd., including manufacturing joint ventures and a product development joint venture that has led to the development of several engines. We are also the exclusive supplier of engines for Komatsu mining equipment.

In addition, we have been the exclusive diesel engine supplier to Chrysler for its Dodge Ram truck since 1988. We have long-term agreements with Volvo and International Truck and Engine Corporation for the supply of heavy-duty truck engines and with PACCAR for the supply of both heavy-duty and medium-duty engines.

These agreements afford us long-term price stability and eliminate certain dealer and end-user discounts, while offering closer integration on product development.

Global Presence. We have a strong global presence including a worldwide distribution system, manufacturing and engineering facilities and a network of global supply sources. Our worldwide presence has enabled us to take advantage of growth opportunities in international markets, with sales outside the U.S. growing from 43 percent of total consolidated net sales in 2000 to 54 percent of total consolidated net sales in 2007.

Leading Technology. We have an established reputation for delivering high-quality, technologically advanced products. We continuously work with customers to develop new products to improve the performance of their vehicles, equipment or systems at competitive cost levels. We are a leader in developing technologies to reduce diesel engine emissions, a key concern of our customers and regulators around the world.

We were able to meet the EPA's 2007 heavy-duty on-highway emissions standards that went into effect on January 1, 2007, and we announced in January 2007 that our Dodge Ram 6.7-liter Turbo Diesel engine meets the EPA's 2010 emissions standards a full three years ahead of the requirements.

We have also developed low-emission, high-performance natural gas engines as an alternative-fuel option for the on-highway, industrial and power generation markets. Our technology leadership in filtration, exhaust aftertreatment, air handling and fuel systems allows us to develop integrated product solutions for the on-highway, off-highway and power generation markets.



The Zeus highly advanced propulsion system offers up to 30 percent better fuel economy and unsurpassed handling at high and low speeds. In addition, a Zeus-equipped vessel delivers precise turning and tight maneuvering even in strong currents and windy conditions.

Leading Technology; Driven by Zeus

Cummins has produced dependable marine engines since the 1920s, but it recently took an innovative new approach when, as part of a joint venture, it created an advanced propulsion system called Zeus.

Zeus delivers up to 30 percent better fuel economy, up to 550 horsepower, a proven level of safety and unsurpassed handling at high and low speeds. The system was 15 years in development at Cummins MerCruiser Diesel, Brunswick and Mercury Marine.

Zeus incorporates a familiar looking, yet totally new pod with counter-rotating stainless steel, rear-facing propellers and a through-hub exhaust. Independent vectoring for each pod delivers dramatically improved high-speed handling. Docking is easier than ever.

These steerable pods, along with an advanced joystick control system, deliver precise turning and tight maneuvering, keeping a Zeus-equipped vessel on a fixed heading within a tight area, even in strong currents and windy conditions. An intelligent station-keeping system reads GPS coordinates and keeps the boat in position without the captain having to touch the wheel or controls.

And safety is engineered in the product. If the pod strikes debris or bottom, the gear case and skeg (the fin at the stern of the boat) protect the propellers. In the event of a catastrophic collision above the depth of the keel, the gear case is designed to shear away and remain water tight so there is no compromise of hull integrity.

"Zeus-powered boats track true and respond instantly to helm commands," said *Motor Boating* magazine in its 2007 review. The first orders for the system were taken early in 2007.



Governance

Going back to its earliest days, Cummins has been as much about people as products.

Corporate Governance

Over the past nearly 90 years, Cummins has developed a reputation as a company that places a premium on the well-being of its employees and that strives to improve the communities in which it operates.

Going back to its earliest days, when the founding family kept the company afloat during difficult times because it felt a responsibility to provide jobs to the young men of Columbus, Indiana, Cummins has been as much about people as products. That legacy was built by longtime former Cummins Chairman J. Irwin Miller and is carried out today through the leadership of Cummins' senior executives and 38,700 employees worldwide.

Cummins' management and its employees around the world continue to work as partners today, building leading-edge products in clean, safe

environments, while working together to strengthen the community. "Creating a great place to work" is one of Cummins' strategic business principles. At the core of that approach are the Company's efforts to engage employees and other stakeholders in understanding and living the Company's values, as well as playing an active role in pursuing continuous improvement across the Company.

That engagement and commitment to ethical behavior takes many forms, some of which are discussed in the pages that follow.

Cummins' Revised Code of Business Conduct

Cummins updated its Code of Business Conduct in early 2008 for the first time



since early this decade, with an emphasis on making the Code easier to find, read and understand.

The updated Code, which was approved by senior leadership and the Cummins Board of Directors, is built around 10 “Statements of Ethical Principles” that provide the foundation for ethical behavior at Cummins. The principles are backed by Corporate Policies and other key documents that give specific guidance on topics and issues addressed by the statements.

The 10 Statements of Ethical Principles are:

- We will follow the law everywhere.
- We will embrace diverse perspectives and backgrounds, and treat all people with dignity and respect.
- We will compete fairly and honestly.
- We will avoid conflicts of interest.
- We will demand that everything we do leads to a cleaner, healthier and safer environment.
- We will protect our technology, our information and our intellectual property.
- We will demand that our financial records and processes are accurate and that our reporting processes are clear and understandable.
- We will strive to improve our communities.
- We will communicate with honesty and integrity.
- We will create a culture where all employees take responsibility for ethical behavior.

Work on the updated Code began in 2007 and the effort included feedback from Cummins employees around the world. Rollout of the



“Cummins has created an environment that fosters ethical behavior and a commitment to honesty that characterizes our dealings with each other, as well as those from outside the Company.”

Martha Whiteman

Cummins Compliance Training

Course		Languages Offered	Subscriptions	Completed	Completion Rate
Code of Conduct	Professional and Office	American and International English, Spanish, Portuguese, French, German, Chinese	15,805	15,191	96.1%
Treatment of Each Other	Professional and Office	American and International English, Spanish, Portuguese, French, German, Chinese	14,835	13,186	88.9%
Export Controls	SG 8/25 and above	American and International English, Spanish, Portuguese, French, German, Chinese	8,159	7,517	92.1%
FCPA*	SG 8/25 and above	American and International English, Spanish, Portuguese, French, German, Chinese	8,245	7,531	91.3%
Antitrust	SG 8/25 and above and all Sales and Marketing	American English	3,306	3,257	98.5%
EU** Competition	SG 8/25 and above	American and International English, Spanish, Portuguese, French, German, Chinese	801	721	90.0%

Code will continue well into 2008 as the Code is translated into multiple languages and employee training materials are updated.

New to this version are question and answer sections to illustrate each of the principles in action, enhanced contact information and a section on “living the Code.” The Code features a set of “FAQs” to help employees find other resources related to the Code and for reporting ethical concerns. The Company also has increased its commitment to updating the Code by creating a process to annually review and solicit employee feedback on the Code and supporting policies and information.

(To view the current Cummins Code of Business Conduct, go to www.cummins.com and click on the link from the home page.)

Compliance Training

Cummins is committed to ensuring that its employees, and those with whom it does business, follow all applicable laws in the locations we do business.

Since late 2005, Cummins has introduced six online compliance training courses targeted at the appropriate employee groups. This training includes:

- Code of Business Conduct
- Treatment of Each Other at Work
- Export Controls
- Federal Corrupt Practices Act*
- Antitrust
- European Union Competition**

These courses are made in multiple languages where necessary and employee completion is tracked. Altogether, more than 51,000 training subscriptions have been offered to employees since late 2005

Ethics Cases – Quarterly Days-to-Close Trend



(many employees must take more than one course due to the nature of their work) with a 93 percent completion rate. The Company expects to offer nearly 45,000 training subscriptions to its employees in 2008, and is working to improve its reporting system to ensure closer to 100 percent compliance.

In addition, Cummins in 2007 began offering training courses to key employees at its Distributors in many locations outside the United States, and has plans to expand the compliance training offerings to these groups in 2008.

Ethics Violations, Reporting and Investigations

Cummins employees are encouraged to report suspected violations of the Company's Code of Business Conduct or any type of misconduct, and are given several different means of sharing their concerns.

The Company's third-party reporting system, EthicsPoint, allows employees around the globe

to report concerns either on-line or through toll-free numbers in multiple languages. Employees can report concerns anonymously where allowed by law. Still, more than half of all complainants in 2007 identified themselves, showing a large degree of trust in the Company's ethics investigation process. Those who report about any topic are protected under the Company's anti-retaliation policy.

Cummins has a global team of trained Master Investigators who investigate complaints and ensure that appropriate action is taken in a timely fashion. In 2007, Cummins investigated 541 ethics-related complaints, compared to 264 in 2006. The numbers grew because of increased training and promotion of the reporting process. Of the cases investigated in 2007, 46 percent resulted in a finding that the complaint had some merit – and of those 28 percent (61) resulted in employee termination.

Complaints of unprofessional behavior and those grouped into the Human Relations category accounted for more than half the total ethics cases investigated in 2007.

In 2007, Internal Audit issued more than 130 audit reports and audit memos covering functions and businesses around the globe.

In 2007, the Company completed a Six Sigma quality project aimed at reducing the time necessary to close investigations. As a result, the average time to close fell from more than 60 days at the end of 2006 to just under 20 days at the end of 2007, despite an increased number of investigations over that period.

The Company's reporting system and its commitment to investigate, take action and protect those who raise concerns help us bring our Code of Business Conduct to life.

Ethics Certification Process

In 2007, more than 10,000 Cummins employees completed an Ethics Certification in which they certified their compliance with the Company's Code of Business Conduct and underlying policies and reported any exceptions to Company policy. Internal Audit and the Cummins Law Department reviewed all exceptions to ensure they were handled correctly under Company policy.

Diversity Audits

Rigorous diversity audits have been conducted at Cummins' facilities for more than a decade and are today a central component of our efforts to ensure that employees enjoy a positive, safe and productive work environment.

The process began in 1997, led by the Cummins Law Department, and is focused on making sure that our locations are in compliance with the laws, are operating in a way consistent with our commitment to diversity and equal opportunity, and are taking the right steps to provide employees

with a great place to work. In that time, the Company has conducted 56 diversity audits at 30 sites in the United States and Europe.

The audits are conducted by teams of four to eight employees with diverse backgrounds who have no direct connection to the site being audited. The team tours the facility and also examines satisfaction surveys, training records, personnel files and other documents to ensure full legal compliance and assess the work environment. The audit also examines the diversity of employees and the site's commitment to creating an inclusive and representative workforce.

A key component of the audit involves team members conducting confidential one-on-one interviews with a randomly selected cross section of approximately 10 percent of the site's workforce. Employees are asked a variety of questions regarding their work environment, knowledge of workplace policies and procedures, and their perceptions as to whether local management is committed to the Company's values, most notably our Code of Business Conduct, Treatment of Each Other at Work policy and diversity.

Results of the audits are shared with local management and with the Company's senior leadership. If issues are discovered, the site must create an action plan to address issues. Currently, the Company conducts audits at its facilities in the United States and Europe and is exploring how to expand the program to locations in other parts of the world.



Yancey Jones, a Cummins new hire, meets with a member of his diverse group. On his immediate work team, there are people representing four of the seven continents around the globe.

Supplier Code of Conduct

Cummins places a premium on doing business with companies that share its values and that treat their employees with dignity and respect. In 2005, Cummins created a Supplier Code of Conduct, which it has rolled out to more than 2,800 suppliers representing nearly all the Company's supplier spending.

The Code spells out standards of employee treatment to which it expects its suppliers to adhere, including provisions banning child or forced labor and those which encourage suppliers to provide a safe workplace their employees.

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.

At the end of 2007, Cummins had received a 99.5 percent response rate, with 99.6 percent of those responding indicating that they were in compliance with every element of the code. In certain regions

where Cummins conducts a significant part of its business, including India and China, response and compliance rates reached 100 percent. Cummins is working with those suppliers who have not responded to attain our goal of 100 percent participation.

An examination of the self-reported non-compliance information revealed no significant variance to the intent of the policy. In addition, Cummins has begun a process to assess compliance with the Supplier Code while on visits to customers in China and Japan.

Internal Audit

Cummins has a robust global Internal Audit department that provides the Board of Directors and management with independent, objective information on the performance of the Company's control environment.

The Executive Director — Internal Audit reports to the Audit Committee of the Board of Directors and helps the Audit Committee ensure the integrity of the



“Cummins leverages the expertise of its supplier partnerships to receive and deliver high quality results.”

Madhavi Gosalia

Company’s financial statements and financial reporting, identify operational efficiency improvement opportunities, as well as the Company’s compliance with ethics policies and legal and regulatory requirements.

In 2007, Internal Audit issued more than 130 audit reports and audit memos covering functions and businesses around the globe. Internal Audit also has a formal implementation plan follow-up process to ensure management has addressed identified risks and implemented corrective actions. When a function or business receives an “Unacceptable” audit grade, the Business Unit leadership must present the corrective action plans to the Audit Committee of the Board of Directors.

Joint Venture Relationships

Cummins does business around the world through a number of joint venture agreements and alliances with business partners to increase our market penetration, expand our product lines, streamline our supply chain management and develop new technologies. Regardless of whether Cummins directly manages the joint venture entity, we take appropriate steps to ensure that the joint ventures share our values.

First, we carefully screen potential partners and only create joint ventures with partners we know and trust. Through our employees’ participation on the Boards of these entities, we make sure that Cummins values are embodied in the joint venture.

We are taking new steps to ensure that our joint venture entities treat their employees in a fair and equitable fashion. By the end of 2008, all of our North American joint venture partners and distributors will have

adopted our Code of Business Conduct or a substantially similar code that embodies the same principles. We also have begun an audit of the existing codes in place at all our international joint venture partners, and will ensure that such entities have or adopt codes in line with our own.

In 2007, we developed a training package to orient Cummins employees who serve as directors of our joint ventures to their responsibilities. The training emphasizes the internal review processes that we use in selecting a joint venture partner. This training focuses on the role of the Cummins director in the management of the joint venture and stresses the support available to the directors from Cummins specialists in the areas of finance, human resources, operations, safety, environmental and other functions. The training also stresses the establishment and maintenance of a favorable relationship with the JV partner as an aid in resolution of disputes that arise.

During 2007, six training sessions were conducted in Indiana, India, China and England. Approximately 100 JV directors, general managers and financial leaders have been trained. The training will continue in 2008 in Brazil and Central Indiana with an additional four-to-six training events.

