



The power of **ENGAGEMENT**

SUSTAINABILITY REPORT 2011-2012



Zhao Yan (left), of Cummins Turbo Technologies, teaches a vocational education class in Wuxi, China. Read how Cummins is engaging in these kinds of programs around the world on page 54.

ABOUT THIS REPORT

The information in this report is presented in the spirit of the Global Reporting Initiative (GRI). The goal 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 businesses.

The GRI was created in 1997 by the Coalition for Environmentally Responsible Economies. The coalition today works in collaboration with the United Nations Environment Program and the U.N. Secretary General's Global Compact.

Cummins takes a broad view of sustainability, going beyond environmental practices and community involvement to include such issues as safety, diversity, leadership and governance. We also believe that a company can't be sustainable without a firm financial foundation that enables investment in everything from product development to building stronger communities.

As a global company, Cummins wants to make a difference for all of its stakeholders today and in the future. This report was published in June 2012 and is the Company's ninth annual edition.

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ABOUT THE COVER

This year's cover shows vocational education students in Wuxi, China gathered around Zhao Yan, Technical Project Leader for Cummins Turbo Technologies, for a lesson on turbochargers. It's just one of many examples of how Cummins is engaging in technical training programs around the world to help provide people with portable job skills that will ultimately lead to stronger communities. Cummins is launching a major new effort in this area. To learn more, go to page 54.

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Letter from the chairman

Welcome to the 2011-2012 Sustainability Report. I'm pleased to report that 2011 was another outstanding year for Cummins both in terms of our financial performance as well as our commitment to a cleaner, healthier and safer environment.

At Cummins, we believe that sustainability starts with a strong financial performance. Our Company had record revenue and profits in 2011. Revenue for the full year was \$18 billion, up 36 percent from 2010, and Earnings Before Interest and Taxes (EBIT) increased by 54 percent compared to a year ago. Our balance sheet is strong, as our cash balances finished the year at \$1.5 billion, more than twice our outstanding debt.

The strong financial performance in 2011, as well as in prior years, has enabled our Company to make the necessary investments to develop and maintain technology leadership in our industry, to further expand our global reach with manufacturing, engineering, and customer service, and to increase our capacity to meet growing demand. All of these investments are vital to sustain our future profitable growth.

At Cummins, we also recognize that our long term sustainability depends on the success of a number of other key stakeholder groups. In fact, the stakeholder model was championed by our former Chairman and Chief Executive Officer, J. Irwin Miller, who believed strongly that it is in Cummins' self-interest to ensure that all stakeholders share in our Company's success.

Not only is there a direct tie between our future growth and the success of our stakeholders, but it is in our self-interest as a company to invest in our stakeholders' success. For example, we believe that our Company is only as strong as the communities where our employees live and work. Stronger communities mean that we can attract and retain the best talent and ultimately lead to more robust markets for our products and services.

The theme of this year's report, *The Power of Engagement*, fits well with Mr. Miller's ideals that we partner with our stakeholders to achieve success and promote our mission that "everything we do leads to a cleaner, healthier, safer environment." As you read this report, I think you will see many examples where Cummins employees are engaging with the community to make things happen. They are working closely with key community partners, leveraging the skills and capabilities of Cummins, and investing in community projects that make a difference.

On a personal note, it is an honor and privilege to assume the leadership of a company with a long history of achievement and great values. Much like my predecessor Tim Solso, I feel a tremendous responsibility to be a good steward of Cummins and its stakeholders. I am committed to building an even stronger and more sustainable company during my time as leader.



Tom Linebarger
Chairman and Chief Executive Officer
Cummins Inc.

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Cummins around the world

Cummins enjoyed a busy 2011–2012 with several major developments around the world. Here are just a few:

INTRODUCTION

INTRODUCTION

UNITED STATES

Seymour, Ind. – Cummins unveiled its most powerful engine ever, the QSK95, at the Company's plant in Seymour Ind., in November 2011. The engine, the first of the "Hedgehog" family, will be marketed for use in boats, light rail, mining equipment and more.

UNITED STATES

Columbus, Ind. – Cummins announced plans to produce dual fuel engines from 800 hp to 3,500 hp for high-horsepower markets. The first in the product portfolio, the QSK50 Tier 2 for oil and gas well servicing applications, will begin production in mid-2013, with other QSK Series engines to follow. The engines will run on diesel fuel until the operator selects the option to run on a blend of diesel and natural gas.

BRAZIL

Cummins Brazil announced in March 2012 the acquisition of land outside São Paulo for a master site. The site will initially host Cummins Power Generation and Cummins Parts Distribution and will be home to approximately 250 employees.

AFRICA

Cummins Africa launched a major AIDS information and communications campaign in 2011-2012, including videos from CEO Tom Linebarger and Cummins Africa leader Brady Southwick urging AIDS testing.

UNITED KINGDOM

Cummins Turbo Technologies celebrated its 60th anniversary. Established in Huddersfield, U.K. on March 29, 1952 as Holset Engineering Co. Ltd., the company has been owned by Cummins since 1973.

FRANCE

Cummins unveiled the new QSF2.8 engine for construction equipment during the INTERMAT show at the Paris Exhibition Center. The 4-cylinder, 2.8-liter engine is the smallest off-highway engine to be introduced by Cummins.

TURKEY

Cummins employees began moving into a new production facility in Izmir, Turkey in 2012. Cummins Filtration and Cummins Generator Technologies will be located there.

CHINA

Cummins Board of Directors visited China in November 2011, touring Cummins facilities and meeting with company leaders and customers.

SOUTH KOREA

Cummins Filtration celebrated the grand opening of its plant in Suwon, South Korea in 2012.

INDIA

Cummins India celebrated its 50th anniversary in business in India with a variety of activities in 2012. The Company has more than 11,000 employees working across some 200 locations.

● This map includes Cummins plants, offices and distributors.



UNITED STATES

FRANCE

AFRICA

TURKEY

SOUTH KOREA

CHINA

Who we are

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems.

WORLD HEADQUARTERS

500 Jackson Street
Columbus, Ind., 47201

STOCK SYMBOL (traded on NYSE)

CMI

FOUNDED IN 1919

WEB SITE
www.cummins.com

SALES / EARNINGS

In 2011, Cummins earned **\$1.85 billion**
on revenues of **\$18 billion.**

FORTUNE 500 RANKING (2012)

150

EMPLOYEES

Worldwide, approximately
44,000 people.
More than 60 percent of the
Company's employees are
located outside the U.S.

CUSTOMERS

The Company's customers are located in approximately
190 countries and territories that
Cummins reaches through a network of more than
600 company-owned and independent distributor
locations and approximately **6,000** dealer locations.

How we do it

Cummins is organized into four business units:

CUMMINS ENGINE BUSINESS

The Engine Business manufactures and markets a complete line of diesel and natural gas-powered engines for on-highway and off-highway use. Markets include heavy- and medium-duty trucks, buses, light-duty trucks and industrial uses such as agricultural, construction, mining, marine, oil and gas and military equipment.



CUMMINS POWER GENERATION BUSINESS

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



COMPONENTS BUSINESS

Cummins Emission Solutions designs and manufactures exhaust aftertreatment technology and solutions for the medium- and heavy-duty, and high-horsepower engine markets.

Cummins Filtration designs and builds heavy-duty air, fuel, hydraulic and lube filtration, chemicals and exhaust system technology products.

Cummins Fuel Systems designs and manufactures new fuel systems and rebuilds Electronic Control Modules.

Cummins Turbo Technologies designs and builds turbochargers to boost engine power and related products.



CUMMINS DISTRIBUTION BUSINESS

Seventeen Company-owned distributors and 10 joint ventures work through 233 locations worldwide – selling and distributing Cummins-branded products and services.



Our history

The values of integrity, innovation and corporate responsibility have deep roots at Cummins, going back to the Company's founding in 1919. Three men helped shape the Company in each of these areas. Their influence is still felt today.

INNOVATION

Clessie Cummins (1888-1968) was a driver and mechanic for a Columbus, Ind. businessman. Cummins had a fascination for diesel engines.

Born on a farm in Indiana, Cummins was intrigued by all things mechanical growing up, tinkering with gadgets at an early age and building a miniature steam engine at 11. His family eventually moved to Columbus, Ind. where they operated a business making barrels and casks.

He would drop out of school and work for several Indiana machinists and automakers before taking the chauffeuring job. Cummins opened a repair shop in 1913 in addition to his driving duties. That business would become a machine shop, performing work for the military during World War I, and then the Cummins Engine Company in 1919, shortly after the war ended.

A prolific inventor and entrepreneur, Cummins promoted diesel technology in barnstorming trips across the United States. He would continue inventing throughout his tenure at the Company and even after he left Columbus in 1945 and moved to California.

INTEGRITY

W.G. Irwin (1866-1943) was the businessman who hired Clessie Cummins as his driver and mechanic. The son of a banker, he pursued profits with a sense of community mission.

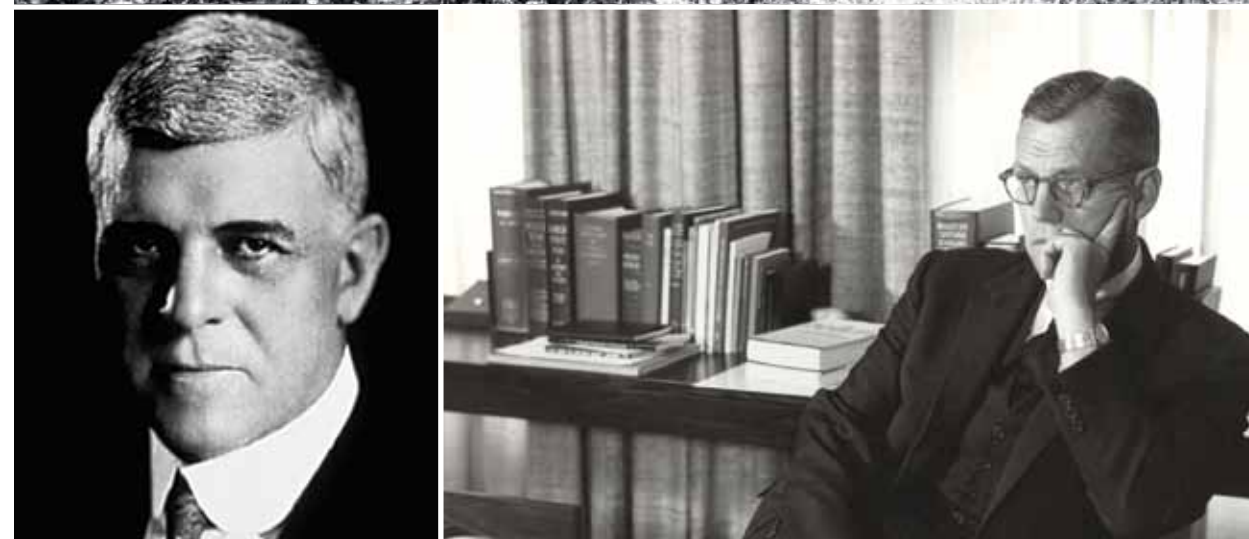
While he was initially cool to Cummins' promotion of diesel technology, he agreed to let Cummins use a vacant forge building as an auto repair shop and even supplied him with some tools.

Later, Irwin decided to build a garage near the family's home, including room for Cummins to experiment with the engines he was so passionate about.

Eventually, Irwin agreed to back the creation of the Cummins Engine Company. He was the source of nearly all of the Company's \$50,000 starting capital.

The business got off to a rocky start, however, and both men talked of shutting it down. Irwin's family, however, persuaded him to keep the business going to provide jobs for the young men of Columbus.

Nineteen years after the Company was founded, the Cummins Engine Company turned its first profit.



CORPORATE RESPONSIBILITY

J. Irwin Miller (1909-2004) was the grand-nephew of W.G. Irwin. Educated at Yale and Oxford, he joined the Company in 1934, was elected president in 1947 and became chairman and CEO in 1951.

Under his watch, Cummins entered India and China long before most other American companies. He helped organize Dr. Martin Luther King Jr.'s 1963 March on Washington while leading the National Council of Churches.

Miller believed passionately that a company was only as strong as the communities where it did business and where its employees lived and worked.

"If previous generations hadn't done a lot of personal work and spent money which their generation was never going to profit from, this wouldn't be a good community and our other plant communities wouldn't be good communities," he once said when asked why the Company invested in philanthropy.

"We have an obligation not to use up that asset but to do as well in our time as every previous generation has in its time," he added.