In addition to this face-to-face training, Cummins also has launched a pilot program to deliver some of its on-line compliance and ethics courses – such as courses on anti-bribery and export controls – to employees of JVs. This program has been launched with the joint venture distributor network in North American and also is being rolled out to targeted international joint ventures.



Cummins rewrote its export policy to prohibit all sales into the Sudan, except for humanitarian purposes approved under strict guidelines.

Addressing a Pressing Human Rights Concern Head-on

In June 2006, Cummins received a letter from Amnesty International indicating that the group had evidence that “Cummins engines” were being used to power military trucks owned by the Sudan government, which is engaged in an ongoing civil war.

The Company immediately launched an investigation into the matter and discovered that a small number of engines manufactured by a Cummins joint venture in China had been sold by our partner to its truck-making subsidiary, which then sold the trucks to Sudan. Cummins had no knowledge of the final destination of those engines and the sale violated no U.S. laws.

Still, Cummins was intent on doing what was right and not just following the letter of the law. The Company sent its top U.S.-based executive with responsibility for China to discuss the matter with our partners to persuade them to ensure that products made by the joint ventures don’t end up in Sudan.

Cummins also rewrote its export control policy toward Sudan in late 2006 to prohibit all sales into the country from any Cummins location in the world, except for humanitarian purposes approved under a strict set of guidelines. The policy goes well beyond existing U.S. law and includes stronger controls to safeguard against sales to Sudan. In addition, thousands of Cummins employees have been trained on export controls issue in the past year.

Cummins’ actions prompted the Sudan Disinvestment Task Force to remove the Company from its watch list in August 2007 and to publicly commend Cummins for its aggressive response to the situation.

Cummins Board of Directors

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.

Robert K. Herdman – Managing Director of Kalorama Partners LLC, a Washington D.C.-based consulting firm, appointed in 2008.

Alexis M. Herman – Chairman and Chief Executive Officer of New Ventures Inc. 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 and 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.

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 primary mission of the Board of Directors is to represent and protect the interests of the Company's stakeholders.



Ravi Pandit (right), KPIT Cummins Chairman and Group CEO, accepts India's prestigious Golden Peacock Award for Excellence in Corporate Governance 2007.

- › 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. 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.

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.

Managing Risks

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.

Cummins follows all applicable U.S. export laws, but goes further in some instances. For example,



“Every employee at Cummins should feel valued, because there is a recognition that it takes all of us working together to make this a great company.”

Tamica Wright

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 who complete the Annual Ethics Certification must certify their compliance with our most recent Export Control Policy.

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 routinely 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 also has developed business continuity plans for each business unit or critical function within the business unit.

Managing Travel Risks

Cummins serves customers in more than 70 countries and territories, 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. In 2007, we moved 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 is available to Cummins management, enabling the instant location of Cummins personnel worldwide.

Pandemic Planning

Over the past several years, 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 has taken steps to ensure the health and safety of employees should a flu pandemic occur.

The Company formed a Pandemic Planning Team with individuals representing medical, safety, risk management, human resources, facilities,

communications, business continuity and other key areas to help create a strategic response plan in the event of a pandemic.

The team has identified key components of the Company's response should a pandemic occur. 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 those stakeholders. 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.

Government Relations

In August 2001, Cummins opened an office in Washington, D.C. to coordinate government relations activities for the corporation. The Washington 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 2007, the office worked closely on the energy bill with Congress and other engine companies to create a new fuel efficiency program for medium and heavy-duty trucks. In addition to increasing Corporate Average Fuel Economy (CAFE) standards for cars, the legislation increases the use of renewable fuels substantially, prompting the office to focus on providing for the responsible growth of biodiesel, such as requiring labeling so that consumers know what they are putting in their engines and ensuring the adoption of broad quality standards. The Washington office also championed provisions that promote the installation of energy efficiency technologies, including clean and efficient combined heat and power projects, at industrial sites across the country.

Cummins continued to collaborate with a broad group of environmental, industry and public groups for funding of the Diesel Emissions Reduction Act, a national grant program to promote the retrofit of older diesel engines with emission reduction technologies. For the first time in FY2008, our efforts successfully secured funding for this program and resulted in a seven-fold increase in retrofit funding over the previous year. Cummins also secured increased funding for Department of Energy research and development programs that promote energy efficiency in stationary and transportation applications.



Environment

As a result of our outstanding technology, Cummins Heavy Duty monthly market share averaged above 40 percent for the last two-thirds of the year.

Managing Carbon Emissions

Cummins Climate Strategy

Governments, companies, consumers and Cummins customers around the world are exploring ways to curb their energy consumption, and by so doing, reduce the creation of greenhouse gases such as carbon dioxide. Cummins is actively engaged in creating solutions to this global concern.

Why is Cummins involved in this? First of all, it is a natural fit with our mission to demand that everything we do lead to a cleaner, healthier, safer environment. Making energy improvements is good business because it gives Cummins the opportunity to improve the efficiency of our facilities and drive cost reduction. It's also good for our customers because we work with them to get best fuel economy out of our products.

As part of our continued commitment to sustainable practices, Cummins is participating in the U. S. Environmental Protection Agency's (EPA) Climate Leaders program.

Launched in February 2002, EPA 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.

As a result of our involvement, 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.

The Climate Change Team

Early in 2007, Cummins formed a Climate Change team to take both a holistic and tactical view of climate change and sustainability at Cummins. The team's members are from across business units and functions and represent facilities, product planning, corporate strategy, environmental policy and government relationship, among others.

The team looks at issues that range in complexity from domestic and international energy policy and fuel economy standards to simpler challenges, such as buildings best suited for occupancy sensors and daylight harvesters.

Collaborating with Customers

Cummins' efforts to reduce carbon intensity encompass both our products and our collaborative efforts with customers.

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.



“We believe we can’t be successful unless we focus on working toward a cleaner, healthier, safer environment. This is a core value at Cummins.”

Peter Jensen-Muir

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 down shifts 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.

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 engine quality verification process.

Power Generation

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.



Carbon Disclosure Project and the Dow Jones Sustainability Index

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

In 2006 and 2007, 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 third 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.

In addition, Cummins 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.

Performance Indicators: Products

The Right Technology for Reducing Emissions

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 for each market served.

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.

In the fall of 2007, Cummins announced its technology approach for on-highway engines to meet the more stringent 2010 U.S. Environmental Protection Agency's diesel emissions standards. The Company will use an evolution of its proven 2007 solutions to maintain power and torque with comparable fuel economy and maintenance intervals the same as today. Cummins will offer a complete lineup of on-highway engines to meet the near-zero 2010 emissions standards.

Heavy-Duty Solutions

Key ingredients of the Cummins 2010 Heavy-Duty lineup include:

- NOx reduction will be achieved by an integrated technology solution comprised of the XPI High Pressure Common Rail (HPCR) fuel system, next-generation cooled Exhaust Gas Recirculation (EGR), advanced electronic controls, proven air handling and the Cummins Particulate Filter.

- Cummins will expand the Heavy-Duty X platform in North America to three displacements with the introduction of an 11.9L engine and a 16L engine to complement its flagship 15L product.

The engines will share a common architecture including the XPI HPCR fuel system. The expansion will enable Cummins to meet a broader array of customer needs, and marks the first time in nearly 20 years the Company has had a common architecture across its industry-leading Heavy-Duty products.

Having the ability to meet a broader range of customer needs with an expanded product line using Cummins' proven technology is our formula for success in 2010 and beyond. Designing and producing the best-in-class Heavy-Duty diesel requires expertise in combustion, air handling, fuel systems, electronic controls and exhaust aftertreatment. That expertise and the ability to balance customer and environmental needs drive Cummins' innovation.

The next-generation cooled EGR is key to reducing emissions and oxides of nitrogen (NOx). EGR technology will not add complexity to the vehicle; and power, torque, fuel economy and maintenance intervals will stay the same. Cummins presently leads the U.S. on-highway truck market with cooled-EGR technology.

Cummins also will continue to use its proven Variable Geometry Turbocharger (VG Turbo), which bolsters total engine performance from power output to response to superior engine braking,

Having the ability to meet a broader range of customer needs with an expanded product line using Cummins proven technology is our formula for success in 2010 and beyond.



This Cummins-powered boat uses biodiesel fuel to take people to view killer whales in their natural habitat.

Cummins Mercruiser Diesel Powers Efficiency and Economy on Puget Sound

Ivan Reiff's childhood memories of life with a fisherman father in Florida led him to Washington State's Puget Sound, where he found little San Juan Island and a wonderful profession.

In 2003, he and his wife, Jacquelyn, bought the Western Prince II, a 46-foot fiberglass boat used to take people to see orcas, the beautiful mammal commonly known as killer whales, in their natural habitat.

The Reiffs have been careful to maintain an environmentally responsible operation out of concern for the future of the whales. They are members of the Northwest Whale Watcher Operators Association and adhere to that group's guidelines for operating power boats in the vicinity of whales. On their own, they also began burning biodiesel fuel in the boat's two-cycle main engines. Recently, they replaced the Western Prince's aging engines with a pair of Cummins' new Tier II compliant QSL9-405 MCD engines from Bellingham's Tri-County Diesel.

These 400 bhp 9-litre 6-cylinder engines have evolved to meet the stringent emissions requirements of the EPA. A high-pressure common rail fuel system virtually eliminates start-up white smoke and black smoke, improves fuel economy and significantly reduces noise.

While the Cummins QSL9 meets the Tier II emission requirements, it also has other significant advantages for a boat like the Western Prince II, which routinely takes 30 passengers on natural history tours. By incorporating the latest engine technology, the new engines add to passenger comfort while generating bottom-line savings.

Cummins has
worldwide
experience
and leadership
with a wide
range of proven
technologies.

while working in tandem with the cooled-EGR subsystem.

The Cummins Particulate Filter, designed and manufactured by Cummins Emission Solutions and introduced in 2007, will be the only aftertreatment required for Heavy-Duty engines in 2010. The engine and aftertreatment work together to further reduce particulate emissions.

MidRange Engine Evolution

Cummins will enhance its MidRange on-highway product performance and reliability by adding Selective Catalytic Reduction (SCR) to its existing product to meet the near-zero 2010 emissions standards. SCR is the right technology for Cummins medium-duty truck, bus and specialty-vehicle customers who want a simple and proven solution to meet their diverse power and duty cycle needs.

Cummins MidRange engines are known for their exceptional value. With the MidRange engines, SCR enables Cummins to extend its power range while maintaining excellent fuel economy, maintenance intervals and overall low cost of ownership. This translates to even better value for MidRange customers in 2010.

SCR technology uses a chemical called urea and a catalytic converter to significantly reduce NOx emissions. SCR technology is not new to Cummins. In 2006, Cummins launched its MidRange engines certified to the Euro 4 standard using SCR for commercial vehicle applications in Europe.

Competitive Advantages

Across its entire lineup of on-highway engines, Cummins is able to meet increasingly stringent emissions regulations

with speed and efficiency, due primarily to two competitive advantages.

First, Cummins benefits from an integrated business structure that enables it to tap the core competencies of Cummins Emission Solutions, Cummins Turbo Technologies, Cummins Fuel Systems and Cummins Filtration. These businesses work together to bring to market technologically superior, fully integrated systems.

Second, Cummins has worldwide experience and leadership with a wide range of proven technologies. Cummins continues to execute its carefully planned product strategy, anticipating changes and investing in the research and development necessary to meet customer needs and environmental goals.

All Cummins U. S. on-highway engines will be fully certified and compliant to the near-zero EPA 2010 emissions standards.

Controlling Emissions in the Off-Highway Market

Cummins captured the attention of the off-highway equipment industry as the first to announce a technology path to meet Tier 4 emission regulations. The EPA Tier 4 Interim and equivalent European Stage IIIB off-highway emission standards take effect across the 174-hp to 751-hp (130-560 kW) powerband in 2011.

The core technology will be Cummins Particulate Filter and cooled EGR system as part of an integrated technology solution extending from air intake to exhaust aftertreatment.

Cummins is taking a lead role in the industry because of its unique in-house technology



From left:
Mike Osenga
from *Diesel
Progress*,
Joe Loughrey,
Cummins
President, John
Wall, Cummins
Chief Technical
Officer, and
Mike Brezonick,
Diesel Progress,
at the
presentation
ceremony.

Cummins Named Newsmaker of the Year

Cummins received the highly acclaimed *Diesel Progress* Newsmaker of the Year award during a ceremony at the Cummins Corporate Office Building (COB) in Columbus, Indiana in December 2007. The ceremony was attended by representatives from *Diesel Progress* and Cummins and included a presentation of the award, followed by remarks from Mike Osenga, Publisher of *Diesel Progress*, and Cummins officials.

Osenga complimented Cummins' ability to consistently communicate engine technology in a thoughtful and timely manner, which has raised the industry standard for communications. Cummins has long enjoyed a strong relationship with *Diesel Progress* and was delighted to celebrate this achievement with members of the marketing, sales, engineering and various other employees.

The 2007 award highlights three significant Cummins technology announcements: the launch of the 2007 Dodge Turbo Diesel, the first engine to meet the 2010 heavy-duty diesel regulations; the Company's Heavy Duty and MidRange solutions for the North American EPA 2010 emission standards and the solution to meet the Tier 4 Interim/Stage IIIB regulations, which will take effect in 2011.

The award, started in 1997, honors the company, person, product, technology, market or industry subject that made the most news during the year. Cummins first received the award in 2002. *Diesel Progress* is the leading publication in the diesel industry.



"We believe the right technology matters and that nobody is better than we are at creating emissions-compliant products that meet our customers' expectations."

Virendra Kumar

and system integration. Our Tier 4 solution is driven by the need to deliver the lowest cost of ownership and most productive power solutions for operators. The 2011 off-highway regulations require a 90 percent reduction in PM and a 45 percent reduction in NOx emissions.

While meeting these stringent reductions, Cummins Tier 4 QSB to QSX products will offer enhanced performance and improved fuel efficiency compared to our current Tier 3 engines.

Integrating Tier 4 engine and aftertreatment into a wide variety of off-highway equipment types will be challenging, but Cummins' application engineering expertise will enable us to design and pre-engineer all the key subsystems in-house.

For Tier 4, Cummins will offer standardized engine, aftertreatment and air intake packages, speeding up installation work and realizing space-saving advantages for our OEM customers.

The 2010 EPA Emissions and Fuel Rule

Looking ahead to 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 has allowed 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 was not phased in, and, as a result, all engine production was

required to be in compliance with the new standard by January of 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 (ULSD)

In addition to the new exhaust emission standards, 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.

Biodiesel Fuels Now in Use

Biodiesel is a clean-burning alternative fuel made from renewable resources like soybeans, vegetable oils and even algae. It creates about 60 percent less carbon dioxide than petroleum fuels, biodegrades as quickly as sugar, and is less toxic than



The Cummins filter is an integral part of the Cummins engine, as shown on this Whole Foods Market truck in Indianapolis, Indiana. Whole Foods has been using biodiesel in its 25 Midwestern territory fleet for more than two years, covering 7 million miles and using 800,000 gallons of biodiesel fuel.

table salt. Biodiesel fuel is free from the aromatics and sulfur found in traditional fuels and is one of the few alternative fuels registered with the Environmental Protection Agency for sale and distribution.

Unfortunately, few engines today can safely use biodiesel in its pure form (called B100) without alterations. Many manufacturers will not warrant an engine for use with more than a 5 percent blend of biodiesel (B5).

Early in 2007, Cummins completed extensive tests on five of its largest on- and off-highway engines, and announced that Cummins customers may operate any such emissions-compliant engine made after 2002 with confidence using 20 percent (B20) biodiesel fuel.

The popularity of biodiesel fuel continues to climb. Estimates are that 1.2 billion gallons will be produced in the U. S. in 2008, and more than a dozen states have passed favorable biodiesel legislation, making it a financially viable alternative.

Cummins has pledged to continue its efforts to ensure that future products will be compatible with biodiesel fuels and will continue to participate in industry efforts to develop consistent quality throughout the biodiesel industry.

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 525 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.



“We take pride in our work and are committed to producing high-quality products that provide outstanding value to our customers.”

Jerry Lawson

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

Oil and Fuel Modules with Incinerable Replacement Cartridges

For more than ten years, Cummins Filtration has partnered with our OEM customers to create oil and fuel modules for heavy-duty applications. Originally, the modules were 100 percent metal, and the replacement cartridges were complex with multiple metal pieces. Today's modules contain less metal and continue to progress toward increased sustainability. This continued evolution benefits the environment through:

- Increased integration of composite materials in the housings, improving recyclability and decreasing weight
- Replacing the need for heavy spin-on filters by using lighter-weight replacement cartridges
- Reducing the number of components in the replacement cartridges
- Removing metallic components from replacement cartridges for rust-free storage
- Eliminating adhesives, paint and cured paper from the cartridges for reduced Volatile Organic Compounds
- Reducing space in landfills with fully incinerable cartridges



*Fabiola Guadalupe
Alonso Zapata
works in the
Generator
Technologies
plant in San Luis
Potosi, Mexico.*

San Luis Potosi Gets Energized, Helps Protect Environment

The San Luis Potosi (SLP) facility hosted the city mayor and the Ministry of Ecology staff, as they delivered 2,000 kilograms of used batteries to the SLP plant for proper disposal in the summer of 2007. The batteries were collected by the municipality during the program called "Energize Yourself."

This program encouraged the correct disposal of batteries to prevent contamination of the environment, especially the subsoil. Cummins is the only authorized storage center in the state to provide such disposal.

During the event, Mayor Jorge Lozano Armengol emphasized the importance of this program and thanked Cummins employees for their participation. SLP Plant Director Miguel Kindler also stressed the importance of supporting the environment through correctly disposing batteries.

Allen Pierce, General Manager of Parts and Service Manufacturing, received the batteries from the mayor in a symbolic act to emphasize that Cummins is committed to advancing the community and protecting the environment.



“Being a low-cost producer is essential to the Company’s business tactics, and Six Sigma, with its relationship to all Cummins’ business activities and processes, remains key to this strategy.”

Rong Sun

Industrial Pro™ Diesel Fuel Filtration

The FH 4 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 FH 4 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

ES Compleat™ Glycerin Premix Long-Life Antifreeze/Coolant – Sustainability and Performance

Cummins Filtration has long supported the importance of greener solutions through all product development.

In early 2008, the company announced the release of Fleetguard ES Compleat™ Glycerin Premix coolant to the global marketplace. Fleetguard ES Compleat is an innovative heavy duty engine antifreeze/coolant that uses glycerin in lieu of traditional ethylene glycol (EG) or propylene glycol (PG). Glycerin is derived from renewable sources and is the primary byproduct of the biodiesel manufacturing process.

Supporting sustainability with a glycerin coolant that also offers excellent protection is very important to the Company mission.

Cummins Filtration conducted extensive testing and field trials of the glycerin-based antifreeze. All tests confirmed that ES Compleat Glycerin Premix provides the anti-freeze, anti-boil, heat transfer and corrosion protection required of today’s fully formulated, heavy-duty antifreeze coolants and meets or exceeds the performance specifications of all heavy-duty engine OEMs.



Shuttle buses pick up employees for the daily commute, helping reduce traffic and pollution in Wuxi, China.

Busing Through Wuxi

Wuxi, near the southeast coast of China, is one of the fastest growing cities in the world. Cummins has turbocharger and alternator plants nearby, employing hundreds of workers who must make their way from the city into work every day.

To help cut back on the traffic and pollution that so often accompany industrial expansion, Cummins in 2007 introduced Suzhou Kinglong shuttle buses equipped with Cummins Euro III engines. The buses pick up employees for their daily commute and return them to the city at the end of a shift.

Among their strongest supporters are the drivers who operate the buses every day. As one remarked, "The bus is strong and powerful. It makes starting and stopping on crowded city roads so much easier. Compared to other buses I've driven, it has excellent fuel economy, low engine noise and best of all, no black smoke from the back."

With the new buses, Wuxi Holset is meeting the environmental policies of the Wuxi Government authorities.

With extended service intervals of 150,000 miles (250,000 km or 4000 hrs), ES Compleat Glycerin Premix offers freeze protection to -32 Degrees F and offers ultimate liner pitting, corrosion, aluminum and solder protection for longer system life. The coolant is compatible with gaskets, elastomers and other non-metallics in the engine and is suitable for all diesel, gasoline and natural gas engines.

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. 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.

The Technology Advantage

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 our customers. The Company’s emissions solutions 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 to develop the right technology for each application and market served. Different operating conditions and factors can influence the technology path for each market. And while developing multiple emission solutions has required a significant 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.



It takes about 85 percent less energy to remanufacture an engine than to make one from new parts.

ReCon: Going Green, Going Global

“Reduce, reuse, recycle.” That’s a key slogan for environmentalists everywhere. At Cummins, we have an additional term: ReCon. ReCon is the name Cummins uses for its line of genuine, factory-remanufactured products. It takes about 85 percent less energy to remanufacture a product than to make one from new parts.

Reusing an engine block, for example, saves energy at every step along the way in mining, ore processing, transportation, casting and machining.

Materials reclaimed through ReCon are estimated to result in energy savings sufficient to power 10,000 homes in the U. S. Since most of that energy is fossil-fuel based, the savings also add up to greenhouse gas (GHG) reductions. Cummins reuses or recycles over 48 million pounds of material each year, with a corresponding GHG reduction of about 200 million pounds.

As good as ReCon is for the environment, it also is good for business. The countercyclical nature of the remanufactured parts business gives Cummins another opportunity to demonstrate long-term, stable earnings for shareholders. And customers like the fact that ReCon effectively extends the life of their equipment. Most ReCon products are available immediately, reducing customer wait time for a component or engine rebuild.

Cummins has had a ReCon business in the U. S. since the 1960s, but now is locating world-class remanufacturing sites in India and China. As we increase our global ReCon footprint, we will increase revenues through remanufacturing and add greater global diversification to our portfolio.

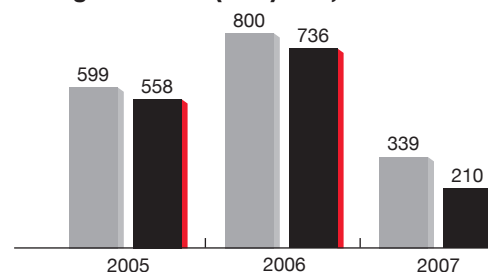


“The best way to have great employees is to provide a work environment that challenges them to do their best.”

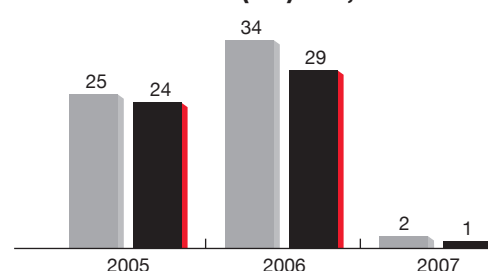
Alberta Green



**Total Automotive Useful Life Emissions
Nitrogen Oxides (NOx) in 1,000 Tons**



**Total Automotive Useful Life Emissions
Particulate Matter (PM) in 1,000 Tons**



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 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.

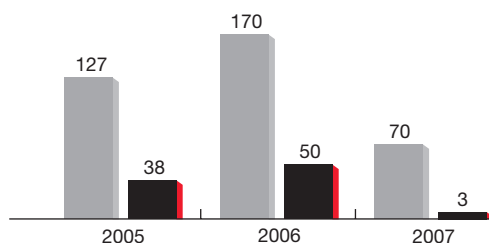
Emission Regulations and Cummins Product Goals

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.

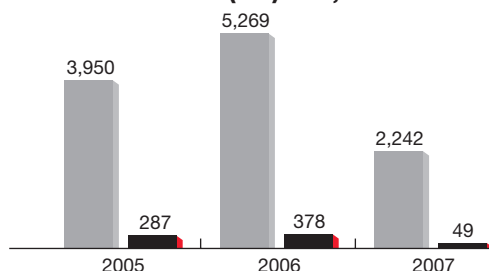
Cummins works closely with regulatory bodies to seek aggressive, but technologically feasible, emission reductions that also allow us to continue to make products that meet the exacting needs of our customers.

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-

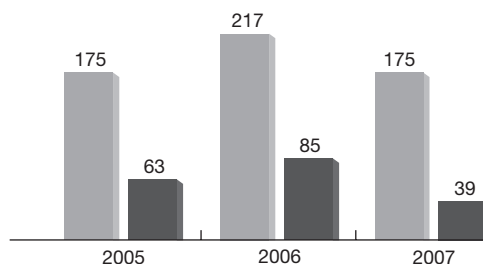
Total Automotive Useful Life Emissions Hydrocarbons (HC) in 1,000 Tons



Total Automotive Useful Life Emissions Carbon Monoxide (CO) in 1,000 Tons



On-Highway Diesel Engine Volumes (k)



Midrange (3-9 liters)
Heavy-Duty (10-15 liters)

For 2005, the emission tons calculation was updated to correctly reflect EPA regulated useful life since last report.

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 these and subsequent pages depict Cummins' commitment to the environment by demonstrating that the Company's engines often exceed U. S. emissions standards. The on-road charts for North America 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 non-road engines produced to EPA standards. As with Cummins

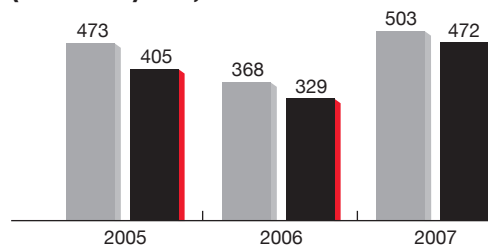


“Cummins’ future is based on how well we develop and apply technology to our products. As an independent engine and components manufacturer, we are committed to being the best at doing this.”

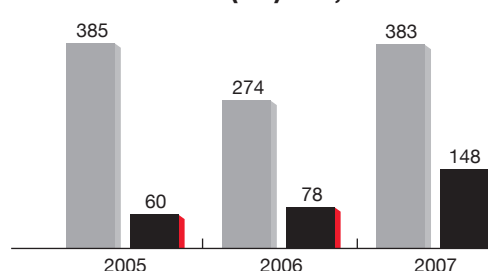
Bob McIlree



Total Non-road Useful Life Emissions Nitrogen Oxides + Hydrocarbons (NOx + HC) in 1,000 Tons



Total Non-road Useful Life Emissions Carbon Monoxide (CO) in 1,000 Tons



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.

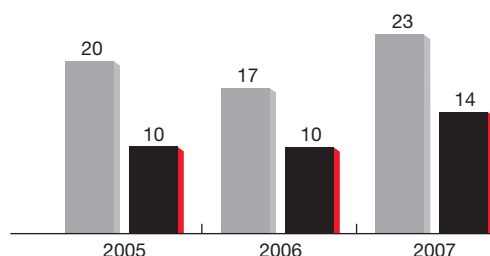
Cummins also participates in a regulatory program called Averaging, Banking and Trading (ABT). This program allows emission credits to be generated and “banked” by a company whose products generate emissions that are lower than the regulated level. These banked credits may be applied to other engines 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.

Going Beyond Requirements in Other Countries

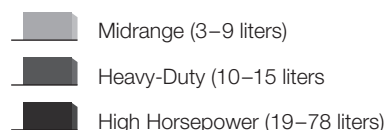
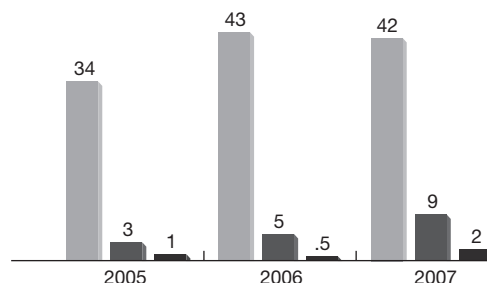
Cummins meets or exceeds emission regulations in every country that it operates. In South Africa, where there are no emission regulations for existing types, Cummins sells EPA certified 1998/1999 engines. Standards in South Africa commence in 2010. Similarly, in Taiwan, emissions regulations require 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 OEMs to introduce “green engines” to China. Cummins is committed to bringing in advanced, low-emission environmental products to Chinese customers

Total Non-road Useful Life Emissions Particulate Matter (PM) in 1,000 Tons



Non-road Diesel Engine Volumes (k)



For 2005, the emission tons calculation was updated to correctly reflect EPA regulated useful life since last report.

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 and reached volume production in the second quarter of 2007 in advance of the Chinese Government's requirements.