TOP Driver, mechanic and Cummins founder Clessie Cummins was fascinated with diesel engines.

LEFT W.G. Irwin hired Clessie Cummins as his driver and ended up financing his dream of starting an engine company.

RIGHT J. Irwin Miller believed Cummins had an obligation to all of its stakeholders - employees, communities, shareholders, government officials and more.

Vision, mission, values and principles

VISION

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

MISSION

We unleash the Power of Cummins by:

- » Motivating people to act like owners, working together.
- » Exceeding customer expectations by always being the first to market with the best products.
- » Partnering with our customers to make sure they succeed.
- » Demanding that everything we do leads to a cleaner, healthier, safer environment.
- » Creating wealth for all stakeholders.

VALUES

INTEGRITY

Strive to do what is right and what we say we will do.

INNOVATION

Apply the creative ingenuity necessary to make us better, faster, first.

DELIVER SUPERIOR RESULTS

Exceed expectations consistently.

CORPORATE RESPONSIBILITY

Serve and improve the communities in which we live.

DIVERSITY

Embrace the diverse perspectives of all people and honor both with dignity and respect.

GLOBAL INVOLVEMENT

Seek a world view and act without boundaries.

STRATEGIC PRINCIPLES

Leverage Complementary Businesses

Cummins is a family of complementary businesses that create value for our customers by leveraging relationships and applying innovative technology across business boundaries.

Increase Shareholder Value

Cummins’ financial success is measured by growth in shareholder value. We will focus on ROE / ROANA and Earnings Growth (not Revenue Growth) as the principal drivers of shareholder value.

Seek Profitable Growth

Cummins will seek profitable growth by leveraging our assets and capabilities to grow in market segments with favorable industry dynamics and where Cummins can establish an advantage.

Relentlessly Pursue Cost Leadership

Cummins will pursue an operational strategy of cost leadership.

Lead in Critical Technologies

Cummins will be the market leader in technologies most critical to our customers’ success and our Company’s performance.

Create the Right Work Environment

Cummins will assure that the physical and cultural work environment is conducive to excellent performance and continuous improvement.

PERSONALITY

Decisive. Driven to win.
Agile. Passionate. Caring.

SIX SIGMA IS A DIFFERENCE
MAKER AT CUMMINS

Six Sigma has played a key role in Cummins’ success since it was initiated in 2000 at a time when the Company was facing some significant financial problems.

The business-improvement tool created a common language for Cummins employees to solve problems and develop new products and processes.

Six Sigma uses data-based analysis to identify defects and variation in a wide range of manufacturing and business situations.

Here’s a quick look at what Six Sigma has meant to Cummins:

- » As of the end of 2011, approximately 12,500 people had been trained in how to use Six Sigma tools at Cummins since the process was initiated in 2000.
- » Almost \$3.9 billion in savings have been identified at Cummins since the program was initiated.
- » An estimated \$812 million was saved by Cummins’ customers since 2005.

The Company also uses Six Sigma in its community involvement work, helping its community partners improve their efficiency and address major problems. In 2011, 48 Community Impact Six Sigma Projects were completed, up from 34 in 2010 and 11 in 2009.

CUMMINS OPERATING SYSTEM

The Cummins Operating System helps develop common practices and approaches to improve customer satisfaction.

- 1 Put the customer first and provide real value.
- 2 Synchronize flows (material, physical and information).
- 3 Design quality in every step of the process.
- 4 Involve people and promote team work.
- 5 Ensure equipment and tools are available and capable.
- 6 Create functional excellence.
- 7 Establish the right environment.
- 8 Treat preferred suppliers as partners.
- 9 Follow common problem-solving techniques.
- 10 Use Six Sigma as the primary process improvement method.

Our recognition

A look at Cummins' achievements in the past year:



ENVIRONMENTAL

In 2012, Cummins was named a winner in the Greenhouse Gas (GHG) Goal achievement category of the inaugural Climate Leadership Awards for excellence in industrial energy efficiency. The U.S. Environmental Protection Agency (EPA) and three other groups sponsored the awards to recognize corporate, organizational and individual leadership in addressing climate change and reducing carbon emissions.



Cummins was named to the Dow Jones Sustainability Index for the seventh consecutive year in September 2011. The index represents the top 10 percent of the world's largest companies rated by Dow Jones across a range of economic, environmental and social responsibility measures.



Cummins finished in the top third of the companies reviewed as part of Newsweek's environmental rankings of the 500 largest U.S. companies in the fall of 2011. The magazine partnered with two environmental research organizations to review the environmental footprints of companies along with their policies and transparency in reporting.



GOVERNANCE, ETHICS AND CORPORATE RESPONSIBILITY

In 2012, Cummins was again named one of the World's Most Ethical Companies by the Ethisphere Institute. The institute evaluates companies' commitment to ethical leadership, compliance practices and corporate responsibility. This was the fifth straight year that Ethisphere selected Cummins for this honor.



Corporate Responsibility magazine again named Cummins to its 2012 list of the world's 100 Best Corporate Citizens. It was the 12th time in the last 13 years that the Company has been named to the list. Overall, Cummins was number 81.

Cummins China Investment Co., Limited won the Outstanding Corporate Citizen Award in 2011 from the China Association of Social Workers for the fourth consecutive time. The awards ceremony was held in the Great Hall of the People in Beijing. Cummins was honored for undertaking corporate responsibility activities while making great commercial achievements.



WORKPLACE, DIVERSITY, PEOPLE

Cummins was named one of the Top 50 Companies for Diversity by DiversityInc magazine for the sixth consecutive year in 2012. Cummins ranked 18th on the list, the same position the Company held in 2011.

In 2012, Cummins received a perfect rating for a seventh consecutive year from the Human Rights Campaign, the largest advocacy group for gay, lesbian, bisexual and transgender employees. The group rated more than 800 employers as part of its 2012 Corporate Equality Index. The index reviews companies on their LGBT policies, practices and more.



Cummins in 2011 was honored with the Company Driver Safety Award at the ninth Annual Fleet Safety Forum Awards for Excellence in Staffordshire (U.K.) sponsored by Brake, a road safety charity. Cummins was recognized for its efforts to create a global driver risk assessment, as well as for the monitoring and improvement program developed through the Virtual Risk Manager application.



Cummins received an IHS SPECTRUM Excellence Award in 2011 in recognition of the company's superior use of advanced information technology to achieve environmental, health and safety compliance and sustainability (EHS&S) business goals.



Cummins received an Honorable Mention C. Everett Koop National Health Award in 2011, presented by The Health Project, a non-profit, private-public consortium chaired by the former U.S. Surgeon General. The project honors organizations that have met rigorous results criteria and documented improved health and decreased medical costs.

ENVIRONMENT

SuperTruck project is ready to take off

The future of trucking could well be unfolding this fall along U.S. Route 287 in north central Texas.

After months of testing concepts in trucks around the country, Cummins engineers and their colleagues in a public-private partnership will pull together the best of what they've learned and apply it to a single tractor-trailer.

With an aerodynamic exterior, an engine that captures waste heat and converts it to energy, and much more, their vision of the SuperTruck will officially hit the road.

"The opportunity to get out and see how all of these improvements work together is very exciting for everyone in the project," said David Koeberlein, Cummins Principal Investigator for SuperTruck.

Funded in part by the U.S. Department of Energy (DOE), the SuperTruck program was created to develop the next generation of tractor-trailers – a more fuel efficient and environmentally friendly version of what's on the road today.

There's still plenty of research and development to do, but the test runs to start in October 2012 between Fort Worth and Vernon, Texas are an important project milestone.

For Cummins, it means a chance to see not only how the waste heat recovery system works in concert with the rest of the vehicle but also combustion efficiency gains achieved by redesigning parts of the engine.

"The program is really an extension of the work we've been doing on fuel efficiency for a very long time now; it's not something we just started on," said Wayne Eckerle, Vice President – Research and Development for Cummins. "The SuperTruck program takes a comprehensive look at how to maximize the fuel economy of the tractor-trailer combination as a single unit."

The engine work is only part of the SuperTruck project that Cummins is leading. Peterbilt Motors Company, a division of PACCAR, is designing a tractor-trailer exterior with less drag.

Eaton and Dana are developing drivetrain improvements. Delphi is working on a fuel cell to reduce or eliminate the idling of trucks when drivers are asleep or resting. And those are just some of the companies involved in the effort (page 16).



Members of the Cummins SuperTruck team stand next to the tractor before its trip to Texas for the start of critical testing in the fall of 2012. From left to right, Jon Dickson, Vehicle Applications Leader – Advanced Engineering; David Koeberlein, SuperTruck Principal Investigator and Wayne Eckerle, Vice President – Research & Technology.

"Working on a project like this is exciting because it's about the entire vehicle. It's not just the tractor. It's not just the engine," said Scott Newhouse, Assistant Chief Engineer of Product Development responsible for the SuperTruck Program at Peterbilt. "It's the whole system working together, which is really exciting for us."

ABOUT THE PROGRAM

Energy officials initiated the multi-year program in 2010 with the goal of designing a heavy-duty Class 8 truck that achieves a 50 percent improvement in overall freight efficiency measured in ton-miles per gallon.

The DOE set the goal of attaining 40 percent of the overall efficiency gains from engine improvements with the remaining 60 percent coming from other

vehicle systems such as aerodynamics, using lighter weight materials and reducing friction in the drive train.

The potential savings are significant. Class 8 trucks represent only about four percent of the on-road vehicles in the United States but are responsible for almost 20 percent of the country's on-road fuel consumption.

Through the SuperTruck program, energy officials want to see fuel economy increase from about 6.5 miles-per-gallon to 9.75 miles-per-gallon. That would save about \$15,000 in annual fuel costs per long-haul truck.

The total cost of the SuperTruck initiative is about \$270 million including DOE grants and matching expenditures from the project participants.

Cummins is one of four prime contractors leading SuperTruck teams. Daimler / Freightliner, Navistar and Volvo are also leading SuperTruck projects.

WASTE HEAT RECOVERY

Cummins engineers have worked hard developing a waste heat recovery system for SuperTruck. The system is similar to how steam power plants operate. Here's a quick look:

- 1 First, the system **extracts waste heat** from the exhaust system via a pressurized refrigerant.
- 2 Next, the pressurized, heated refrigerant **expands across a small turbine** on the engine, creating power.
- 3 Finally, the power generated by the turbine goes back to the engine shaft, helping to push the vehicle forward and **reducing the need for diesel fuel.**

THE SUPERTRUCK TEAM

Here's a quick look at the Cummins partners working on the SuperTruck project:

Cummins engine-related partners:

- » Cummins businesses:
The Engine Business, Fuel Systems, Turbo Technologies, Emission Solutions and Filtration are all participating in the project to develop an advanced efficient engine.
- » Modine Manufacturing Company and VanDyne SuperTurbos Inc.:
Supporting engine development and exploration efforts.
- » Oak Ridge National Lab and Purdue University:
Structuring research programs supporting development efforts.

Peterbilt vehicle-related partners:

- » Peterbilt Motors Company:
Advanced aerodynamics of tractor-trailer and vehicle weight reductions.
- » Eaton Corporation and Dana Holding Corporation:
Working on drivetrain improvements.
- » Delphi Automotive:
Developing idle management systems.
- » Bergstrom Inc.:
Developing climate control system.
- » Modine Manufacturing Company:
Supporting the vehicle cooling system and waste heat recovery integration.
- » Bridgestone Corporation and The Goodyear Tire & Rubber Co.:
Leading the tire development.
- » U.S. Xpress Enterprises:
Helping with fleet operational questions and evaluations.

Cummins received a \$39 million grant from the energy department in 2010. The Company expects to complete its work by April 2014.

PROJECT PROGRESS

At about the half way point in the effort, Cummins officials say they are pleased with the progress so far.

“The Cummins SuperTruck program remains on schedule and our roadmaps seek to meet or exceed our targets,” Koeberlein said.

Cummins is committed to reaching a number of milestones, including a 20 percent improvement in Brake Thermal Efficiency – a measure of the energy efficiency of the engine. The waste heat-recovery system is expected to accomplish about 6 percent of that 20 percent gain.