In addition to local production of Euro III engines, Cummins is the first foreign diesel maker to invest in the local manufacturing of key sub-systems, including fuel system and after-treatment products. This initiative supports Chinese partners and OEM customers as they work to meet future emission standards, including Euro III, Euro IV and above. Cummins Fuel Systems plant in Wuhan and Cummins Emission Solutions plant in Beijing will both start production in 2008.

A Green Leader in China

Cummins has a history of being a "green leader" in China. In 1999, Cummins was the first foreign diesel maker to power the large-scale Euro II transit fleet in South China's Shenzhen City, two years before China implemented the Euro I standards. The same year in Beijing, Cummins launched Euro II compressed natural gas engines, which were later branded through Cummins' joint venture with Westport in Canada. Beijing Public Transit is now the world's largest CNG fleet, with close to 3,000 Cummins Westport Euro II and Euro III natural gas engines installed to date.

In 2001, Cummins began introducing Euro III diesel engines into the China market. Currently, more than 20,000 Cummins Euro III diesels power transit buses and coaches across the country, making Cummins the top Euro III diesel supplier in China.

In preparation for the Beijing Olympics, Cummins started introducing Euro IV engines into Beijing

The Cummins Science and Technology Advisory Council members regularly discuss the future of the internal combustion engine and the use of alternative power sources.

Public Transit in 2005. This summer, 2,750 transit buses in China's Capital City will be powered by Cummins Euro IV diesels and will be in use for transportation related to the Olympic Games.

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 presently moving to Tier 2.

At the 2008 ConExpo in Las Vegas, Cummins formed strategic alliances with leading Chinese construction OEMs to power their export equipment with Cummins Tier 4 interim/Stage IIIB low emission off-road diesel engines. In addition, Cummins' Chinese engineers helped the local EPA draft the first generation of China's off-road emission standards.

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 and 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:

Frank S. Bates

Chairman, Chemical Engineering and Materials Science Department, University of Minnesota.

Dr. Harold Brown, Counselor

Center for Strategic and International Studies, retired Cummins Director, former Secretary of Defense and President of CalTech.

Phil Sharp

President of Resource for the Future, Washington, D.C.

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. George M. Whitesides

Mallinckrodt Professor of Chemistry at Harvard University.

John Sadtler (left), Second Shift Operator on the XPI nozzle production line for Fuel Systems, speaks with visiting U.S. Commerce Secretary Carlos Gutierrez at the Fuel Systems plant in Columbus, Indiana.



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 as maintaining an internal action plan.

Its membership includes the following Directors: 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.

Performance Indicators: Facilities

Doing our part to promote a healthy environment goes beyond producing the cleanest possible products. Cummins' 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 Cummins' commitment to the communities in which we work and live. These efforts also have a direct positive impact on the profitability of our business.

Cummins' approach to facilities management 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. As we continue to meet our regulatory obligations, we also will work to identify opportunities for improvement and reduce the environmental impact of our operations.

Safety and Environmental Council

Cummins 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 corporate staff and the General Counsel. The Council meets quarterly with the objective of building a best-in-class safety and environmental organization across Cummins worldwide entities.

The Council meeting is the forum for developing HSE policies and strategic initiatives and is where company-wide objectives and targets are established. Among the Council's initiatives in support of performance improvement objectives are a focus on facility registration to the Enterprise Safety and Environmental Management Systems, building good HSE practices into the Company's growth strategy and organizational and individual functional excellence development.

Health, Safety and Environmental Management Systems

Cummins' safety and environmental policy drives the global Safety and Environmental Management Systems, which provide the platform for setting key objectives and ongoing monitoring of our HSE performance. Cummins has incorporated the elements of the ISO 14001 Standard and the OHSAS 18001 Safety Guidelines into the two systems and has committed to registration by an independent third-party. Cummins has taken a multi-site "enterprise" approach to registration of these management systems, rather than a customary individual site registration. This global, single registration employs a centralized management review process that captures key HSE performance data for analysis at every level in the organization. This approach allows Cummins to leverage superior environmental and safety management programs and practices for implementation worldwide. The enterprise allows for flexibility in development of a management system within a framework

By the end of 2007, Cummins had 42 manufacturing facilities and the corporate entity registered to the ISO 14001 Standard.

Environmental Management System Registrations to ISO 14001

Site	Reg. Year	Location	Business Unit
Cummins – Daventry Engine Plant	2001	UK	Engine
Cummins Filtration – Quimper	2001	France	Components
Cummins Turbo Tech. – Huddersfield	2001	UK	Components
Cummins – Darlington Engine Plant	2002	UK	Engine
Emissions Solutions – Mineral Point	2001	USA	Components
Cummins – San Luis Potosi	2002	Mexico	Engine
Cummins Filtration – Viroqua	2002	USA	Components
Cummins Filtration – Arcadia	2002	USA	Components
Cummins Filtration – Wautoma	2002	USA	Components
Cummins Industrial Center/Cummins Komatsu Engine Co.	2002	USA	Engine
Cummins Generator Tech. – Stamford	2002	UK	Power Gen
Cummins Turbo Tech. – Charleston	2002	USA	Components
Dongfeng Cummins Engine Co. Ltd/ Cummins Xiangfan Machinery Co. Ltd	2002	China	Engine
Tata Cummins Limited	2003	India	Engine
Cummins – Fuel Systems Plant	2003	USA	Components
Cummins Brazil Ltd.	2003	Brazil	Engine
Cummins – MidRange Engine Plant	2003	USA	Engine
Cummins Filtration – Lake Mills	2003	USA	Components
Cummins Filtration – Black River Falls	2003	USA	Components
Cummins – Corporate	2003	Worldwide	Corp
Cummins Filtration – Bloomer	2003	USA	Components
Cummins Filtration – Neillsville	2003	USA	Components
Cummins Turbo Tech. – Dewas	2004	India	Components
Cummins Filtration – Findlay	2004	USA	Components
Cummins Turbo Tech. – Wuxi	2004	China	Components
Consolidated Diesel Company	2004	USA	Engine
Cummins – Jamestown Engine Plant	2004	USA	Engine
Cummins Power Generation – Fridley	2004	USA	Power Gen
Diesel ReCon – Juárez/El Paso	2004	USA/Mexico	Engine
Cummins Generator Tech. – San Luis Potosi	2005	Mexico	Power Gen
Cummins Filtration – San Luis Potosi	2005	Mexico	Components
Diesel ReCon – Memphis	2005	USA	Engine
Cummins Power Generation – Kent	2005	UK	Power Gen
Cummins Filtration – Brazil	2006	Brazil	Components
Cummins Filtration – Cookeville	2006	USA	Components
Cummins – Columbus Engine Plant	2006	USA	Engine
Cummins Power Generation – Beijing	2007	China	Power Gen
Cummins Power Generation – Singapore	2007	Singapore	Power Gen
Cummins Generator Tech. India	2007	India	Power Gen
Cummins Generator Tech. Wuxi	2007	China	Power Gen
Cummins India Ltd.	2007	India	Engine
Cummins Sales and Service	2007	India	Distribution

Highlighted sites represent enterprise registrations



"I am honored to work at a company where success is defined by more than how much money the corporation makes."

Linda Shi

that facilitates implementation of a common health, safety and environmental management system (HSEMS) when new manufacturing locations are commissioned.

The two systems have now been successfully integrated at the corporate level, supported by the development of integrated audit protocols. These efforts are paving the way for the future development of a combined HSEMS enterprise.

Environmental Management System

The Enterprise EMS was first registered by an independent third-party registrar in 2004, when a total of four sites participated. In 2007, Cummins recertified the enterprise EMS for another three-year period. By the end of 2007, Cummins had 42 manufacturing facilities and the corporate entity registered to the ISO 14001 Standard.

Auditor Certification Program

The program was launched to support Cummins' efforts to develop more consistently robust auditing capabilities and develop employee functional excellence. Audit trainees are called on to participate with HSE Council leaders in site audits that are conducted to support new HSEMS registrations and satisfy Cummins' annual internal audit requirement. Through successful participation as a team member in several audits and a supervised event as a lead auditor, audit trainees themselves become certified as lead auditors.

Not only has this initiative bolstered subject matter expertise and reduced Cummins' dependence on contractors, it has substantially facilitated the sharing of best practices. Auditors observe first-hand

the effective practices in place at the audited site and bring a fresh perspective to the auditee by sharing their own winning environmental management strategies. Lead auditors are recognized at Cummins annual HSE Awards Banquet. Selected auditors with both safety and environmental responsibilities and expertise are being certified within both disciplines to support the integration of these systems and the continued development of a HSEMS.

Environmental Objectives and Targets

Each year, the HSE Council sets objectives and targets for the organization to ensure the continual improvement of Cummins' environmental performance. The business units supplement these with initiatives of special importance and interest to their respective businesses. The Enterprise EMS is the mechanism for driving these improvements, which can take any form that supports the Company's efforts to address our environmental policy commitments. The Engine Business has reaped significant environmental benefits from their focus on paint reformulations. Also, all businesses were engaged in the work necessary to develop our greenhouse gas emissions (GHG) inventory and the setting of an emissions reduction goal as part of an overall objective to reduce our carbon footprint.

Sites worldwide have completed innovative environmental projects – such as reducing packaging waste, recycling solvents and coolants and capturing rain water for re-use. Recent objectives and targets have included



Cummins' joint venture with Westport Innovations Inc. has resulted in cutting-edge technologies that allow engines to operate on natural gas, hydrogen and hydrogen-enriched natural gas. About 1,500 C Gas Plus engines are in service in transit buses for major U.S. fleets, including this one in Tacoma, Washington.

Introducing the Next Generation of Clean, Natural Gas Engines

In June 2007 Cummins Westport introduced the next generation of heavy-duty natural gas engines, the ISL G. The ISL G includes a maintenance-free, three-way catalyst aftertreatment and Cummins proven exhaust gas recirculation, enabling it to meet Environmental protection Agency 2010 on-road NOx standards today. It also confirms Cummins Westport and Cummins as leaders in reliable, efficient power with the cleanest emissions.

Both Orange County and Sacramento California, Cummins Westport's biggest market, have already ordered the ISL G for use in transit applications.

"While we're at 2010 emissions today, the real traction for our product in the marketplace is the emerging economic benefits, and those are driven by the price differential of the fuel," said Gordon Excel, Vice President and General Manager, Americas. Available in ratings from 250 to 320 hp, the ISL G is also an ideal engine for refuse, street sweepers, medium-duty trucks and shuttle applications.



“Working for a winning organization and a company with outstanding financial performance like Cummins are significant factors in keeping employee morale high.”

Tina DeMaio

improvements of the tools and processes that support collection and reporting of key environmental performance indicators, auditor training and other functional excellence initiatives. Addressing water conservation and emphasis on pollution prevention opportunities will continue to be focus areas as well.

Cummins Launches Energy Efficiency Initiative

To meet one of our key climate change objectives, a Cummins global Energy Efficiency Team conducted energy assessments at the largest Cummins' sites. They identified more than 500 capital projects alone at the first 15 sites in the United States. Information from these energy assessments was used to set an investment strategy and define an improvement approach based on energy-use categories. These categories, such as heating and cooling, capturing waste energy and improved lighting are driving improvements in our facilities.

Grassroots energy champions, working with the Energy Efficiency Team, also are engaging employees to initiate and participate in energy conservation projects.

For example, at the Consolidated Diesel Company, Cummins' joint venture in Rocky Mount, North Carolina, a project was launched to reduce the amount of electricity used by the plant's lighting. As a result, more than 800 standard lights were replaced with fluorescent T5 fixtures. This led to a reduction in electrical costs of 40 percent and a savings of 2.4 million kilowatt hours a year.

Manufacturing Operations

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

Cummins 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.

Cummins Components:

The Components Group includes four separate business units; Cummins Filtration, Cummins Fuel Systems, Cummins Turbo Technologies and Cummins Emission Solutions. Facility operations primarily involve filtration and exhaust product design, research and development, filter and exhaust component assembly, and product distribution and warehousing. Key operations conducted among the Components Group divisions

include filter, fuel systems, turbocharger and exhaust component assembly, metal stamping, tube bending, component machining, welding, product assembly, painting and performance testing.

Cummins 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 and other filter media, wastewater sludge 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 sustainability measures from our facilities for many years, focusing on operations with the greatest potential environmental impact. Performance measures were originally gathered and reported internally in an effort to identify environmental performance improvement opportunities. Data has subsequently been aggregated for inclusion in Cummins' Sustainability Report and other reporting initiatives.

Because of Cummins' participation in the EPA's Climate Leaders Program and its comprehensive GHG inventory scope requirements, the number of sites taking part in data gathering has broadened significantly. In 2008, all of Cummins-controlled sites worldwide will provide data for all applicable sustainability indicators irrespective of facility size and operational scope. For the purposes of this report, performance data have been compiled from two different data sets, which are indicated in the following sections of this report.

The full complement of sustainability metrics, including water use, recycled materials, commodities consumed and wastes, as well as fuels and electrical power usage and their associated direct and indirect emissions included herein were derived from manufacturing and large non-manufacturing sites. These include several large joint venture facilities that are not under Cummins' operational control. Fuels, electricity and other GHG sources and emissions were collected from all facilities, irrespective of size or function, where Cummins maintains operational control and therefore are in scope of our Climate Leaders GHG reduction commitment. The 2007 population of sites in scope of Climate Leaders is 233 facilities. Greenhouse gas and other fuel/energy related emissions from Cummins' unconsolidated joint venture businesses are not included in this report.

Materials

Category	2005	2006	2007
Materials Other Than Water			
Diesel Fuel/Fuel Oil (Gallons)	8,706,939	9,771,249	9,634,265
Natural Gas (Cubic Feet)	1,342,803,937	1,381,792,175	1,312,025,265
Propane (Cubic Feet)	13,869,356	15,848,347	16,630,595
Oil (Gallons)	1,686,505	2,403,690	2,323,739
Paint (Gallons)	293,802	501,743	460,860
Coolant (Gallons)	825,214	1,430,599	975,424
Solvent (Gallons)	99,250	160,759	219,593
Total Water Use			
Total Water Use (Gallons)	958,525,983	2,031,633,771	1,302,703,844
Significant Discharges to Water (Gallons)	770,551,878	1,805,807,888	1,121,493,491
Total Amount of Waste by Type			
Industrial Waste (Metric Tons)	2,074	2,698	2,543
General Refuse (Metric Tons)	10,351	13,619	14,136
Recycled Materials			
Iron (Metric Tons)	99,298	114,960	113,114
Aluminum (Metric Tons)	978	874	666
Copper & Brass (Metric Tons)	326	551	1,396
Cardboard (Metric Tons)	6,601	8,431	9,757
Paper (Metric Tons)	281	358	453
Wood (Metric Tons)	9,541	16,510	21,834
Plastic (Metric Tons)	255	398	735
Reused Liquid Waste (Gallons)	2,750,151	1,086,218	3,222,670
Number of Reporting Sites — Fuels	229	229	233
Number of Reporting Sites — All Other Metrics	38	54	75

Other Significant Direct Air Emissions

Category (Metric Tons)	2005	2006	2007
NOx	2,565	2,863	2,816
CO	566	631	620
PM10	172	193	190
VOC	791	2,537	848
Number of Reporting sites — NOx, CO and PM10	229	229	233
Number of Reporting sites— VOCs	38	53	75

Data for NOx, CO, PM and CO₂ for 2005 and 2006 were developed from the 229 sites reporting fuels and electricity for the GHG inventory. Totals for VOC for these same years are based on data from the manufacturing and larger non-manufacturing sites, of which, 38 reported in 2005 and 53 in 2006.

Emissions from diesel fuel used in product testing applications and No. 2 fuel oil, propane and natural gas used in boilers and furnaces were derived using EPA AP-42 Compilation of Air Pollutant Emission Factors, 1996.

AP-42 emissions conversions used for large diesel engines are based on obsolete technology, so emissions data is overstated.

Materials

Cummins' materials data collection includes process compounds commonly used in the Company's manufacturing processes. In addition, quarterly data is reported and compiled for wastes, recycled materials, utilities and other key measures.

Cummins has increased the population of facilities reporting sustainability metrics substantially over the last several years. The population of reporting sites in 2006 represents essentially all of the most significant manufacturing and non-manufacturing operations in the company. In 2008 and beyond, all controlled sites will systematically report all metrics, which will simplify data trend analysis.

An additional 16 facilities reported data in 2006 versus 2005. The substantially larger data set, better measurement processes and continued company growth are collectively responsible for the increases for all metrics in 2006. Reductions in diesel and natural gas were experienced in 2007 as

compared to the prior year, as well as for oil, paint and coolant. These measures are likely due in part to reduction in engine production volumes over the same timeframe. Natural gas use is tied closely to weather and may be in part explained due to overall milder winter temperatures in the regions in which Cummins operates. Increases in quantities of recycled materials generally reflect improvements in supporting processes worldwide.

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

Re-used liquid wastes represent estimated quantities of industrial process wastes reclaimed for re-use or otherwise returned to process as feedstock in cement kilns or blended fuels. These include oil, coolants, solvents and thinners and residual fluids primarily from painting processes.

Energy and Fuels/Greenhouse Gas Emissions

Category	2005	2006	2007
Direct (Gigajoules)			
Fuel Oil/Diesel	1,258,524	1,412,362	1,392,562
Natural Gas	1,487,520	1,540,257	1,453,473
Propane	36,401	41,595	43,648
Indirect			
Electricity (Gigajoules)	2,599,207	2,623,729	2,727,567
Electricity (KwH)	722,001,873	728, 813, 588	757,657,400

The above table lists direct and indirect energy consumption calculated on the basis of use of fuels and electricity over the reporting timeframe.

Greenhouse Gas List

Cummins' inventory includes CO₂, CH₄, N₂O emissions from electricity and fuel consumption, HFC emissions from refrigerant use, and CO₂ and SF₆ emissions from manufacturing process use. Cummins has no emissions of PFCs.

Direct Emission Sources

Direct Sources

Electricity use is the most significant source of GHG emissions associated with Cummins' operations. In addition, as an organization that manufactures and assembles diesel engines and related components, a substantial portion of Cummins' overall GHG emissions are a direct result of the engine

testing operations related to production and research and development. Many of the Cummins facilities in the various businesses employ processes that use natural gas-fired or electric industrial ovens or other heat treatments and related processes.

The Energy Solutions Business (ESB) is a business of Cummins Power Generation that sells the natural gas and biogas-fueled generator sets as well as cogeneration and other power plant equipment. ESB commercializes these sets through sales, design and construction of turnkey power plant solutions and, in some cases, operates the plant after construction and maintains some equity ownership in the project.

Cummins measures the fuel consumption and emissions in support of the Climate

Direct Emission Sources

Emissions Type	Emissions Sources
Stationary Combustion Sources	<ul style="list-style-type: none"> Industrial Boilers (Natural Gas and Diesel Fuel) Industrial Furnaces (Natural Gas and Electric) Engine Test Cells (Natural Gas, Diesel Fuel, Gasoline and Propane) Generator Sets (Diesel Fuel) Process ovens/heating units (Natural Gas and Electric) Electricity generating systems at customer sites
Mobile Sources	<ul style="list-style-type: none"> Company owned/leased vehicles (Diesel Fuel and Gasoline) Forklift Vehicles (Propane and Diesel Fuel) Corporate Aviation (Jet Fuel)
Process / Fugitive Emissions	<ul style="list-style-type: none"> Manufacturing process – SF₆ Welding operations – CO₂ Air conditioning equipment – HFCs

This table identifies the sources of direct GHG emissions that are associated with Cummins' manufacturing, assembly and distribution operations.

Leaders initiative where the Company manages the complete operations and maintenance services.

Historically, fugitive GHG emissions were generated at the Findlay, Ohio facility through the process of injection of sulfur hexafluoride (SF₆) into sealed gas bags, which were sold as product. This process was discontinued in mid-2008. Other fugitive emissions are associated with use of CO₂ gas as a welding shield systems and refrigerant loss typical through use of heating, ventilation and air-conditioning systems.

Indirect Sources

The inventory includes consumption of electricity, which is used by all facilities. It also includes purchased steam consumption from one facility in China and purchased hot water consumption from one facility in Romania.

Greenhouse Gas Emissions Calculations

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 in the U.S. was made using emission factors from the EPA eGRID emissions database. All other greenhouse gas emissions are calculated using emission quantification methodologies taken from the Climate Leaders Greenhouse Gas Inventory Protocol: Core Module Guidance documents for the appropriate emissions sources. These factors are kept up to date by reviewing any revisions to Climate Leaders guidance documents.

U.S. and Non U.S. Greenhouse Gas Emissions Inventory – CO₂-eq. (metric tons)

U.S. Emissions	2005	2006	2007
Direct Emissions			
Stationary Combustion Sources	108,455	114,775	104,395
Mobile Combustion Sources*	7,868	9,115	9,160
Process / Fugitive	117,353	127,594	161,978
Total Direct Emissions	233,676	251,483	275,533
Indirect Emissions			
Purchased and Used Electricity	348,280	346,399	354,379
Total Indirect Emissions	348,280	346,399	354,379
Direct + Indirect			
Total U.S. Emissions	581,956	597,882	629,911

Non U.S. Emissions	2005	2006	2007
Direct Emissions			
Stationary Combustion Sources	55,836	62,805	68,105
Mobile Combustion Sources*	14,557	14,557	14,693
Process / Fugitive	2,514	2,595	3,129
Total Direct Emissions	72,907	79,956	85,927
Indirect Emissions			
Purchased and Used Electricity	99,243	101,389	116,614
Purchased and Used Steam*	65	65	65
Purchased and Used Hot Water*	531	531	531
Total Indirect Emissions	99,839	101,985	117,210
Total Non-U.S. Emissions	172,746	181,941	203,138

Total U.S. and Non-U.S. Emissions	2005	2006	2007
Direct Emissions			
Stationary Combustion Sources	164,291	177,580	172,500
Mobile Combustion Sources*	22,425	23,672	23,853
Process / Fugitive	119,867	130,188	165,108
Total Direct Emissions	306, 583	331,440	361,461
Indirect Emissions			
Purchased and Used Electricity	447,523	447,787	470,992
Purchased and Used Steam*	65	65	65
Purchased and Used Hot Water*	531	531	531
Total Indirect Emissions	448,119	448,383	471,588
Total Worldwide Emissions	754,701	779,823	833,049

* Estimates

Significant emissions reductions have been accomplished at Cummins through increased efficiencies resulting from Six Sigma projects.

Total GHG Emissions in Metric Tons CO₂e

Emissions Source	2005	2006	2007
Electricity	447,523	447,787	470,992
Stationary combustion	164,291	177,580	172,500
Fugitive SF6, CO2	114,426	124,638	159,080
Mobile sources, other	28,462	29,818	30,477
Total	754,701	779,823	833,049

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 an estimated 60 percent of its equipment containing ozone-depleting substances.

- Failure to mark used oil piping with the words “used oil”;
- Failure to ensure containers of hazardous waste remained closed;
- Failure to manage universal waste in closed containers.

The facility implemented the necessary corrective measures and submitted evidence of those measures to the Environmental Protection Agency. No monetary penalties were imposed.

Interactions with Regulatory Agencies

Cummins Filtration – Lake Mills

On June 20, 2006, the U.S. Environmental Protection Agency (EPA) inspected the Cummins Filtration facility in Lake Mills, Iowa. As a result of the inspection, the EPA issued a Notice of Preliminary Findings (NOPFs) that included the following details:

Cummins Filtration – Cookeville

On September 13, 2006, the Tennessee Division of Solid Waste Management conducted a compliance evaluation at the Cummins Filtration facility in Cookeville, Tennessee. As a result of the inspection, a Notice of Violation (NOV) was received by the plant on October 6, 2006, for failing to manage the frames from the silk screen printing



“We view our vendors and suppliers as partners, and we understand that their success will help us achieve our goals.”

Rachel Quisenberry

process as a hazardous waste. Immediately following the September 13, 2006, inspection, Cummins Filtration implemented all of the necessary corrective measures. On March 9, 2007, Cummins Filtration paid \$1,258.88 in damages and \$9,100.00 in Civil Penalties to the State of Tennessee.

Cummins Filtration – Cookeville

On June 13, 2007, the Cummins Filtration facility in Cookeville, Tennessee received a NOV letter from the Tennessee Department of Environment and Conservation, that was related to the failure of the facility to submit a Title V Semi-Annual report within sixty days of the June 30, 2006, due date. Cummins Filtration immediately implemented the necessary corrective measures and no further action was taken by the State of Tennessee.

Cummins Inc. – Olympic Testing Facility

On November 9, 2006, the Indiana Department of Environmental Management (IDEM) issued a NOV letter stating they had not received the Title V Annual Compliance Certification Report due from the facility on July 1, 2006. Although Cummins had mailed the report via certified mail in March of 2006, IDEM was unable to locate the report and Cummins was unable to produce the receipt. As a result, Cummins was ordered to pay a fine of \$2,750.00, which was received by IDEM on January 8, 2007.

Environmental Clean-Up Efforts

Cummins has also been identified as a PRP at 17 waste disposal sites under federal and state environmental statutes, three of which we expect could result in expenditures in excess of \$100,000 or more based upon our estimated proportional volume of waste disposed at these sites.

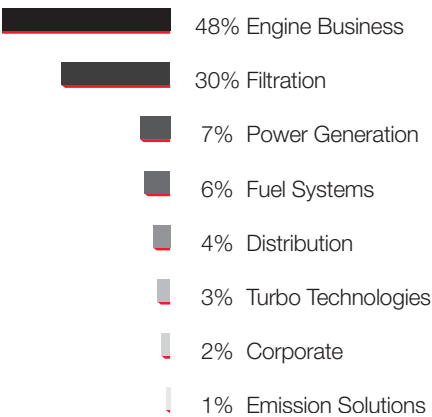
These sites and our estimated exposure are as follows: the Operating Industries, Inc. Site in Monterey Park, California (\$211,000), the Casmalia Site in Santa Barbara, California (\$150,000) and the Double Eagle Refinery Site in Oklahoma City, Oklahoma (\$100,000).

Finally, Cummins has environmental remediation projects ongoing under the auspices of local regulatory agencies at our plant in Brazil; our plant in Memphis, Tennessee, and a former facility in Canton, South Dakota; and at one of our plants in the United Kingdom. The cost of each of these projects may exceed \$100,000. Cummins does not believe that the aggregate liability for resolution of the Superfund Sites or the plant remediation projects will be material for 2008.

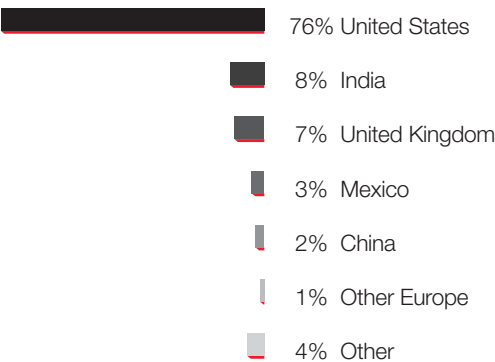
Cummins MidRange Engine Plant Recognized for Environmental Leadership

IDEM recently recognized Cummins Columbus Midrange Engine Plant (CMEP) for its commitment to minimizing environmental impacts. In a ceremony at the plant in April, 2008. IDEM Commissioner Thomas W. Easterly

2007 GHG Emissions by Business Unit



2007 GHG Emissions by Country



These charts illustrate the relative share of 2007 emissions by business unit and by country.

and Assistant Commissioner Rick Bossingham announced Cummins’ acceptance into of Indiana’s Environmental Stewardship Program (ESP). Engine Business President Jim Kelly, CMEP Plant Manager Andy Cesarski and the CMEP environmental team were on hand to receive the award.

IDEM invited Cummins to join ESP because of the Company’s compliance record, implemented environmental management system and its commitment to continual improvement in the environmental arena. CMEP’s successful reduction of volatile organic compound emissions resulting from the substitution of a solvent-based paint to a water-based paint for the engines it produces was highlighted.

“Cummins Columbus MidRange Engine Plant has earned its place as a new ESP member,” said Easterly. “Indiana wins when

companies like Cummins use sound business practices to demonstrate their core value of environmental protection.”

ESP is a voluntary, performance based leadership program designed to recognize and reward Indiana regulated entities for going above and beyond current environmental regulations. Regulatory flexibility incentives earned by members are designed to provide business value, reduce regulatory oversight, allow a shift in resources from compliance driven to achieving results and provide the member with increased operational flexibility.

The Columbus Engine Plant and the Columbus Fuel Systems Plant have also been accepted into the Indiana ESP.