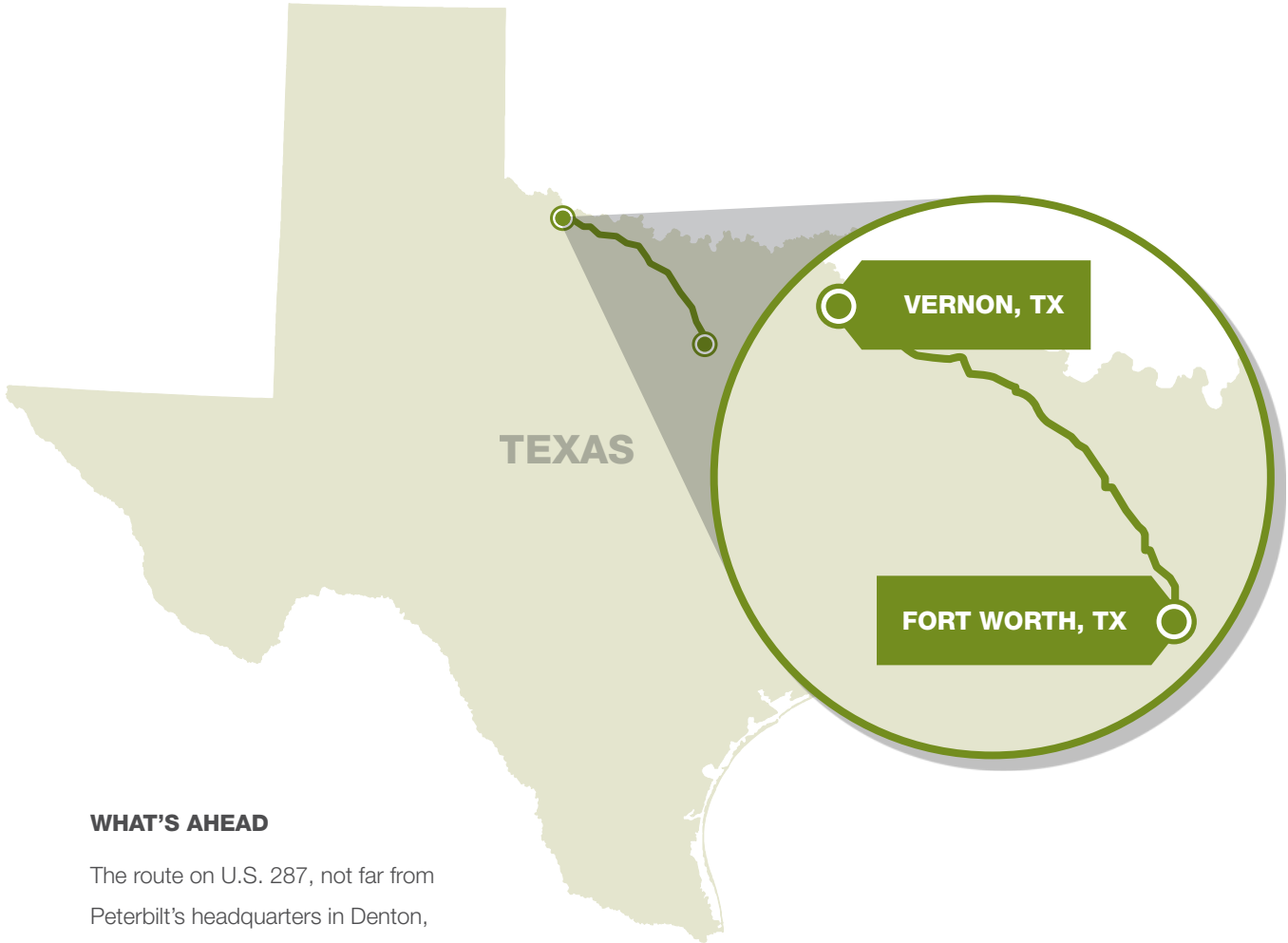
The Cummins team expects to build on that by reducing friction, adding a highly efficient exhaust aftertreatment system and efficiency gains within the combustion cycle of the engine resulting in more power for the crankshaft without a corresponding increase in fuel consumption.

“The 20 percent fuel efficiency improvement is a very technically challenging target to reach,” Koeberlein said. “Waste heat recovery is a significant contribution towards this goal.”

The other members of the SuperTruck team are contributing to the two program milestones on vehicle freight efficiency. These goals are to be over a complete vehicle operating cycle and measured in gallons of fuel consumed per ton of goods moved per mile traveled.

Vehicle improvements to accomplish this might include a more aerodynamically efficient tractor and trailer, improved tire technology, an advanced axle and transmission system, idle management and more.

The final program commitment is to develop and demonstrate in a test cell Brake Thermal Efficiency even above the 20 percent improvement.



WHAT'S AHEAD

The route on U.S. 287, not far from Peterbilt's headquarters in Denton, will allow the team to test SuperTruck over real-world conditions: elevation change, start-stop conditions and speed limit changes within city limits.

“Utilizing multiple new technologies on a single vehicle can create integration challenges,” said Peterbilt's Newhouse. “Working as a team, we understand the trade-offs and resolve them to ensure everything operates the most efficiently as a system. Individual component testing and vehicle testing are being conducted to ensure performance objectives are met.”

While the technical hurdles are significant, Eckerle says it's important that team members not lose sight of one other critical factor.

“Our biggest challenge is really getting the costs for any and all of the technologies and systems we're working on down to where the fleets will want to buy them,” he said. “They need to be durable and reliable, of course, but in the end they must offer a way to reduce total cost of ownership in order for a customer to use them.”

Key testing will take place along U.S. Route 287 in north central Texas in the fall of 2012. It will be the first time Cummins' engine improvements are tested with chief partner Peterbilt's tractor-trailer designed to be more aerodynamic and other new features. Team members are excited to see how their proposed improvements work together.



ENVIRONMENTAL STEWARDSHIP // PRODUCTS

Cummins demonstrates good environmental stewardship through our products, practices and our partnerships. Here's a look at our activity in all three areas:

Products

Cummins' leadership in combustion research, fuel systems, air-handling systems, electronics, filtration and aftertreatment enables the Company to provide the most appropriate emissions control for each market Cummins serves.

HIGHLIGHTS: ENVIRONMENT

- » Cummins starts development on a 15-liter heavy-duty natural gas engine for on-highway applications.
- » Cummins establishes Action Committee for Environmental Sustainability to pull together environmental efforts.
- » Company increases greenhouse gas reduction goal from 28 percent achieved in 2010 to 40 percent by 2015 using 2005 as a baseline.

The Company's diverse product portfolio meets or exceeds all emissions requirements and at the same time delivers on our customers need for fuel economy, performance, power, reliability and durability.

There is a strong push for more stringent environmental regulations by governments in almost every country around the world. Meeting these regulations is a critical element of Cummins' global success. We believe our technical expertise gives us a competitive advantage in this business environment.

But the Company needs to increase its understanding of, and impact on, regulations in every market so we can develop the best technical solutions for those markets. Our goal is to meet our customers' needs wherever they are located.

This approach builds on the emissions compliance work we have historically done, but adds in the very important,

all-encompassing regional element and internal oversight and coordination to ensure we have the right technology, at the right time and in the right places.

ENGINES

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

When compared to emissions from unregulated engines 40 years ago, today's on-highway diesel engines emit 99 percent less PM and NOx.

Throughout the years, Cummins has been a leader in clean diesel technology, pioneering the design and use of integrated subsystem technology such as combustion, controls, fuel systems, filtration, air handling and aftertreatment.

Continued innovation has enabled the Company to deliver exceptional fuel economy for Cummins' on-highway customers, ultimately driving a reduction in their output of carbon dioxide (CO₂). Cummins is committed to doing both the right thing for our customers and the right thing for the environment.

ON-HIGHWAY ENGINES

In 2010, all heavy-duty diesel engines sold in the United States had to meet the EPA's NOx standard (0.20 grams per brake-horsepower hour (g/bhp-hr)) and the PM standard (0.01g/bhp-hr). These are the most stringent emissions regulations in the world. The EPA has reduced both allowable NOx and PM levels by 90 percent compared to the levels in 2004.

The 2010 regulations not only required near zero NOx and PM emissions, but also the phase-in of advanced on-board diagnostics with additional sensors to monitor the effectiveness of emission-control systems on the engine. The on-board diagnostics alert drivers if emission-reduction devices fail and need to be repaired.

Cummins was among the first companies to meet all of these new standards. In 2010, the Company successfully introduced the ISX15 engine for use in 18-wheel heavy-duty commercial trucks. The engine provides up to six percent greater fuel economy, stronger performance, faster throttle response and best-in-class drivability and reliability compared to the Company's previous industry leading ISX engine.

The ISX15 features the Cummins XPI fuel system, the next generation of Exhaust Gas Recirculation (EGR), a VGT™ turbocharger,



and an EcoFit™ Ultra-Low Emissions System that incorporates Selective Catalytic Reduction (SCR) technology to reduce emissions. Each ISX15 can reduce CO₂ emissions by up to 12 metric tons per year compared to a 2007 ISX engine. Enhancements introduced in 2011 delivered improved fuel economy.

In 2012, Cummins introduced the new ISX12 engine for the vocational- and work-truck market, emergency vehicles, motor coach and regional haul applications. The engine is designed to deliver better fuel economy, performance, reliability and durability in a compact design.

OFF-HIGHWAY ENGINES

Off-highway regulations have come a long way in a short time. In only 20 years, the industry has been faced with the challenge of transitioning from being an unregulated market to requiring near zero emissions.

This challenged Cummins to look beyond basic engine technologies to areas such as high pressure fuel systems, turbo charging, electronics and aftertreatment systems to reduce emissions. The resulting innovations not only helped to meet the latest regulations, but can also lead to more fuel efficient products that produce less CO₂.

SEE CHARTS

on page 27 for engine emission performance from 2009-2011.

The QSF2.8 was unveiled at INTERMAT, a trade show in Paris in April 2012. The 49- to 74-horsepower (37-55 kW) engine is designed to meet U.S. EPA Tier 4 Final and EU Stage IIIB low-emissions regulations taking effect in 2013.



The off-highway business has gone beyond simply reducing engine emissions and improving fuel economy by launching two new “clean-sheet” designed engines.

Last fall, the QSK95 was launched with over 4000-hp (2983 kW) as the world’s most powerful high-speed diesel (page 28). The 95-liter, 16-cylinder engine was the first to be introduced in a new high-horsepower diesel and gas platform from Cummins. With this announcement came multiple plant expansion announcements in and around the Seymour Engine Plant in southern Indiana.

In the spring of 2012, on the opposite end of the horsepower range, the QSF2.8 engine was launched for the compact equipment market. The 4-cylinder engine extends the Cummins horse power range down to 49-hp. The QSF2.8 is the smallest engine to be introduced by Cummins for the off-highway industry with full-authority electronic controls driving a High Pressure Common Rail fuel system.

The QSF2.8 engine will be manufactured at the state-of-the-art Beijing Foton Cummins Engine Company plant (BFCEC) in Beijing, China.

EPA Tier 4 Final regulations for less than 75-hp engines commence on Jan. 1 2013, with Tier 4 Final for our other products up to 751-hp following only a year later. With these two new engines, Cummins customers now have product offerings from 49-hp to more than 4000-hp of clean diesel technology at their disposal.

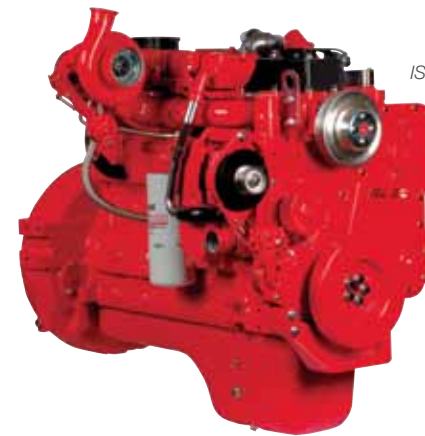
NATURAL GAS ENGINES

Cummins Westport Inc. (CWI) is a joint venture established in 2001 between Cummins and Westport Innovations Inc. of Vancouver, British Columbia that has sold more than 35,000 alternative fuel engines worldwide.

The joint venture’s natural gas engines are available as factory-installed options from more than 50 truck and bus manufacturers, establishing CWI as a leading global provider of midrange automotive natural gas engines.

Recent advances in the extraction of natural gas in North America and elsewhere are encouraging natural gas producers and distributors to look at heavy-duty transportation as a new market, and is also leading governments to view natural gas as one way to reduce their dependence on oil imports.

These new developments have also resulted in record low prices for natural gas, a benefit that translates into tremendous fuel cost savings opportunities for the transportation industry.



ISL G natural gas engine

The low fuel cost, combined with increased reliability and performance with Cummins Westport’s ISL G engine, has driven significant new opportunities for natural gas, particularly in the cab-over refuse truck market where natural gas trucks now account for 50 percent of truck orders.

The on-highway truck segment activity is increasing with developing fuel infrastructure announcements. And Cummins is responding with a 12-liter natural gas truck engine, the Cummins Westport ISX12 G. This will be available in early 2013.

“The opportunity to significantly reduce fleet fuel costs with natural gas, and the availability of Cummins Westport engines in a wide range of applications, is creating significant interest with customers,” said Jim Arthurs, President of Cummins Westport.

Perhaps the most visible example of the rising popularity of natural gas engines are transit buses and refuse trucks. Cities across the world have been turning to natural gas engines for their mass transit and trash collection systems to reduce pollution and provide some alternatives to the price fluctuations in petroleum-based fuels in recent years.

Cummins natural gas engines are now powering bus and truck fleets on every continent except Antarctica.

In addition to the engines produced by Cummins Westport, Cummins has been producing natural gas engines outside the joint venture for the off-highway market for several years.

The Company is currently at work on a natural gas version of the QSK95 engine, the Company’s powerful high-speed diesel, unveiled in November 2011. And in March 2012, Cummins announced it had started development on a 15-liter heavy-duty natural gas engine to help meet demand for on-highway applications that is expected to be in limited production by 2014.

That engine will be larger than those built by Cummins Westport, which range in size from 5.9 liters to the 12-liter ISX12 G now under development.

REMANUFACTURING

Remanufacturing is Cummins’ first and oldest “green business” and the ultimate form of reduce, reuse and recycle. Through remanufacturing, Cummins is able to take engines and parts at the end of their useful life and return them to productive use. Doing so significantly reduces the amount of Cummins product in landfills and it saves energy that would otherwise be used to manufacture new products.

Cummins’ remanufacturing business, or ReCon as it’s called, is part of the New and ReCon Parts function of the Company’s Engine Business. With sales of \$1 billion in 2011, Cummins ReCon business is an industry leader and a global business with remanufacturing operations worldwide. The business offers 1,000 components and 2,000 engines.

ALTERNATIVE FUELS

In 2011, Cummins partnered with the United States Navy and defense contractor Alion Science and Technology to determine the potential viability of algae-based renewable fuel as a “drop in” replacement for petroleum based diesel in marine applications.

The year-long program included an evaluation of a 50 percent blend of the renewable fuel compared to the baseline Navy diesel fuel on performance, emissions and durability of a QSB5.9 marine engine. The overall results were very encouraging, enabling the Navy to move to the second phase of the program including field trials.

Cummins also continued the development of analytical tools to model the combustion performance of liquid renewable fuels, such as the algae fuel and gaseous biofuels such as landfill gas, producer (wood) gas, biodigester gas (such as from dairy farms) and waste treatment plant gas.

This added capability supports the development of the next generation of engines that will be able to run on a wide variety of renewable fuels.



Careful inspection at Cummins' remanufacturing business determines if parts can be remanufactured or salvaged. In 2011, the business kept some 50 million pounds of Cummins product on the road.

In 2011, Cummins remanufacturing reclaimed about 50 million pounds of Cummins product to be put back on the road and avoided 200 million pounds of greenhouse gas (GHG). The Company remanufactures engines and parts through the common application of salvage technology, component reuse guidelines and remanufacturing-specific policies and procedures. Our remanufactured products are often "up-cycled" to include design and quality upgrades.

Remanufacturing requires about 85 percent less energy than manufacturing the same product with new parts. Take an engine, for example. If the block can be reused, the energy consumed in the ore mining, ore processing, transportation, casting, and machining to make a new one is eliminated.

The same principle applies to all other components that Cummins remanufactures. Since most of the energy used at Cummins and in the Company's supply chain is fossil-fuel based, the energy savings equate to GHG reductions. In addition to the energy and GHG savings, remanufacturing reduces landfill waste and further supports Cummins water reclamation initiatives.

Remanufactured engines and parts can offer substantial cost advantages over their new counterparts. The use of

remanufactured components can also cost-effectively extend the life of an entire piece of equipment, whose vehicle and chassis can be updated to match the extended life of the engine.

Not only can remanufactured components extend useful life, they can also improve power and durability because product improvements that have occurred since a component's initial manufacture can be included in the remanufacturing process. And they come backed by warranties, parts availability and service.

Cummins is considered a pioneer in the remanufacturing business, and the Company intends to maintain its leadership position.

CUMMINS EMISSION SOLUTIONS

Cummins Emission Solutions develops products that help keep exhaust clean while improving the environment in which its products are used.

The new EcoFit product line is helping to position the Company as a leader in innovative exhaust aftertreatment technology, customized to fit different engines and applications while meeting global emissions regulations.

EcoFit products provide leading-edge designs that improve vehicle integration



Cummins' China Area Business Organization Group Vice President Steven Chapman speaks at a Cummins Emission Solutions event in Beijing, China where a new EcoFit Urea Dosing System was introduced.

CUMMINS FILTRATION

Customers around the world depend on Cummins Filtration to provide high quality, high performance integrated filtration systems to protect their equipment. In offering customers the best possible solutions, the business remains ever mindful of its responsibilities to the environment.

Cummins Filtration officially launched its Fleetguard Filter Recycling Management Program, Filtering Change, in 2011. As the first filter manufacturer to initiate an internal recycling management program that enables customers to be environmentally responsible, this program is aimed at partnering with service centers and fleet locations throughout the United States and globally to reduce the number of metal filter cans and used media elements being dumped into landfills.

Recycling content is important to Cummins Filtration's sourcing decisions. Currently, 20 percent of Cummins Filtration's 50,000 tons of integrated steel used to produce filter shells comes from recycled metal along with 80 percent of the 25,000 tons mini-mill steel used to produce other filter components.

Filtering Change is designed to provide customers with the resources and support necessary to successfully integrate filter recycling into their daily operations.

Filtering Change™
A Fleetguard® Recycling Management Program



Manejo de Totes, or the Reusable Totes Loyalty Program, was introduced in Mexico and Central America during 2011. Totes are containers that hold antifreeze, coolants and urea for shipment to customers. The program involves the delivery of specialized pumping equipment and logistical services for dispensing bulk Fleetguard ES Compleat coolant at the site location.

By utilizing these specialized totes, operators not only significantly reduce their operation costs, but eliminate the need for landfilling used totes as the initial 1000 liter (264 gallon) EG premix tote purchased can continue to be refilled beyond the life of the equipment.

Cummins Filtration designs products that remove contamination from engine systems, reduce engine emissions and minimize disposal issues. As the only filter manufacturer that's part of an engine company, Cummins Filtration has a key technology advantage that has resulted in a number of innovations including:

- » PG Platinum is a NAPS free propylene glycol coolant, which means it contains no nitrites, amines, phosphates or silicates. These compounds are perceived by many global equipment manufacturers to have an undesirable effect on the environment and make it more difficult to maintain coolant additive levels. Propylene glycol is recognized as non-hazardous, non-poisonous and is generally considered safe by the U.S. Food and Drug Administration.
- » Crankcase Ventilation systems filter up to 100 percent of oil drip, up to 95 percent of aerosol vapors and 100 percent of

engine compartment fumes.

Since crankcase emissions can contribute up to 25 percent of total emissions, control of this air pollution source is critical to the protection of the environment and meeting emission standards.

- » Filter-in-Filter combines two filters in a single cartridge, which is then contained within a reusable housing. This design approach provides maximum protection for the engine and reduces the amount of waste material during regular fuel system maintenance.

Made of composite material, this design reduces volatile organic compounds because the filters no longer require painting. The reformulated paper media does not require curing, reducing power consumption within the production facility, and avoiding the use of plastisol adhesive.

POWER GENERATION

Cummins Power Generation is dedicated to increasing the availability and reliability of electric power around the world. We are committed to developing and implementing products and solutions that benefit the communities where we do business and contribute to comprehensive environmental solutions.

Cogeneration

Cummins Power Generation designs and builds cogeneration systems used around the globe in various applications. Combined Heat and Power (CHP) systems are providing power to hospitals, schools, sports complexes and commercial facilities.

Cogeneration is the production of two kinds of energy — usually electricity and heat — from a single source of fuel. Cogeneration can replace traditional methods of supplying energy from multiple sources; for example, 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. With cogeneration, 70 to 90 percent of the energy in the original fuel is put to productive use and total energy savings can be 30 percent or more.

A cogeneration system normally consists of some kind of machine turning an alternator to produce electricity and a waste heat recovery system capturing the heat from the exhaust and cooling water jacket. Cummins has 430 megawatts (MW) of cogeneration installations globally with an average project size of 2 MW. These installations represent a greenhouse gas reduction of about one million metric tons of CO₂ per year for our customers.

The Royal North Shore Hospital, Sydney, Australia is a recent installation that uses CHP to increase efficiency and lower its carbon footprint.

This 100,000 metric-foot site relies on four 2 MW generator sets for its CHP solution.

Barcelona, Spain is host to one of INDITEX Group's Logistics Centers. The center covers 200,000 square meters. The CHP plant there generates 2.3 MW of electricity that can be used at the center or sold back to the grid.

Generator Technologies

Cummins Generator Technologies offer premium quality AC generators in the range 0.6 to 20,000 Kilo Volt Amperes (kVA). Our family of brands – MARKON, STAMFORD and AvK – are known for their robust build, reliable performance and versatile configurations.

When a local consortium of German farmers contacted neighboring generating set manufacturer SCHNELL Motoren AG for help building a biogas power plant, SCHNELL turned to Cummins Generator Technologies to supply highly efficient STAMFORD HC4 generators.

The plant owners supply agricultural matter, which is fermented to create biogas, which in-turn is converted by the CHP / Cogeneration plant into electricity.

The Royal North Shore hospital in Sydney, Australia chose a Cummins cogeneration solution to meet emission targets and improve energy efficiency as part of a major expansion.



FIT FOR MARKET

Fit for Market is a Cummins strategy to meet customer requirements by using the Company’s knowledge, tools and technologies to deliver low-cost products with the right capability for each market in every global region.

This is not a one-size-fits-all approach, but a strategy to listen to customers and understand the specific demands of the environment where they do business.

Cummins has a portfolio of technologies that can be adapted to meet the power needs of specific markets, taking into account local product and application requirements, the local service environment and local manufacturing capability.

Waste heat created during the process is then captured and used to heat their greenhouses, with enough spare to heat the local SCHNELL offices.

This project is a great example of a CHP plant; in addition to producing electricity to sell to the public grid, energy typically wasted is captured and used to heat the SCHNELL company building.

Other Products

Cummins’ Advanced Medium Mobile Power Sources (AMMPS) is a new line of mobile power generators for military use whose environmental and logistical benefits include greater fuel efficiency, lighter weight, quieter operations and increased reliability with a lower total lifecycle cost.

AMMPS generators are 21 percent more fuel efficient than their predecessors, which saves fuel in use and in the transport of fuel to the generators.

DC generators offer a cost-effective and environmentally-friendly alternative to conventional large battery reserve systems and traditional AC generators used to power remote community access TV, telecom and wireless tower sites.

They continuously monitor the battery system and seamlessly restore power should battery backup fail or a prolonged power outage occur. Not only are generators generally more fuel efficient, DC generators reduce the number of onsite batteries needed and protect the smaller number of batteries required, resulting in fewer disposal issues.

A hybrid generator set is a great example of how Cummins is using technology to reduce fuel consumption by recreational vehicle (RV) owners as well as noise pollution.

By using a combination of inverters, power unit and coach batteries, Cummins Power Generation has been able to reduce generator fuel consumption by up to 20 percent.

Power Generation has also been able to reduce noise pollution by 5 decibels.

While this number may not seem very big, it represents about a 40 percent reduction in audible sound levels. In addition, the hybrid generator weighs up to 374 pounds less than the Company’s large diesel generators. This translates directly into better fuel economy for RVs, which in turn means a reduction in their carbon footprint.

Customer-Focused Six Sigma

Two Customer-Focused Six Sigma projects are demonstrating the environmental benefit and potential savings possible when a power solution is tailored to address a particular need.

The business problem solving process called for extending the time in between oil changes in a generator set and shortening the monthly genset exercise period while maintaining the integrity of the equipment used for emergency backup power.

These actions, over a 300-genset fleet in data centers, are adding up to big savings for a large Power Generation customer. The two projects collectively are saving 38,000 gallons of oil, 65,000 gallons of diesel fuel and \$620,000 per year.