Normalized GHG Emissions Goal Tracking

2005 to 2007 Greenhouse Gas Emissions, Normalized to Revenue

	2005	2006	2007	2005-2007 % change
Total emissions (metric tons CO ₂ -equivalent)	754,701	779,823	833,049	10.4%
Gross revenue (\$ millions)	\$9,917.80	\$11,362.40	\$13,048.00	31.6%
Inflation-adjusted Revenue (constant 2005 \$ millions)	\$9,917.80	\$10,935.90	\$12,157.50	22.6%
Normalized Emissions (tCO ₂ e per 2005 \$ millions)	76.10	71.31	68.52	-10.0%

Greenhouse gas emissions increased by 6.8% from 2006 to 2007 and 10.4% as compared to the base year 2005. Sales increased 15% year over year over the same timeframe — equating to an overall increase in sales of 31.6%. After an adjustment for inflation to 2005 dollars, Cummins has achieved a normalized reduction of 10% over the timeframe.

Operational Methods that Improve Energy Use

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, including natural resource conservation and pollution prevention. Both of these have been a continual improvement focus at Cummins for several years.

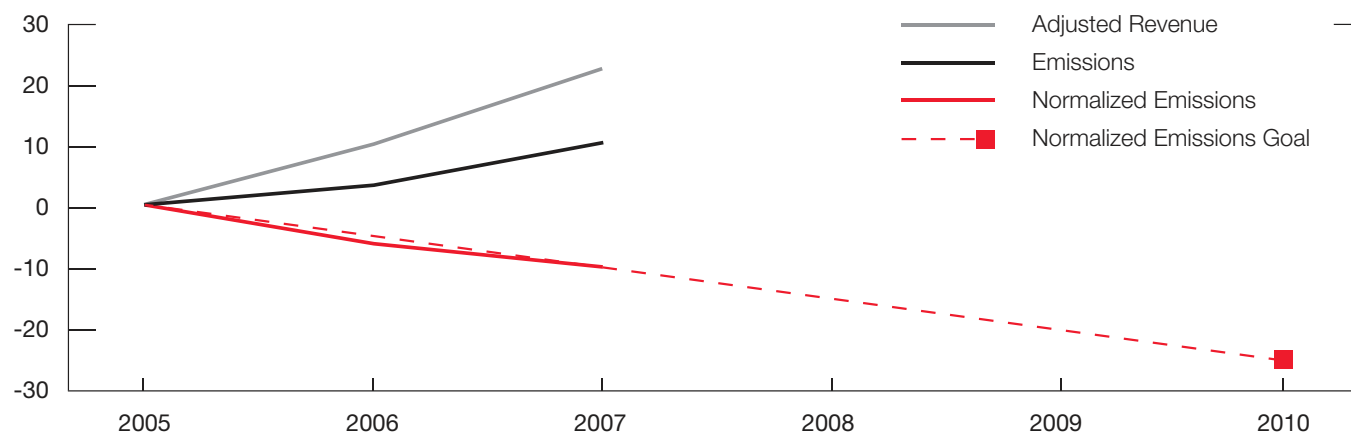
A good example of our Six Sigma efforts includes the work Cummins Filtration did with paint suppliers to reformulate coatings applied to exhaust products to significantly

reduce the metals content. Successful reformulations were developed, which met product quality requirements and 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 hazardous waste generator status from large quantity to that of a small quantity generator.

Analysis-Led Design

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 that allows us to look at more designs in a shorter time.

Normalized GHG Emissions Change from 2005 to 2007 (%)



This graph depicts Cummins' progress against its stated reduction goal of 25% normalized to sales, and shows that the Company is on the path to achieving its goal. This goal tracking graph will be updated and revisited as the Company implements the many energy efficiency projects that have been identified.

Using analysis-led design on our 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 of testing a component and engine system, with an associated environmental benefit.

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 areas where we have manufacturing operations.

Cummins' consumption of fossil fuels and electric power represented significantly less than 1 percent of sales in 2005 and in 2006. With the forward contract purchases of utilities in selected regions, we are able to postpone or lessen the impact of rising energy costs on our facilities worldwide.

In early 2006, Cummins' European Operations contracted for delivery of 63 million kWh of electricity, generated from 'Good Quality Combined Heat and Power' (GQCHP), which was delivered in the fall of 2006 for one year. This represented 97 percent of Cummins' U.K. requirements for the contract year.

GQCHP is the simultaneous generation of electricity and useful heat from a single fuel source, and is 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.

Electrical power procured for U.K. manufacturing sites for a year-long contract beginning in October 2007 not only allowed for cost reductions of 31 percent, but with an added bonus of 100 percent 'true green' power sources. The technologies that provide the power yield zero GHG emissions.

Cummins' suppliers of zero emissions power include the following technologies:

- 1300MW of "Run of the River" hydro-electric power from the North of Scotland
- 238MW from wind farms
- Tidal power under trial in Orkney, Scotland
- Biomass fueling of thermal power

The environmentally-friendly U.K. power purchase in 2007 will have saved an estimated 27,000 metric tons of CO₂ emissions associated with Cummins' U.K. operations.

In addition, electricity for Cummins' operations in Mechelen, Belgium includes 1.005MW of 100 percent Norwegian hydro power procured at a competitive price. This power source also yields zero GHG emissions.

And, once again, power generation capability at two of our U.K. sites allowed us to sell some excess energy back into the U.K. distribution network, although on a lesser scale than in previous years.

Natural gas procurement for all U.K. sites from mid-year 2007 to 2008 allowed for cost reductions at all entities with an average savings of 41.5 percent.

The outlook for 2008/2009 for both electricity and natural gas is not very optimistic, with significant increases in cost anticipated across Europe.



The User-Friendly Filter: A Sustainability Success Story Follow-Up

In our previous Sustainability Report, we featured the new User-Friendly Filter. Its success is continuing to grow.

At the 2007 Technology and Maintenance Council (TMC) meeting in Tampa, Fla., the Technical Writers of North America (TWNA) recognized Cummins Filtration's Fleetguard user-friendly line of fuel and oil filters as the top Technical Achievement for 2006.

Among an impressive group of finalists, the Fleetguard user-friendly filters were the unanimous choice of the selection committee for the achievement award. The selection committee said the Fleetguard filter was "a shining example that innovation is everywhere."

Other awards received by Cummins Filtration for the user-friendly filters are Equipment World's Top 5 Most Innovative Products, Heavy Duty Trucking's Nifty Fifty Award and Construction News' Top 100 Award.

The filter has 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.

In 2007, Cummins replaced 650,000 filters with user-friendly filters, saving 350 gallons of paint annually and an associated reduction in volatile organic compounds emissions (VOCs) of 1,250 pounds.

In addition, the reformulated paper filter media for this product line, with the "no cure" plant process, further reduced VOCs by an additional 4,500 pounds. Finally, eliminating plastisol adhesive in approximately 1.1 million plastic and metal filters has reduced another 1,200 pounds of VOCs.



Safety

Our goal is to make Cummins a best-in-class company when it comes to safety.

Providing a Safe Working Environment

By many measures, Cummins does a good job of providing clean, safe and healthy workplaces for its employees. For example, the company-wide incidence rate in 2007 was 1.26 – better than the target of 2.0 and significantly better than our industry average. We had 30 sites go the entire year without a single reportable incident. Likewise, a severity rate of 0.58 was below the target of 1.0, while lost work days rate was just a bit above target.

These are positive signs that Cummins takes this issue seriously and is doing many of the right things. Still, we had too many major safety incidents in 2007 – including two deaths and a serious injury late in the year. Even a single major safety incident is one too many, and obviously a work-related death in our facilities is simply intolerable.

The majority of those incidents can be directly traced to a lack of standard

operating procedures in facilities or failure to enforce safety procedures, followed by workers being injured as a result of poor quality equipment.

The most severe injuries have occurred when workers were performing non-routine work on manufacturing equipment without first following the necessary Lock Out, Tag Out procedures. Additionally, analysis has shown that contract workers in our facilities are less informed and less trained on our safety practices, resulting in a greater risk of injury to those workers.

In addition to some specific actions aimed at improving safety in our China facilities, which suffered two fatalities late in 2007, Cummins will be implementing a number of actions and process changes across the Company. These changes are aimed at better educating our employees on key safety practices, identifying and implementing best



practices and uncovering gaps in our safety efforts – and then closing them as quickly as possible.

They include:

- Implementing standard Lock Out, Tag Out procedures worldwide
- Improving safety training for contract workers
- Improving materials handling practices
- Implementing a leadership safety and awareness and accountability program
- Implementing a driver safety program

In addition, we will strengthen our reporting and auditing processes around safety, provide clearer safety policies at our JV operations and recommit to our zero tolerance policy for safety violations.

As part of this effort, we also are tightening our safety targets companywide. The new targets will be: Incidence rate – 1.0 (vs. 2.0 in 2007); Severity case rate – 0.5 (vs. 1.0); Severity lost work days rate – 6.0 (vs. 8.0).

Our goal is to make Cummins a best-in-class company when it comes to safety.

Safety Management System

The Cummins Safety System is one way Cummins can ensure safety programs like those mentioned above become ingrained as a way of working, managing and operating at Cummins. Cummins Safety System is based on the Occupational Health and Safety Assessment Series (OHSAS) 18001 specification, an international occupational health and safety management system. 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 the Corporate



“The safety and well-being of our employees is a primary concern of Cummins, and we are renewing our efforts to enhance performance in this critical area.”

Karl Mindeman

and three site systems meeting the OHSAS 18001 specification was completed in 2007, with aggressive growth planned in 2008.

The following sites have been successfully registered to the OHSAS 18001 specification:

- Cummins Filtration, Viroqua
- Cummins Parts and Service, SLP, Mexico
- Cummins Generator Technologies, SLP, Mexico

Cummins Safety System (CSS Audits)

The CSS Audit is based on the 10 Cummins Operating System statements, and defines within its eight 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 Incidence Rate (IR) and SLWR targets are required to participate in the CSS Audit program.

CSS Audits are conducted in three phases:

Pre-Audit: A pre-audit is 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 to be eligible for the Company's internal Health and 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.

Safety and Environmental Awards

In order to recognize outstanding performance, the Health, 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's 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 non-governmental organizations' environmental stewardship programs.

Entities are recognized at four distinct levels; Chairman, Business Unit/HSE Council, Director and Best Practice. The HSE Council also honored several individuals, including facility HSE leaders and plant managers, for their personal commitment and efforts to improve safety and environmental performance.



Mark Dhennin (second from left) was honored in 2007 for his safety leadership in the Power Generation business. Over the last two years, Power Generation's overall safety incident rate, lost day's rate and severity case rate have improved by 20-40 percent.

Fridley's Safety Secrets

Fridley, Minnesota serves as headquarters for Cummins Power Generation and as a manufacturing center for Cummins generator sets and electronic controls. In 2007, the Fridley plant reached a new goal of more than 2 million work hours without a lost time injury.

An ever-evolving safety program at Fridley has resulted in a steady decline in safety incidents over the past six years. The secret stems from two simple, but effective practices.

First, "near-hit" reviews have become a standard practice. While every recordable injury is investigated, far more common is the "near-hit" review. A near-hit includes a condition or act that could have resulted in injury or property damage. Any employee may report a near-hit to the Safety department. The number of near-hit reviews has outnumbered recordable reviews by more than 6-to-1 over the past few months, resulting in a wide range of proactive fixes.

The second practice is the weekly safety orientation that details available plant safety resources, safety practices and a review of facility standards and expectations. A scan of recordable injury data revealed that more than one third of Fridley's recordable injuries involved new employees or those who had recently moved to a different department. Safety orientation now occurs every Monday and is attended by all new hires and contingent employees before they even step into their departments.

To recognize achievements in areas where Cummins has widened its environmental focus, we have now established awards for the following categories:

- Design for Environment
- Chairman's Awards for Energy Efficiency
- Chairman's Award for Green Building

The Jamestown, New York Engine Plant was awarded the Chairman's Award for Environment in 2006. JEP was selected for this award based on a three-year project to switch the eight colors of production paint used at the plant from solvent-based paint to water-borne paint. The project began as a Six Sigma effort, integrating a product quality enhancement with an environmental management system focus on reduction of emissions of volatile organic compounds. This product change resulted in:

- 56 percent reduction of VOCs emitted per engine
- 77 percent decrease in hazardous waste per engine, and
- Eliminated the use of toluene solvent, avoiding 42 tons of volatile emissions while saving the Company more than \$300,000 in 2006.

This is another fine project that underscores the concept that the work we do to decrease our environmental impact is also good for the bottom line.

Another Chairman's Awards winner for environment is the Columbus Engine Plant. The plant is currently undergoing substantial renovations to prepare for the installation of the Light-Duty Diesel Engine assembly operations. The CEP environmental management team took recycling to another level by diverting demolition wastes from the landfill.

Among the would-be wastes was demolished concrete, which was re-used as rip-rap in a Bartholomew County, Indiana erosion control project. A total of 15,588 tons of rubble in 870 tri-axle truck loads were re-used on the project. Office equipment and supplies, from projectors to staplers, were donated to the United Way and the "Little Red Schoolhouse Too" program, the latter serving as a resource for area teachers to obtain school supplies at no cost. In addition, lumber collected from demolition activities and shipping containers was either given to project contractors for re-use or donated to the City of Columbus, which chipped the material for re-use as landscaping mulch.

The environment award winners were:

Chairman

- Jamestown Engine Plant
- Columbus Engine Plant

Business Unit/HSE Council

- Cummins Turbo Technologies, Huddersfield
- Columbus MidRange Engine Plant
- Cummins Fuel Systems Plant, Columbus
- Cummins Power Generation, Stamford

Director

- Cummins Turbo Technologies Limited, India
- Emission Solutions, Mineral Point
- Cummins Power Generation, Fridley
- Daventry Engine Plant



Cummins has partnered with Cardiac Science to install automated external defibrillators and train responders at plants and other facilities.

Lifesaving Cardiac Care Equipment On Site

On January 16, 2007, Sy Rooney, a 39-year employee working at Cummins' Fridley, Minnesota facility, was assembling switchgear in the Systems Department.

"The last thing I remember," he said, "was feeling very weak and short of breath, so I sat down." Sy suddenly collapsed, a victim of cardiac arrest. More than 300,000 persons die each year from sudden cardiac arrest in the U.S. alone. Restoring circulation as fast as possible improves one's chances of survival.