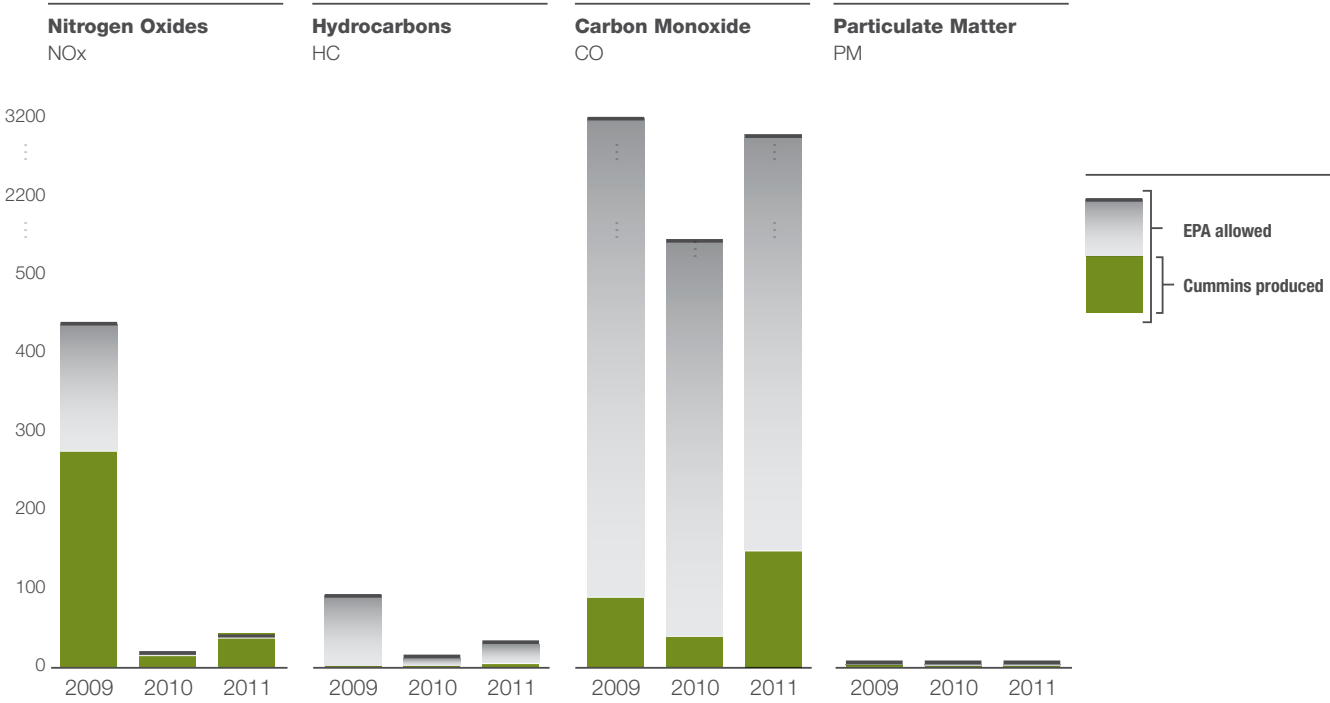
“Both of these projects demonstrate that our customers are very interested in both bottom-line savings and care for the environment – and when both can happen as a result of a project collaboration, that’s even better,” said Jaime Queiroz, Executive Director of Power Solutions.

PRODUCT EMISSIONS

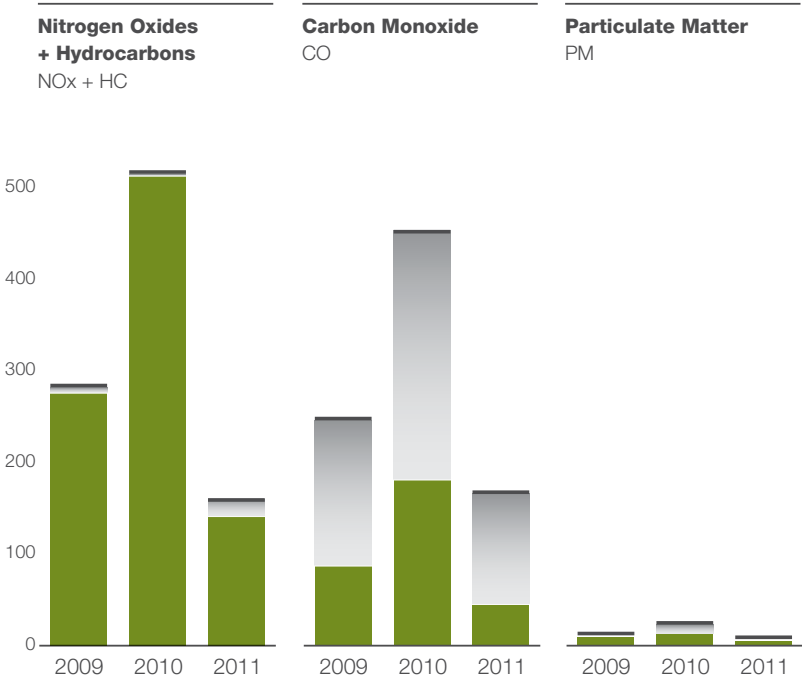
The on-highway charts for North America compare the estimated maximum allowable emissions by U.S. EPA standards and Cummins’ estimate of engine emissions for the past three years. Estimates are based on the number of engines, both heavy-duty and midrange, manufactured in the United States for on-highway use per year.

The figures in the off-highway charts are based on the number of midrange, heavy-duty and high-horsepower engines produced to EPA standards for non-road uses.

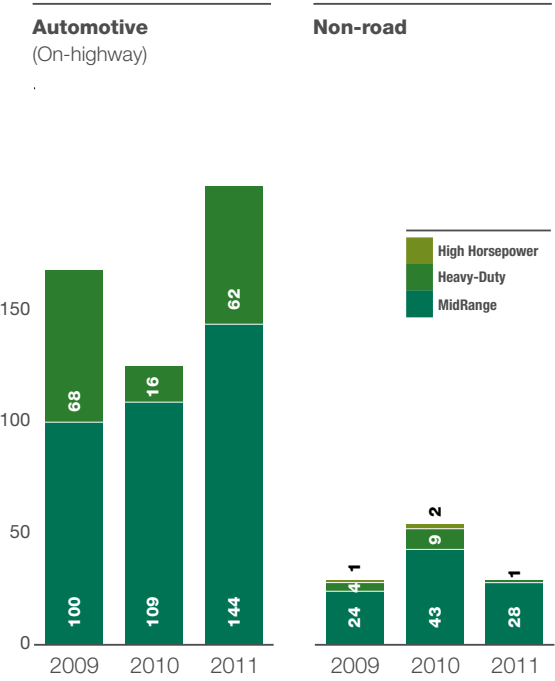
AUTOMOTIVE (ON-HIGHWAY) USEFUL LIFE EMISSIONS TOTAL
IN THOUSANDS OF METRIC TONS



NON-ROAD USEFUL LIFE EMISSIONS TOTAL
IN THOUSANDS OF METRIC TONS



DIESEL ENGINE VOLUMES
IN THOUSANDS



Hedgehog: Big can still be green

It's hard to imagine something eight feet tall, 14 feet long and capable of producing 4,000 horsepower could ever be considered "green."

But Cummins' new 16-cylinder QSK95 engine, the largest high-speed diesel engine the Company has ever built, has a number of environmentally friendly qualities.

Foremost among them: the engine, the first of the "Hedgehog" family of engines, will meet the most stringent emissions standards, including U.S. Environmental Protection Agency (EPA) Tier 4 Final regulations that take effect in 2015. The EPA regulations cover the off-highway, marine, locomotive, and power generation markets.

"A key achievement of our combustion analysis-led work is that the QSK95 makes

no performance compromise to meet very low emission standards – an advantage that few, if any other, large high-speed or medium-speed engines will be able to claim for Tier 4," said Jim Trueblood, Vice President – Cummins High Horsepower Engineering.

The Hedgehog platform was unveiled Nov. 1, 2011 at the Seymour, Ind. Engine Plant where it was fired up for Cummins employees, reporters and potential customers. The engine is being marketed for use in passenger and freight locomotives; boats, including tugs and towboats; mining and off-shore drilling and power generation systems.

To meet the very low emission standards in the EPA's Tier 4 Final, the diesel Hedgehog will use Cummins' Selective Catalytic Reduction (SCR) aftertreatment system, which has a proven track record for significantly reducing the Oxides of Nitrogen (NOx) associated with air pollution and smog.

The SCR system also achieves diesel fuel savings of five to ten percent with a corresponding reduction in carbon dioxide (CO₂), a key contributor to greenhouse gases.

In addition to those environmental benefits, the Hedgehog platform was designed with remanufacturing in mind. Working from a "clean sheet" on the QSK95, designers were able to consider remanufacturing in almost every aspect of the engine.

For example, the engine block is made with a little extra metal so when it comes time for milling during remanufacturing it will be easier to bring the block back to original specifications.

Creating a new engine platform also allowed engineers to design Hedgehog with cleaner-burning natural gas in mind.

Leveraging the base architecture of Hedgehog's diesel engine, the natural gas platform will be fully optimized to deliver market leading performance.

"The natural gas engines will not be just a derivative of the diesel engines, but uniquely designed for gas," said Mark Levett, Cummins Vice President and General Manager – High Horsepower Business.

The Hedgehog family will be growing. Plans are in the works for the QSK120, adding four cylinders while using the same platform to achieve over 5,000 horsepower.

Mark Levett, Cummins
Vice President and General
Manager – High Horsepower
Business, talks about
the QSK95 engine at its
unveiling in Seymour, Ind.



ABOUT QSK95

Horsepower: More than 4000-hp

Cylinders: 16

Applications: The QSK95 is ideally suited for applications such as passenger and freight locomotives, many types of marine vessels, mine haul trucks and more. The engine can also be used on offshore oil and gas platforms for drilling and will power the new C3000 Series genset from Cummins Power Generation.

Emissions: The QSK95 will meet the most stringent emission standards, including EPA Tier 4 Final taking effect in 2015. The engine uses the Selective Catalytic Reduction (SCR) aftertreatment designed by Cummins to replace the exhaust muffler.

Production: The QSK95 will be built at the Seymour, Ind. Engine Plant where \$100 million is being invested to establish a new production line and world-class test facilities.

Profitable and green after 10 years

Ten years in the making, Cummins Emission Solutions is demonstrating that a company can be green and profitable at the same time.

Sales for the exhaust aftertreatment maker have gone from nothing in 2002 to \$1.2 billion in 2011 while Cummins Emission Solutions' workforce has grown from just 11 employees to more than 1,400 today.

"This is all about green jobs," said Srikanth Padmanabhan, Vice President and General Manager of Cummins Emission Solutions.

Early on, the emphasis at the business was on noise reduction and eliminating the clatter associated with diesel engines. Governments around the world, however, began clamping down on the amount of pollution engines were allowed to emit.

Cummins leaders decided to embrace that trend rather than fight it, figuring the Company's technological leadership could be a competitive advantage.

Cummins Emission Solutions began to take off and with tougher emissions standards scheduled to take effect in the coming years in countries like China, India and Russia, sales are only expected to grow.

Padmanabhan says attracting a highly skilled workforce is now his chief concern. Ten years ago, a Cummins engineer could simply add a filter to make an exhaust system compliant.

To meet today's more stringent regulations, multiple devices are necessary to reduce emissions while providing engine operators the power they need to succeed.

Cummins Emission Solutions employees in Mineral Point, Wis. celebrate the 2011 launch of the Off-Highway EPA Tier 4 compliant aftertreatment product line. The ceremony also marked a diversity milestone in the business' history. It was led by two female managers – then Off-Highway Business General Manager Julie Furber and Rachel Lecrone, plant manager.



Helen Hutchings, Darlington's Health, Safety and Environment Manager, stands next to one of the recycling bins around the plant. The facility has reached "zero landfill" status in part because of its major emphasis on recycling.

Zero can be a big number

Since January 2011, the Cummins Darlington (U.K.) Engine Plant hasn't sent any waste to a landfill. That's nothing in more than 16 months. Zero. Nada.

And on top of that, the plant has reduced associated annual operating costs by \$159,000.

Darlington achieved its "zero landfill" status by making waste reduction a plant priority, and then using processes, tools and resources – most notably its employees and suppliers – to provide a structured program that delivers results.

"The success of this project is the Cummins Operating System in action," said Helen Hutchings, the plant's Health, Safety and Environment Manager, referring to 10 practices and approaches designated by the Company to improve customer satisfaction and profitability (page 11).

"It combined a rigorous process with employee passion to produce an important achievement for the plant, and more importantly, for the environment," she said.

The plant used the established protocols in its Environmental Management System to make waste management a priority. This designation then cascaded specific resources, training and communications to plant employees supporting the effort.

Color-coded recycling stations made recycling very visible and easy to do at the plant. But not all of the plant's materials are the numbered plastics, glass, paper and other items readily recyclable. So working with the plant's supply chain was critical on the journey to zero.

A contractor sorted and processed some of the more difficult materials. Another key supplier helped to find a recyclable substitute for packaging material that previously was disposed in a landfill.

Cummins' philosophy is that simply burning waste is not a legitimate way to achieve zero landfill status. The plant handled every waste material by either recycling or obtaining environmental value through burning it for energy recovery.

Less than three percent of the waste was burned. Darlington is the first Cummins plant to achieve zero landfill status with such a significant emphasis on recycling.

At Cummins and in Darlington, zero landfill truly means zero waste disposal. And in that way, zero really can be a big number.

ENVIRONMENTAL STEWARDSHIP // PRACTICES

Cummins demonstrates good environmental stewardship through our products, practices and our partnerships. Here’s a look at our activity in all three areas:

Practices

Cummins doesn’t just talk about environmental stewardship. The Company puts its words into action. Here are some of the ways we ensure that “everything we do leads to a cleaner, healthier, safer environment.”

ENVIRONMENTAL SUSTAINABILITY

Cummins has the ability to make a significant impact on the environment. Our employees have a passion for it and want to make a difference at work, at home and in their communities. The Company understands it is our responsibility as a good corporate citizen to also be a good steward of our air, land and water. We have demonstrated our commitment by achieving significant reductions in our greenhouse gas (GHG) emissions, our generation of waste and in our use of water.

Cummins is expanding the scope of the Climate Change Working Group to include all aspects of the environment and in the process changed its name to the Action Committee for Environmental Sustainability, or ACES, to reflect the larger sphere of influence and directive in environmental matters.

This leadership group – which will involve all businesses, all functions and all locations – will bring together many successful efforts

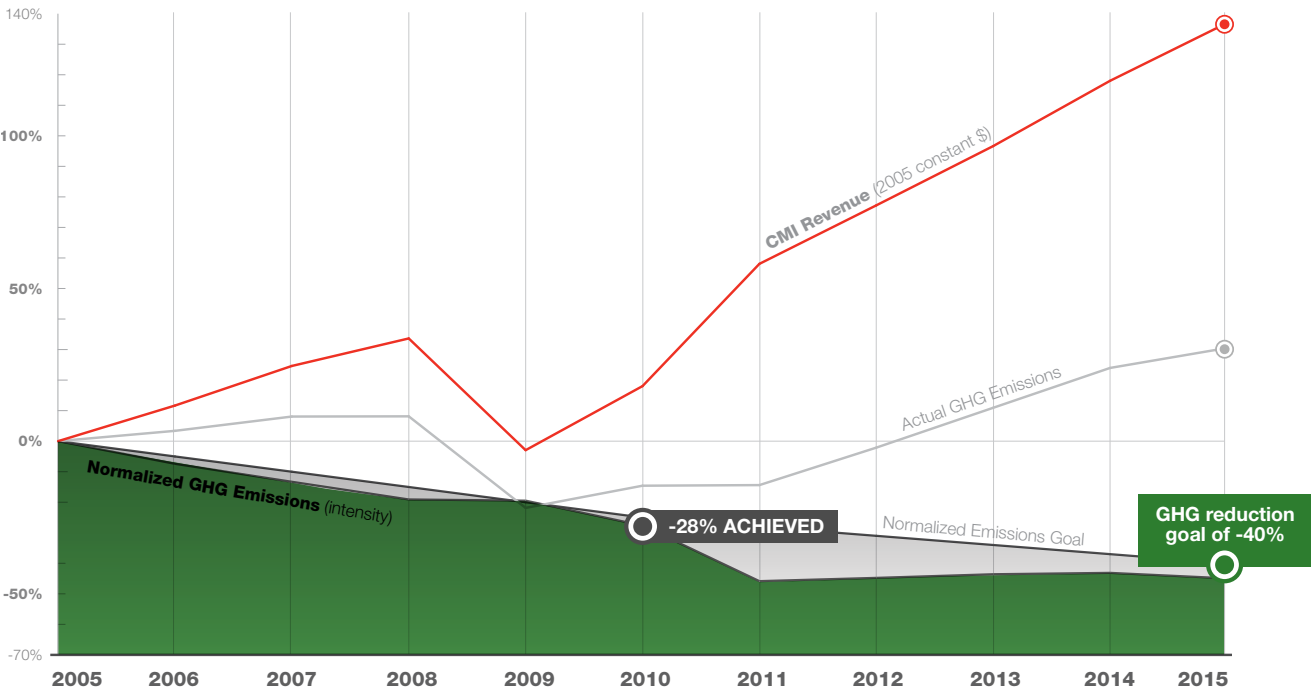
currently working independently into a comprehensive work plan for environmental sustainability. The committee will evaluate Cummins’ overall impact on the environment and establish a global strategy to reduce the Company’s environmental footprint. ACES will give us one global voice and ensure accountability.

AIR / ENERGY

Cummins has extended its GHG reduction goal from the 28 percent reduction achieved in 2010 as part of the U.S. Environmental Protection Agency’s Climate Leaders Program to a 40 percent reduction by 2015, again using 2005 as a baseline.

The greenhouse gas reduction correlates to the 25 percent energy efficiency intensity goal Cummins has set as part of the Department of Energy’s Better Buildings, Better Plants Challenge program.

“We are ensuring we have a sound investment plan to meet this aggressive goal, which equates to double the energy



efficiency improvements made over the first five-year period,” said Alan Resnik, Director of Corporate Environmental Management.

Cummins exceeded its first goal of a 25 percent reduction in GHG emissions per dollar of revenue, achieving a 28 percent reduction. Revenue increased 67 percent between the start of 2009 and the end of 2011.

Based in part on that accomplishment, Cummins was named a winner in the GHG goal achievement category of the Inaugural Climate Leadership Awards sponsored by the EPA, the Association of Climate Change Officers, the Center for Climate and Energy Solutions (formerly the Pew Center on Global Climate Change) and The Climate Registry.

The award recognizes corporate, organizational and individual leadership in addressing climate change and reducing carbon emissions. One individual and 20 organizations were

recognized earlier in 2012. In naming Cummins, the award sponsors said:

“The Company made the business case for reducing emissions to its employees and has created a culture of energy saving and sustainability that is now part of how the company does business. Other activities included the establishment of an energy efficiency team, as well as a capital fund that helped create dedicated, annual funding for energy efficiency improvements.

“Cummins also created a corporate-wide challenge to involve all employees in saving energy, and its Energy Champions Program trained employees to find energy savings at their sites.”

In 2011, Cummins saw nearly flat absolute GHG emissions from 2010 on a 36 percent revenue increase, which equates to a 16 percent intensity reduction. The Company achieved a 46 percent intensity reduction from our base year of 2005.

Cummins reduced its GHG emissions by 28 percent per dollar of revenue from 2005 to 2010, exceeding the 25 percent reduction goal it set with the U.S. EPA.

However, Cummins' goal is measured by 2015 performance, not the yearly progress in between. The Company is, therefore, doing thorough capital and low-cost energy efficiency planning to offset future GHG increases from new product development testing and the construction of more than 40 new facilities and major expansion projects.

Cummins joint ventures are also engaging in energy efficiency actions. For example, the Chongqing Cummins Engine Co., Ltd. (CCEC) in China has taken an active part in supporting the Cummins Engine Company's global actions on energy-savings and GHG emissions reduction and won the Company's annual energy efficiency award.

These 10 principles form the basis to Cummins' environmental sustainability initiatives.



In 2011, CCEC created an energy management team that identified numerous opportunities to save energy by replacing pieces of equipment that were consuming a lot of energy such as larger boilers and a high-voltage transformer. At the end of 2011, the joint venture estimated it could reduce carbon dioxide (CO₂) by 2,100 tons annually and save \$428,000 per year.

LAND

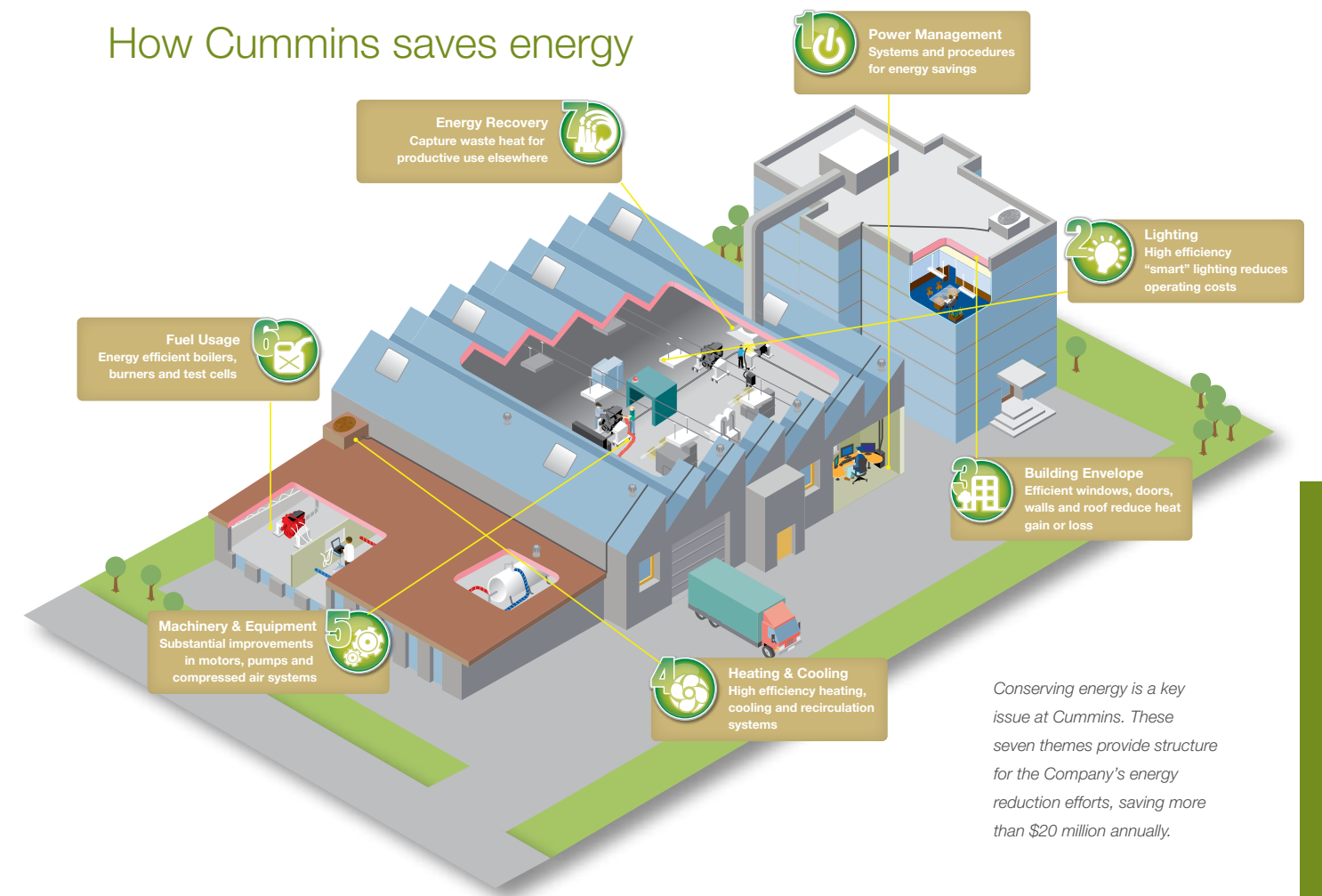
In 2011, Cummins comprehensively characterized and evaluated our global waste footprint. The results of this effort serve as the foundation for the development of a formal waste minimization strategy that will complement the many waste reduction improvements that are already being realized through our Environmental Management System.

Even with substantial revenue growth, Cummins has been able to keep our 2011 disposal level flat in absolute terms compared to 2008, while experiencing a 20 percent reduction in waste disposal normalized for labor hours during that same time period.