Sy's co-workers immediately began cardiopulmonary resuscitation and called for the plant's emergency response team. First responders quickly arrived, followed by the plant's emergency medical technician, equipped with an automated external defibrillator (AED).

Cummins had partnered with Cardiac Science to install AEDs and train responders at all global manufacturing plants, research facilities, and any other sites with 100 employees or more. (By the end of 2008, all facilities with 10 employees or more will be so equipped.)

Sy's condition by now was critical—unconscious, no breathing and no pulse; his face blue in color. So the EMT immediately applied the AED electrodes; the instrument automatically analyzed Sy's condition and delivered a life-saving shock.

Five weeks after the incident, Sy was back at his normal job. "Now I take the world day by day ... I didn't even know we had AEDs, but they saved my life," he said. "How can you put a price on that?"



“Creating a great place to work is not only one of Cummins’ strategic business principles, it’s at the core of the Company’s future business success.”

Andrea Litz

Best Practice

- Columbus MidRange Engine Plant

Design For Environment

- Filtration Business Design Team: “User Friendly Filter Project”

Chairman’s Award for Green Building

- Cummins Generator Technologies, India

Chairman’s Award for Energy Efficiency

- Cummins Mexico Components Plant

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 Corporate Health and Safety 2007 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 2007 are:

No sites qualified for Chairman’s Award or HSE Council’s Award for safety in 2007.

Director

- Columbus MidRange Engine Plant
- Cummins Filtration, Neillsville
- Consolidated Diesel Co.
- Cummins Generator Technologies, Brazil
- Cummins Turbo Technologies, Brazil
- Cummins Turbo Technologies
- Jamestown Engine Plant
- Parts and Service Memphis Plant
- Cummins Power Generation, Fridley
- Tata Cummins Limited

Best Practice

- Cummins Filtration South Africa
- Cummins South Pacific
- Fuel Systems Plant Juarez
- Cummins Power Generation, Brazil
- Parts and Service San Luis Potosi



Cummins Pilots Ray Rising (left) and Chris Raskob review a preflight safety checklist.

Aviation Safety

Cummins Corporate Aviation Department has achieved the International Standard Business Aviation Operations (IS-BAO) registration, an accomplishment that means the Company met the rigorous safety standards of the global organization.

The IS-BAO registration was introduced by the International Business Aviation Council, an association of corporate aviation departments, to promote the highest safety standards in the industry. Dozens of corporations, from Coca-Cola to Cardinal Health, have met the standards.

Achieving the registration required Cummins to revise the flight operations manual, document procedures and incidents, and make some other changes to promote safety. For example, the door from the hangar to the lobby is now locked, preventing late passengers from running onto the runway to catch a flight, and passengers are asked to show their IDs before boarding.

Safety has always been a priority for Corporate Aviation. But to meet the IS-BAO standards the department underwent an audit that revealed areas for improvement.

Corporate Aviation has 14 pilots, flies four aircraft – including three eight-passenger planes and one 19-passenger shuttle – flies 18-24 flights per week and ferries 130-140 passengers each week.



Diversity

Treating Others with Dignity and Respect

“Every person must be treated with dignity and respect, and be provided fair pay and benefits for the work they do...”

“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

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



The words of two Cummins chairmen – spoken years apart – demonstrate that Cummins’ commitment to diversity has not wavered with the passage of time or a change in leadership. At Cummins — which does business around the world — the message is powerful:

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.
- 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 2006, Cummins spent \$298.8 million with small business and minority-owned suppliers. In 2007, Cummins spent \$453.8 million with small business and minority-owned suppliers.



“Being a successful company means that we have to embrace diverse cultures, and attract the most talented employees regardless of where they live.”

Deborah Jones

- 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.
- Cummins has received a perfect score on the Human Rights Campaign's Corporate Equality Index every year since 2005.
- Cummins has 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.
- Cummins India Foundation (CIF) and Cummins College of Engineering for Women (CCEW) recently launched a four-year Mechanical Engineering Division, which opened in August 2007 with 60 students in Pune, India. CCEW was established in 1991 as the result of a significant contribution from CIF. It was the first college of engineering for women in India and is the first to offer a mechanical engineering major to aspiring women engineers.

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



Cummins employees serve as volunteers as the annual Indiana Black Expo, which attracts more than 350,000 people and celebrates African-American heritage and culture.

Cummins Participation Grows at Indiana Black Expo

Black Expo began in 1971 in Indianapolis and has grown to become the largest African-American event in the United States. Today, more than 350,000 people attend the 11-day Black Expo Summer Festival, which includes business workshops, a focus on health and wellness, employment opportunities, exhibits, youth activities and entertainment.

Local and national celebrities, along with individuals, families and members of the corporate community, join in celebration of the African-American heritage and culture.

Cummins' involvement in the Black Expo Summer Festival has grown significantly over the last three years. Volunteers for the Cummins booth have increased from 34 to 54. In 2007, a Six Sigma workshop was added to the program. In addition, eight more groups from various Company organizations participated in Expo-related activities, bringing the total to 17, including employees from the Company's Tennessee and Minnesota operations. As a result of our involvement in the Black Expo employment fair, a total of nine new hires have joined Cummins.

Cummins also sponsored several IBE events, including the Employment Opportunity Fair, where a record 52 percent of resumes routed to hiring managers were requested for interviews.



Cummins Named Among Top 50 Companies for Diversity

In 2007, Cummins was named to the list of the Top 50 companies for diversity by *DiversityInc* magazine, a publication that educates businesses about the benefits of promoting diversity in the work place.

This marks the first time that Cummins has been named to *DiversityInc*'s Top 50 list, now in its seventh year. Cummins also earned the No. 1 spot on the magazine's top work places for Asian-Americans, the same position it held in 2005.

"It is an honor to be named to the Top 50 Companies for Diversity and be recognized for our efforts to make Cummins an inclusive work place," said Jill Cook, Vice President, Human Resources. "At Cummins, we believe that our workforce should reflect the communities where our employees live. We want a work environment where people can be creative and innovative because that is what makes us a stronger, more successful Company."

Cummins was ranked No. 38 by *DiversityInc* after responding to a detailed survey answering questions that included the commitment of the chief executive officer to diversity, human capital, corporate communications and supplier diversity. Any company that does not offer domestic partner benefits is automatically excluded from the list.



Creating a great place to work means having a diverse group of employees whose varied experiences, background and ethnicity can stimulate new ideas and innovation and bring different perspectives to the workplace.

"Cummins is much different from the average corporation; it is a true champion of diversity," said Luke Visconti, partner and co-founder of *DiversityInc*, a monthly business magazine and daily Website. "A total of 317 companies competed for a spot, a 100 percent increase in corporate participation in the Top 50 competition over the last three years."

Cummins has a history of commitment to diversity. The Company was named to *Fortune* magazine's list of 50 best places for minorities in 2000 and has been listed on *CRO* magazine's "Best Corporate Citizen" list nine years in a row.





“At Cummins, we strive to foster an environment where employees are encouraged to challenge traditional thinking and ways of doing business in the search for better answers.”

Aisha Goens

Having a diverse workforce enables a company to solve complex problems, innovate and otherwise adapt more quickly in a competitive environment.

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.



The MLK Memorial Ground breaking Ceremonies occurred on Nov. 13, 2006. Among those in attendance were Presidents Bush and Clinton and Dr. King's children Yolanda, Martin III and Bernice.

Cummins Contributes to King Memorial

Cummins has pledged \$1 million to help create the Martin Luther King Jr. Memorial in Washington D.C. as a way to honor both Dr. King and the legacy of former Cummins Chairman J. Irwin Miller.

The monument, on the National Mall, is being created by the National Memorial Project Foundation to commemorate the life and work of Dr. King, and to honor his contributions to world peace through nonviolent social change.

Cummins' contribution to the project will be in the name of J. Irwin Miller, who worked closely with Dr. King during the height of the U.S. civil rights movement and who was tireless in his support for equality.

"Dr. King and Mr. Miller shared many of the same values — equality, fairness, racial harmony and compassion among them — and this monument provides Cummins the opportunity to honor the memories and legacies of two great men," said Tracy Souza, Executive Director, Corporate Social Responsibility.

The four-acre site of the Memorial is on the northeast corner of the Tidal Basin in Washington D.C., north of the Franklin D. Roosevelt Memorial and on a direct line between the Lincoln and Jefferson memorials. The location was chosen to create a visual 'line of leadership' from the Lincoln Memorial, where Dr. King gave his famous "I Have a Dream" speech, to the Jefferson Memorial.



Corporate Responsibility

Cummins' focus on corporate responsibility supports our business and philosophical commitment to serving and improving the communities in which we live and work.

Making a Difference

Now more than ever, corporations – with their significant resources and expertise – have the ability to create social impact on a substantial scale.

This opportunity to “do the right thing” is more than an exercise in philanthropy. The positive change that results from a well-defined and strategic approach to corporate responsibility makes good business sense. The actions a company takes to “make a difference” can benefit shareholders, communities, customers, employees, business partners and other company stakeholders, as well.

Nearly 40 years ago, J. Irwin Miller, former Chairman and CEO of Cummins, captured the value of a thoughtful approach to corporate responsibility in remarks delivered

to the National Industrial Conference Board Public Affairs Conference in New York City.

“Business has a very large stake in the quality of the society within which it operates,” he said. “We flourish only as we are rooted in a society which is healthy, orderly, just, and which grants freedom and scope to individuals and their lawful enterprises.”

Mr. Miller’s words ring true today. Cummins’ focus on corporate responsibility also supports our business and philosophical commitment to integrity, diversity, global involvement and serving and improving the communities in which we live and work. These values are especially critical at this time in the Company’s history when we are looking at significant growth both globally and in the U.S.



Because Cummins believes it is only as healthy as the communities in which it operates, the Company and its employees are actively engaged in improving people's lives in the areas where they live and work.

A good example of this philosophy in action was the decision to use the Columbus (Indiana) Engine Plant (CEP) as the production facility for its new family of light-duty, clean-diesel engines. In deciding to refurbish this under-used facility, Cummins did more than just select a manufacturing location. Cummins chose Columbus in large part because of a strong package of educational programs offered by the state to ensure a robust and skilled workforce in southeastern and central Indiana.

For example, the Indiana Department of Workforce Development – in alignment with Ivy Tech Community College – offered up to \$1.5 million to support advanced manufacturing training. The

Department of Workforce Development committed \$2 million to grow awareness and interest in advanced manufacturing careers. That total included funds to cover the start-up costs for the "Dream It. Do It." careers campaign created by the Manufacturing Institute of the National Association of Manufacturers. The goal of this program is to educate young adults and their parents on the career opportunities available in advanced manufacturing.

The Company also encourages employees to get heavily involved in the communities where they live and work. Volunteer efforts among its employees are a supplement to Cummins' corporate giving program, which makes funds available to worthwhile community causes – with an emphasis on education, employment, health issues and the environment.

As a result of the Company's commitment to living its vision and mission, Cummins has been named

“While some still argue that business has no social responsibility, we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is on responsible technological, financial and production performance.”

Cummins 1972 Annual Report

From raking leaves to reading to children, from painting to stocking food pantries, Cummins employees have participated in a wide range of projects through the annual EEEEC program.

among the top 100 corporate citizens by CRO magazine, formerly known as *Business Ethics* magazine. Cummins is one of a few companies to be named to the “top 100” list every year for the last nine years. The 2008 rankings are limited to the Russell 1000 – companies that represent the largest impact on business-to-business and consumer markets.

Companies were ranked on eight categories: climate change, employee relations, environment, financial, governance, human rights, lobbying and philanthropy. CRO determined the final ranking as a weighted average of these eight categories.

Every Employee, Every Community

Throughout its 89-year history, Cummins has made corporate 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 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.

One of our newer initiatives, Every Employee, Every Community (EEEEC), 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.



Each year, Cummins Mechelen (Belgium) holds a breakfast in support of a Rwandan orphanage to help purchase uniforms, pencils and other school equipment for the children, ages 6 to 14. Some 600 orphans attend the school, and their education costs about \$30 Euros (US \$41) per year per student.

From raking leaves to reading to children, from painting to stocking food pantries, Cummins employees have participated in a wide range of projects through the annual EEEEC program.

More than 9,000 employees contributed more than 38,000 hours of community service through the EEEEC program in 2007 – a 60 percent increase in both participation and hours over 2006.

At Cummins, corporate 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:

- Employees from Cummins Business Services (CBS) Mexico volunteered their time and hands to paint and plumb the Family Development Centre located at the Colonia Satellite, a community of San Luis Potosi, Mexico. The Centre's mission is focused on productive education through training and



“Six Sigma is an indispensable improvement methodology and toolset at Cummins that has permanently changed the culture.”

Sameer Samudra

development of skills among people who live in Colonia Satellite and surrounding areas.

More than 190 students are benefiting from elementary and high school classes at this Centre. English, computing, cooking, artistic chocolates and handcrafts are just a few of the many courses students can take.

- The Mechelen (Belgium) Community Involvement Team, made up of Parts and Service and Filtration, worked with the Belgian organization Les Enfants du Père Martin to collect \$2,500 in support of an orphanage in Rwanda where children ages 6 to 14 attend primary school classes. The support goes toward the purchase of uniforms that are made locally, as well as school books, pencils and other school equipment. Some 600 orphans attend the school.
- During 2006 and 2007, the Darlington Engine Plant (DEP) supported Action for Blind People (AFBP), a national charity. Employees' efforts included both fund raising, as well as direct employee engagement. DEP volunteers have been instrumental in helping AFPB develop an Actionaires Club that gives visually impaired children – between the ages of 4 and 16 – the opportunity to participate in different sports and leisure activities.
- In late July 2007, torrential rains, lightning strikes and mudflows battered cities in central and southern China, resulting in the worst flooding in more than 100 years. More than 1 million people were left homeless. The rains left the Chongqing Cummins (CCEC) plant and the homes of many local employees water-soaked and covered with mud.

In response to the needs, the local Corporate Social Responsibility (CSR) committee worked tirelessly to provide short-term housing, food and support. Additionally, the national CSR team initiated the “One Family” flood relief fundraising campaign for reconstruction of local employee homes and shared community infrastructure.

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 \$2.9 million in corporate donations to charitable causes in 2006 and \$3.4 million in 2007.