One of our large manufacturing facilities recently announced it had achieved "zero landfill" status (page 31).

Several additional facilities are ready to take on the same challenge. The approach used by these sites will serve as the basis of our formal waste minimization process used throughout our global operations.

How Cummins saves energy



We have successfully completed multiple projects related to manufacturing process redesign, improved waste segregation, increased employee engagement and supplier partnerships to reduce waste, and we continue to make capital investments in equipment to facilitate waste reduction and increase our ability to recycle.

These efforts have helped Cummins reduce raw materials consumption, energy use, water use and operating costs.

Cummins has reduced process hazardous waste generation in the United States by approximately 50 percent, on an absolute basis, from 2008.

In 2011, Cummins reduced labor-normalized process hazardous waste by 52 percent from 2008 levels.

This substantial reduction was achieved through a multi-faceted effort that included product substitutions, improved waste segregation, improved inventory management and increased efficiency in painting operations.

Product substitutions, in particular, have had an enormous impact on our hazardous waste generation. Several facilities, for example, have successfully replaced solvent-based paints with water-based paints.

The Columbus MidRange Engine Plant in Walesboro, Ind. took the effort to the next level by producing engines with no paint on them, using clear coating that prevents rust instead, and reduced hazardous waste per engine by 80 percent.

WATER

Water conservation has been a critical issue at Cummins for some time. Since 2008, the Company has collected water-use data to support water conservation efforts at sites throughout Cummins. In 2012, the Company will further strengthen its water management efforts by assessing risks at priority locations in water-stressed areas in addition to setting a company-wide water conservation goal.

Since more than 60 percent of the Company's business is in international markets, Cummins recognizes the challenges associated with the rising

global issue of water and has for several years focused on conserving water and reducing wastewater discharges.

The Company continues to accelerate our efforts in effective water management, recognizing the growing significance of this resource throughout our global footprint. Last year, Cummins identified three focus areas for water conservation at our locations: grounds, facilities, and processes.

Cummins sites focused on these areas for conservation opportunities and again achieved positive results by calculating their water balances (a formal exercise that defines water intakes, uses, and discharges)

and a water scorecard that combines leading and lagging metrics.

In 2011, Cummins reduced water use normalized for labor hours by 18 percent from 2010 levels. That brought our total labor-normalized water-use reduction to 45 percent since 2008.

Of perhaps even greater significance, Cummins reduced absolute water use in 2011 by approximately 5 percent or 60 million gallons.

However, the Company's accelerated effort in effective water management is about more than just successful conservation results. It is also about understanding

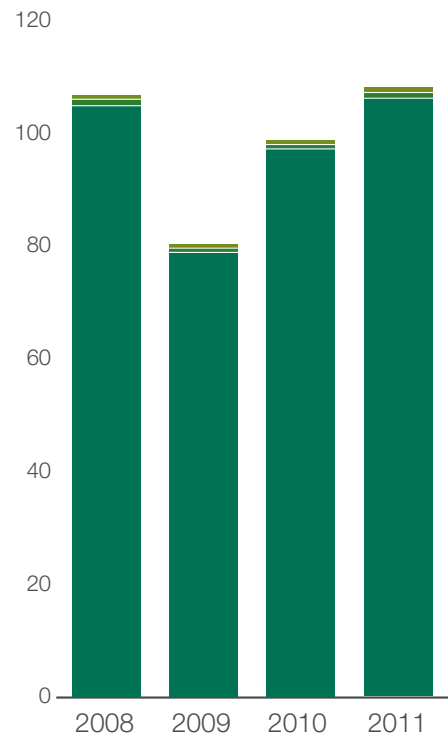
what water use means to our business, our communities and our environment.

In 2011, Cummins made significant strides in developing this understanding by conducting water management surveys of sites across the Cummins' enterprise.

By pairing local site knowledge with global water availability data, Cummins is able to prioritize efforts that will have the greatest impact.

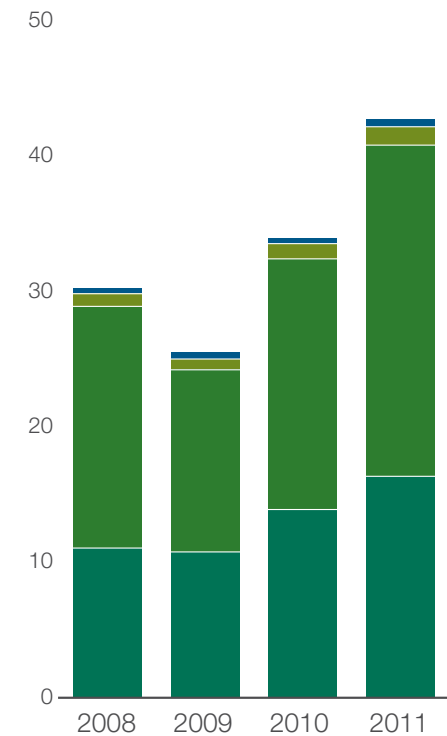
The Company is now conducting a series of water source assessments at our highest priority sites located in both India and Mexico, two regions that face water scarcity challenges.

Recycled metals
in thousands of metric tons



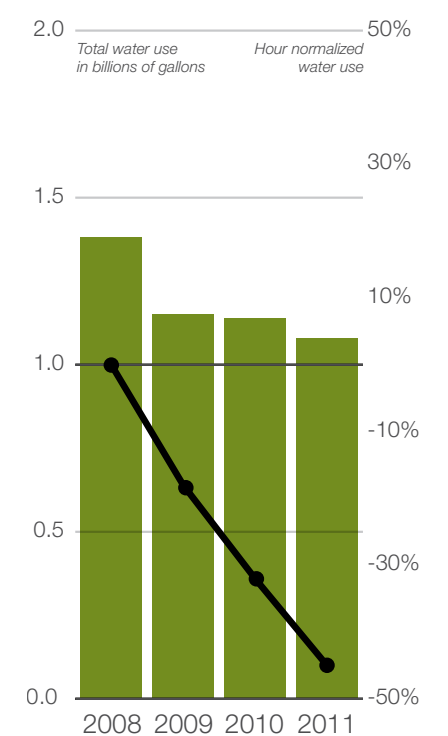
Copper & brass	0.67	0.58	0.73	1.00
Aluminum	1.08	0.75	0.68	0.87
Iron	104.89	78.84	97.25	106.29

Other recycled materials
in thousands of metric tons



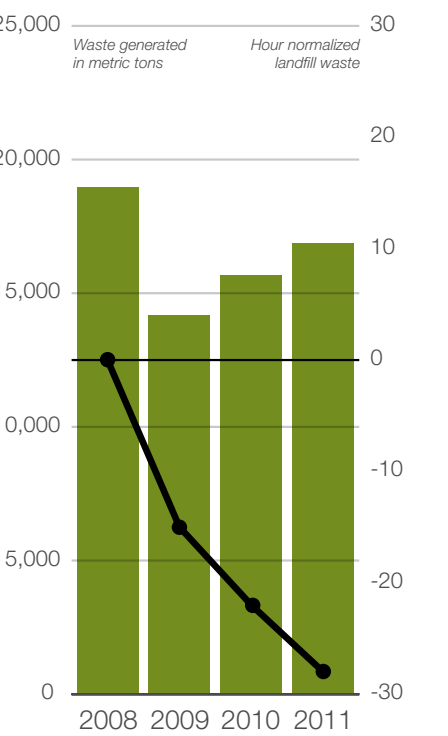
Paper	0.44	0.51	0.39	0.58
Plastic	0.93	0.80	1.10	1.33
Wood	17.87	13.47	18.55	24.50
Cardboard	10.99	10.70	13.83	16.29

Total water use
in billions of gallons



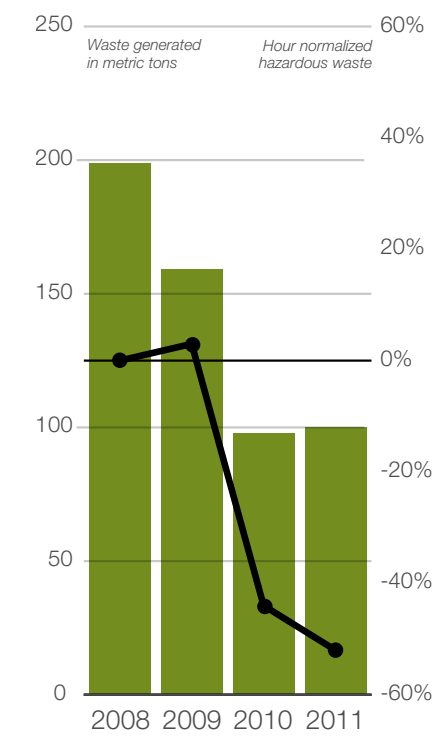
2008	1.38 B	Total water use
2009	1.15 B	Water use normalized to labor hours
2010	1.14 B	
2011	1.08 B	

Landfill waste
in metric tons



2008	18,961	Total landfill waste
2009	14,180	Landfill waste normalized to labor hours
2010	15,651	
2011	16,855	

U.S. process hazardous waste
in metric tons



2008	199	Total hazardous waste
2009	159	Hazardous waste normalized to labor hours
2010	98	
2011	100	

* All waste totals exclude waste from the Distribution Business Unit.

HEALTH, SAFETY
AND ENVIRONMENTAL
MANAGEMENT SYSTEM

Cummins delivers health, safety, and environmental (HSE) management results through a HSE Management System (HSEMS). Our integrated, enterprise system provides a common approach to HSE management across the globe, and capitalizes on the many similarities between safety and environmental management systems. The HSEMS provides common direction to our sites, while providing flexibility to adapt to regional priorities.

At Cummins, the HSEMS is our culture. By the end of 2011, our independent auditor certified 76 sites and the corporate entity as part of the Enterprise HSEMS, conformant with ISO14001, the international environmental management standard. These sites represent 84 percent of our manufacturing locations, with a goal to increase that to 100 percent by the end of 2012.

The Company is not stopping there. Cummins manages our potential environmental impact by continually broadening the HSEMS scope to include joint venture sites and other critical operations such as our Distribution Business.

Even smaller sites, such as office buildings and small parts distribution centers, while not included in the HSEMS scope, benefit from the tools, resources and culture instilled within the organization.

OBJECTIVES AND TARGETS

The HSEMS uses a structured program of setting objectives and targets to drive continual improvement at our sites.

Broad objectives and targets are set at the corporate level to establish direction for critical corporate initiatives. Cummins' business units and sites then build upon them to establish site-specific objectives that align with company priorities but address site-specific needs and challenges.

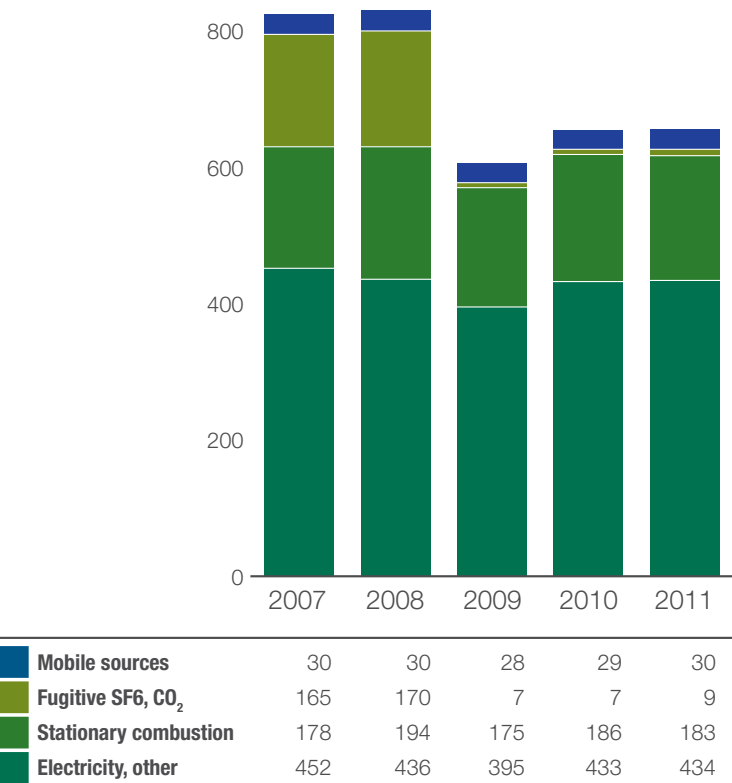
In 2011, environmental improvements as a result of specifically-set objectives and targets completed totaled \$14.5 million.