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



Cummins Business Services Mexico helped with painting and plumbing the Family Development Centre in San Luis Potosi, Mexico. More than 190 students benefit from classes at the Centre.

leveraging people, money, products and services to make a difference. The Foundation awarded grants totaling \$5.4 million in 2007.

The Cummins Foundation sets aside an innovation grant fund which is available to Cummins Community Involvements teams that conduct a community needs assessment, identify a need that is not being adequately addressed and propose a creative way to address that need. Teams may apply for grants of up to \$25,000. In 2007, 10 communities were awarded community innovation grants. A few example of innovation grants include:

- In Minneapolis, Minnesota, Cummins teamed up with the Amherst Wilder Foundation on an Elderly Falls Prevention Project. This study identified leading causes for falls among seniors and developed a tool kit to address the most serious issues. This toolkit can be shared in all the Cummins communities, with the goal of helping keep seniors leading independent lives as long as possible.
- Cummins employees in Melbourne, Australia teamed up with Concern Australia on the Hand Brake Turn Program, which provides disadvantaged 15 to 19-year-olds with educational mentoring and job training opportunities. This program is specifically designed to provide participants with a certificate in engine mechanics.
- Charleston, South Carolina employees identified hunger among children attending schools near our manufacturing facilities as a community concern. They teamed up with the Low Country Food Bank as a partner as well as the Back Pack Buddy Program, which confidentially provides nutritious snacks for elementary and middle school children to take home over the weekend.

The Cummins Foundation Report

Cummins Foundation Directors and Committees

Foundation Management

Directors of the Foundation

Tim Solso, Chairman
Tracy Souza, President
Jean Blackwell, Secretary/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 Hanafée
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

The Cummins Foundation Inc.

Statements of Financial Position

Assets	December 31, 2007	December 31, 2006
Cash and cash equivalents	\$4,580,212	\$ 2,708,329
Contributions Receivable	-	-
Program-related investments	12,167,632	10,990,444
Other assets	500	9,915
	<u>\$16,748,344</u>	<u>\$13,708,688</u>
Liabilities and Net Assets		
Liabilities		
Grants payable	\$5,113,215	\$1,028,441
Total Liabilities	<u>5,113,215</u>	<u>1,028,441</u>
Unrestricted net assets:		
Undesignated	5,059,737	2,433,104
Board-designated grant fund	50,000	192,643
Board-designated Columbus committee fund	248,992	54,500
Board-designated architecture fund	1,276,400	5,000,000
Board-designated reserve fund	5,000,000	5,000,000
	<u>11,635,129</u>	<u>12,680,247</u>
	<u>16,748,344</u>	<u>13,708,688</u>

The Cummins Foundation – 2007 Grants

Grantee	Community	Purpose	Amount
ABC – Stewart School	Columbus, IN	Scholarship Support	\$15,000.00
Adult Day Care Corporation	Columbus, IN	General Support	\$2,000.00
Court Appointed Advocates for Children	Columbus, IN	Program Expansion Support	\$22,500.00
American Indian College Fund	Denver, CO	General Support	\$2,500.00
American Red Cross	Clovis, NM	Tornado Relief Effort	\$10,000.00
American Red Cross International Response Fund	Peru, South America	Earthquake Relief	\$10,000.00
American Wind Symphony Orchestra	Mars, PA	General Support	\$25,000.00
Amherst H. Wilder Foundation	Fridley, MN	Elderly Falls Prevention	\$25,000.00
Ashoka Innovators for the Public	Arlington, VA	Youth Ventures	\$39,800.00
Asociacion Filantropica Cummins, A.C.	San Luis Potosi, Mexico	Tabasco Flood Relief	\$10,000.00
ATLCF Collections Inc.	Atlanta, GA	MLK Papers	\$250,000.00
Autism Speaks	New York	Kickoff for a Cure	\$25,000.00
Bartholomew Area Legal Aid, Inc.	Columbus, IN	General Support	\$5,000.00
Bartholomew Consolidated School Foundation	Columbus, IN	Diversity Initiatives	\$5,500.00
Bartholomew Consolidated School Foundation	Columbus, IN	Transportation Safety Training Facility	\$50,000.00
Bloomer Fire Department	Stoughton, WI	Fire Safety Prevention	\$1,500.00
CAF Australia	Australia	Hand Brake Turn Program	\$25,000.00
CAF Australia	Australia	Shop 16 Project	\$33,000.00
Clovis-Carver Public Library	Clovis, NM	Summer Reading Program	\$1,000.00
Clovis-Carver Public Library	Clovis, NM	General Support	\$5,500.00
CASA of Chautauqua County	Jamestown, NY	General Support	\$8,000.00
CASA/GAL of Hancock County	Findlay, OH	Volunteer Training	\$2,500.00
Cedar Grove Elementary School	Nashville, TN	Playground Accessibility	\$2,500.00
Central Indiana Community Foundation	Indianapolis, IN	Cultural Trail	\$100,000.00
Central Indiana Corporate Partnership	Indianapolis, IN	Conexus Indiana	\$100,000.00
Charleston Orphan House, Inc.	Charleston, SC	Youth Leadership Program	\$6,100.00
Children's Museum of Indianapolis	Indianapolis, IN	Power of Children: Making a Difference Exhibit	\$50,000.00
City of Columbus	Columbus, IN	Urban Design Plan	\$17,740.06
City of Columbus	Columbus, IN	Parking Garage Design	\$500,186.17
City of Stoughton	Stoughton, WI	Youth Programs	\$2,500.00
Columbus Area Arts Council	Columbus, IN	UnCommon Cause Gala	\$5,000.00
Columbus Area Arts Council	Columbus, IN	CNHS Presentation	\$500.00
Columbus Area Arts Council	Columbus, IN	Columbus Indian Film Lover's Association	\$4,000.00
Columbus Area Arts Council	Columbus, IN	General Support	\$20,000.00
Columbus Area Chamber of Commerce Foundation	Columbus, IN	Connected Community Partnership	\$10,000.00
Columbus Area Chamber of Commerce Foundation	Columbus, IN	Speaker Fee	\$2,000.00
Columbus Indiana Architectural Archives	Columbus, IN	Symposium	\$5,000.00
Columbus Indiana Architectural Archives	Columbus, IN	Staff Support	\$100,000.00
Columbus Symphony Orchestra	Columbus, IN	Family Concert	\$1,500.00
Cummins India Foundation	Pune, India	Mechanical Engineering Program at Cummins College of Engineering for Women	\$1,000,000.00
Decatur County United Fund, Inc.	Indiana	General Support	\$6,938.00
DePauw University	Greencastle, IN	Student Honors Ethics Symposium	\$50,000.00
Duke University	Durham, NC	US-Southern Africa Center for Leadership and Public Values-Emerging Leaders Program	\$40,000.00

Grantee	Community	Purpose	Amount
Ecumenical Assembly of Bartholomew County Churches	Columbus, IN	Emergency Assistance Fund	\$20,000.00
Edgecombe County Public Schools	Rocky Mount, NC	Playground Renovation for Phillips Middle School	\$25,000.00
Fathers and Families Center	Indianapolis, IN	General Support	\$5,000.00
Findlay Area Chamber of Commerce Foundation	Findlay, OH	Park Enhancement	\$5,000.00
Findlay Hope House for the Homeless Inc.	Findlay, OH	Revolving Loan Fund	\$25,000.00
Food Allergy & Anaphylaxis Network (FAAN)	Indianapolis, IN	General Support	\$2,500.00
Franklin Boys & Girls Club	Franklin, IN	General Support	\$25,000.00
Franklin College	Franklin, IN	Cummins Lectures on Ethical Leadership	\$25,000.00
Gleaners Food Bank	Indianapolis, IN	General Support	\$5,000.00
The Greater Indianapolis Progress Committee	Indianapolis, IN	Mindtrust	\$150,000.00
Greater Twin Cities United Way	Fridley, MN	General Support	\$164,918.00
Hartley House	Clovis, NM	Refurbish Safe House	\$25,000.00
Heritage Fund of Bartholomew County	Columbus, IN	EOS Maintenance Fund	\$2,000.00
Heritage of Hope, Inc.	Hope, IN	General Support	\$10,000.00
Hospice of South Central Indiana, Inc.	Columbus, IN	Facility Improvement	\$41,507.50
Human Services, Inc.	Columbus, IN	Horizon House Homeless Shelter	\$5,000.00
Indiana Achievement Awards	Indianapolis, IN	Program Sponsor	\$1,000.00
Indiana Commission on the Social Status of Black Males	Indianapolis, IN	National Conference	\$1,000.00
Indiana Grantmakers Alliance	Indianapolis, IN	Fall Conference	\$3,000.00
Indianapolis Opera	Indianapolis, IN	Education Sponsorship	\$10,000.00
Indianapolis Symphony Orchestra	Indianapolis, IN	Support for Educational Programs	\$3,000.00
Jackson County United Fund	Indiana	General Support	\$46,737.00
Jefferson County United Way	Indiana	General Support	\$2,848.00
Jennings County Senior Resource Center	Indiana	Food Bank	\$3,100.00
Jennings County United Way	Indiana	General Support	\$16,794.00
Kids Voice of Indiana	Indianapolis, IN	Parent Child Visitation Program	\$5,000.00
Kuaba Humanitarian Foundation	Indianapolis, IN	Shipment of Donations to Zimbabwe	\$10,000.00
Lake Mills Ambulance Service	Lake Mills, IA	AED Support	\$5,000.00
Lake Mills Community School	Lake Mills, IA	Literacy	\$25,000.00
Lakeside Baptist Church	Rocky Mount, NC	Meals on Wheels	\$5,000.00
Legal Momentum	Columbus, IN	General Support	\$1,500.00
LeMoyne-Owen College	Memphis, TN	General Support	\$200,000.00
LeMoyne-Owen College Community Development Corporation	Memphis, TN	Teen Mothers Program	\$5,150.00
LeMoyne-Owen College Community Development Corporation	Memphis, TN	General Support	\$5,000.00
Lowcountry Food Bank	Charleston, SC	Back Pack Buddy Program	\$25,000.00
McFarland School District	Stoughton, WI	Project Lead the Way Program	\$5,000.00
Metro United Way of Clark County	Indiana	General Support	\$1,657.00
Metro United Way of Floyd County	Indiana	General Support	\$288.00
The Minneapolis Foundation	Fridley, MN	I35W Bridge Collapse	\$2,678.00
Minnesota Indian Women's Resource Center	Fridley, MN	Native American Parenting Traditions Revisited Program	\$104,855.00
The Oasis - Children's Advocate Center	Clovis, NM	General Support	\$3,500.00

Grantee	Community	Purpose	Amount
Parental Stress Center	Stoughton, WI	General Support	\$25,000.00
Rocky Mount Area United Way	Rocky Mount, NC	General Support	\$154,915.00
Rocky Mount Children's Museum	Rocky Mount, NC	Planetarium	\$100,000.00
School on Wheels Corp.	Indianapolis, IN	Parents as Partners Program	\$25,000.00
Senior Services of Northern Kentucky	Covington, KY	General Support	\$25,000.00
Shelby County United Fund, Inc.	Indiana	General Support	\$3,396.00
St. Vincent Jennings Hospital Foundation	North Vernon, IN	Golf Tournament	\$10,000.00
Stoughton Area Resource Team	Stoughton, WI	General Support	\$2,500.00
Su Casa Columbus Inc.	Columbus, IN	Spanish Newspaper	\$1,800.00
Su Casa Columbus Inc.	Columbus, IN	General Support	\$5,000.00
Tarboro Community Outreach Inc.	Rocky Mount, NC	Homeless Shelter	\$5,000.00
Trident United Way	Charleston, SC	General Support	\$57,073.00
United Communities Ministries	Rocky Mount, NC	Homeless Shelter	\$5,000.00
United Fund of Dearborn County	Indiana	General Support	\$72.00
United Negro College Fund	Indianapolis, IN	Annual Campaign	\$25,000.00
United Way of Bartholomew County	Columbus, IN	General Support	\$670,618.00
United Way of Bartholomew County	Columbus, IN	Youth Fest	\$5,000.00
United Way of Bartholomew County	Columbus, IN	Capacity Building Project	\$10,000.00
United Way of Bartholomew County	Columbus, IN	Childhood Connections	\$50,000.00
United Way of Bloomington & Monroe County, Inc.	Indiana	General Support	\$4,383.00
United Way of Central Indiana	Indianapolis, IN	General Support	\$53,261.00
United Way of Dane County, Inc.	Stoughton, WI	General Support	\$38,501.00
United Way of Eastern New Mexico, Inc.	Clovis, NM	General Support	\$8,136.00
United Way of El Paso County	El Paso, TX	General Support	\$2,536.00
United Way of Fayette County	Indiana	General Support	\$48.00
United Way of Greater Cincinnati Northern Kentucky	Florence, KY	General Support	\$10,432.00
United Way of Hancock County	Findlay, OH	General Support	\$8,987.00
United Way of Johnson County	Indiana	General Support	\$55,550.00
United Way of Metropolitan Nashville	Nashville, TN	General Support	\$75,716.00
United Way of North Central Iowa	Lake Mills, IA	General Support	\$23,241.00
United Way of Putnam County	Cookeville, TN	General Support	\$23,506.00
United Way of Scott County	Indiana	General Support	\$2,834.00
United Way of South Central Indiana	Indiana	General Support	\$576.00
United Way of Southern Chautauqua County	Jamestown, NY	General Support	\$111,982.00
United Way of the Central Savannah River Area, Inc.	Waynesboro, GA	General Support	\$16,040.00
United Way of the Mid-South	Memphis, TN	General Support	\$33,375.00
Vance Avenue Youth Development Center	Memphis, TN	General Support	\$5,000.00
West Ohio Food Bank	Findlay, OH	General Support	\$5,000.00
WFYI TelePlex	Indianapolis, IN	Communities Building Community Series	\$5,000.00
Women On Maintaining Education & Nutrition	Nashville, TN	HIV/AIDS Awareness	\$2,500.00
World Vision USA	Sichuan Province, China	Construction of Beimiao Primary School	\$43,200.00
Y-Med, Inc.	Columbus, IN	Consultant	\$35,000.00
Youth for Christ USA	Lake Mills, IA	After School Program	\$5,000.00
Youth Leadership Bartholomew County	Columbus, IN	Student Leadership Seminar	\$300.00
YWCA	Jamestown, NY	General Support	\$2,000.00
Total Grants			\$5,378,274.73

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