As the Company's HSEMS continues to mature, Cummins has aligned its efforts along key resource areas including greenhouse gases, water and waste. These focus areas drive specific activities related to each resource area. Examples include:

- » Water balances: Sites developed a water balance to identify their key uses and discharges of water to help identify and prioritize water improvement efforts.
- » Waste inventories: Sites developed comprehensive waste inventories as part of Cummins' effort to minimize waste disposal through a structured waste management hierarchy of reduce, reuse, and recycle.
- » Energy: Cummins leveraged the HSEMS to ensure that all sites make energy and greenhouse gas reduction a priority.

Cummins uses Six Sigma to analyze data and support complex decision-making, including environmental management. In 2011, Cummins completed 57 projects that were specifically dedicated to environmental matters.

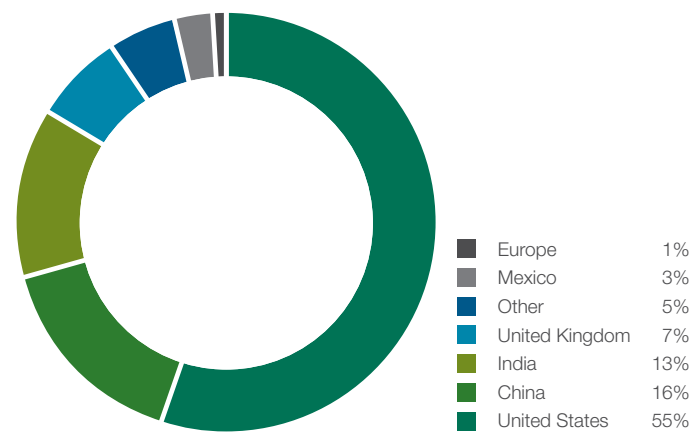
Total GHG emissions
in thousands of metric tons CO₂e



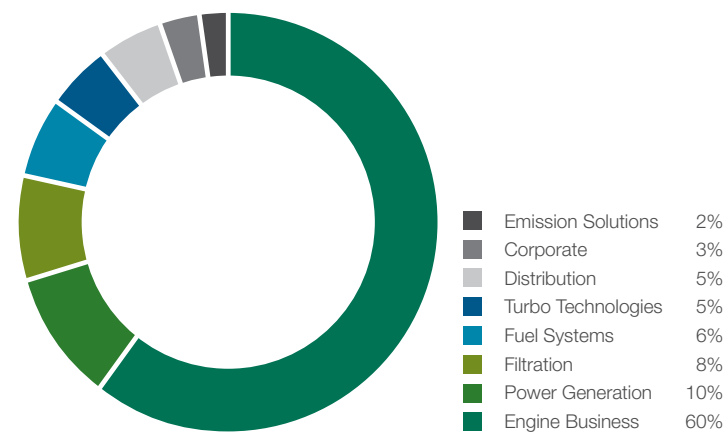
U.S. and Non-U.S. GHG emissions
in thousands of metric tons CO₂e

		2007	2008	2009	2010	2011
DIRECT	U.S.	282	295	128	128	126
	Non-U.S.	87	98	82	95	95
INDIRECT	U.S.	348	328	291	308	302
	Non-U.S.	122	108	104	125	132

Cummins GHG emissions by country



Cummins GHG emissions by business



AUDITOR CERTIFICATION PROGRAM

Environmental goals are measured through a structured audit process. A third party auditor, Bureau Veritas Certification (BVC), certifies our enterprise system and the data we collect. Cummins supplements the audit sampling conducted by BVC by conducting annual audits using internally trained HSE auditors. Every site is audited on an annual basis.

Since the launch of our internal auditor certification program in 2006, we have trained more than 100 persons and certified more than 45 HSE leaders as certified HSE auditors. This structured audit program validates performance and provides a mechanism for sites to share best practices. Through these practices, Cummins is not only improving sites – it is building our next generation of HSE leaders.

HEALTH, SAFETY AND ENVIRONMENT AWARDS

In 2005, Cummins created the Health, Safety and Environment Awards to recognize employees and sites that excel in the commitment to world class performance and environmental stewardship.

Winners of the 2011 awards presented their projects to the Cummins Board of Directors and participated in an exhibition that provided an opportunity for others in the Company to familiarize themselves with these best practices.

In 2011, a record number of projects vied for environmental awards. In the energy efficiency category alone, Cummins had 27 projects compete for an award. The growing number and quality of the projects demonstrates that Cummins' employees embrace and celebrate environmental stewardship.

GREEN BUILDING IS FORWARD LOOKING

Cummins new facility in Izmir, Turkey incorporates many of the green features now specified as standard in Cummins new construction, such as rain water harvesting, skylights and motion sensors to control lighting.

The facility, which opened earlier this year and will initially be home to employees of Cummins Generator Technologies and Cummins Filtration, was designed with expansion in mind. The infrastructure for future efficiency (compressed air and building management system) is modular and expandable so any future addition will not require an investment in base infrastructure.



Let the sun shine in!

For the first time, Cummins facilities in 2011 were powered in part by solar energy.

As of May 2012, five solar arrays, or groups of solar panels, had been installed at Cummins' facilities around the world, capable of generating up to 230 kilowatts (kW) of power. They replaced carbon-based sources of energy.

While still modest compared to the Company's use of other sources of electricity, these solar arrays have energized Cummins' exploration of solar energy as one way to help shrink the Company's carbon footprint.

"We have set aggressive targets for further greenhouse gas reductions," said Mark Dhennin, Cummins' Director of Energy Efficiency for the Corporate Environmental Management Group. "That's why investing in renewable technologies such as solar is so important to shrinking our carbon footprint."

Cummins Turbo Technologies in Huddersfield, U.K. led the way in 2011, followed a few months later by installations at two Cummins Power Generation facilities in Minnesota.

An engine plant in Daventry, U.K. and a Cummins Generator Technologies plant in Stamford, U.K. complete the list of facilities now using energy from the sun in a significant way for their operations.

Attractive tax, rebate and feed-in-tariff incentives (which require utilities to pay a set price for power generated by private solar installations), combined with the financial and project-management support from the Cummins Energy Efficiency Team, led to the solar panel projects at these locations.

Collectively, the five main solar arrays are saving the Company about \$32,000 per year while reducing carbon dioxide by about 120 metric tons annually.

Dhennin says solar power remains relatively expensive compared to other sources of energy and its use is largely driven by government incentives and utility rebates. But these larger demonstration projects show solar can play an important role in the Company's overall climate protection efforts.

Crews install the last solar panel on the roof of Office Block 1 in Huddersfield, U.K. The solar array was the first application on a large scale.



Silence is music to neighbor's ears

There was no brass band or wild applause when the doors to Cummins' Acoustical Testing Center (ATC) first swung open to the public in the fall of 2011. Instead, visitors were greeted by silence.

Silence is precisely the point of the Company's new sound-testing facility in Fridley, Minn., built next to the Cummins Power Generation plant. With its curved roof and sound-absorbing acoustical wedges lining the walls and ceiling, the distinctive-looking center is the largest facility of its kind in the industry.



With its curved roof and sound-absorbing acoustical wedges, Cummins Acoustical Testing Center in Fridley, Minn. is the largest facility of its kind in the industry.

The facility is expected to significantly change how Cummins does its sound testing. By working in a controlled, indoor environment, unwanted noise is eliminated, leaving just the sound from the generator itself to be precisely measured.

Noise is an environmental issue that is becoming increasingly important as customers and government regulators demand quieter power systems.

In the United States, the first federal law regarding noise control was enacted in 1972, though noise is regulated at the local level today. The European Union has specific noise limits through a 2002 directive, and a recent report to the European Parliament and Council called environmental noise a "significant environmental problem across the EU" due to its health impact.

"Noise really is an emission because it influences the environment in which people live," said Martin Myers, Cummins Director of Global Applied Technology and the primary user of the new facility, which opened in October of 2011.

He says the new building is also making the surrounding neighborhood a quieter place.

"We really want to be a good neighbor," Myers said. "By constructing this building, by putting the investment in, we are no longer affecting our neighbors when we are running generator tests."



The black, red and white wedges that line the center's interior chamber are filled with sound-absorbing insulation material and enclosed in a perforated metal shell. The ceiling is curved to allow sound to dissipate rather than be reflected as it does off flat surfaces.

The testing center also allows for greater opportunities in research and development. Pinpointing the sources of noise in a generator helps Cummins Power Generation design quieter products.

The facility was built in accordance with Leadership in Energy and Environmental Design (LEED) guidelines for green building design. The heating system is 82 percent efficient and electrical consumption is less than the LEED requirement.

More than three-quarters of the construction materials have been recycled or salvaged. The building materials include recycled or partially recycled metal paneling, fly ash concrete and locally sourced materials such as steel made from ore mined in northern Minnesota.

In addition, the center was built on a site that qualifies as a brownfield redevelopment by the U.S. Green Building Council. Brownfields are land previously used for industrial purposes that can be difficult to redevelop. The U.S. Environmental Protection Agency promotes cleaning up brownfields and finding new uses for them.

The interior of the center uses wedges filled with sound absorbing material to control sound so engineers can pinpoint sounds and develop quieter generators.

ENVIRONMENTAL STEWARDSHIP // PARTNERSHIPS

Cummins demonstrates good environmental stewardship through our products, practices and our partnerships. Here's a look at our activity in all three areas:

Partnerships and policy

Cummins' partnerships have helped the Company meet its product and emissions goals and use energy more efficiently. Our policy advocacy has helped bring environmental solutions to the marketplace.

GLOBAL ENERGY POLICY

Four of the Company's 10 environmental sustainability principles focus on partnerships with legislative and regulatory entities to develop sound public policy to reduce our impact on the environment. They are:

- » Help develop responsible regulations.
- » Promote technology development.
- » Advocate for incentives to accelerate progress.
- » Support a balanced global approach.

The principles were put into action during the development of the first-ever greenhouse gas (GHG) and fuel efficiency standards for heavy-duty and medium-duty vehicles in the United States. Cummins was very active in the development of the rule for more than four years – forming a stakeholder group with other companies in the industry, writing a regulatory framework

white paper, supporting the rule publicly when it was proposed in October 2010 and providing extensive feedback during the comment period.

Rich Freeland, Cummins' Vice President and President – Engine Business, joined other industry representatives in meeting with U.S. President Barack Obama as he announced the final rule on Aug. 9, 2011. The rule is projected to reduce GHG emissions for trucks and buses built between 2014 and 2018 by approximately 270 million metric tons. The resulting reduced fuel usage will lead to \$42 billion in net savings for vehicle owners when considering technology costs.

Consistent with Cummins' principle to develop clean, efficient products, the Company also announced on the same day that its on-highway engines would meet the new standards one year early, in 2013.

Cummins' environmental sustainability principles shape the Company's actions not only in the United States, but around the world. Cummins participates in the Global Commercial Vehicle industry forum, a group comprised of European, North American and Japanese manufacturers of heavy-duty vehicles and engines. At the group's ninth meeting in Tokyo in late 2011, topics such as regulatory harmonization, GHG reductions and fuel efficiency improvements were at the forefront of the discussion.

Cummins is also becoming more involved in GHG and fuel efficiency regulatory development in Europe, China and other regions of the world. In fact, Cummins has dedicated resources to focus specifically on the policies involving GHG and fuel efficiency regulations for our products around the world.

This will help us better coordinate the Company's global activities in developing responsible regulations that promote technologies for more efficient products with lower GHG emissions in diesel engines and related technologies.

U.S. DEPARTMENT OF ENERGY

Cummins has long worked in partnership with the U.S. Department of Energy (DOE) to develop advances in energy efficiency. Previous Cummins programs funded by the DOE have led to both evolutionary and breakthrough technologies and analytical approaches, speeding up the time for the commercialization of vehicles powered by advanced combustion engines.

The Company received a \$54 million grant from the DOE in 2010 for two projects it is currently working on to improve fuel efficiency in heavy-duty and light-duty vehicles. The DOE's heavy-duty program – SuperTruck – is featured earlier in this report (page 14).

Energy efficiency represents an enormous opportunity to cut costs and greenhouse gas emissions. Buildings consume 70 percent of the electricity in the United States and emit more than a third of greenhouse gases.

Engine Business President Rich Freeland talks with reporters on the White House lawn in 2011 after the finalization of the GHG / fuel efficiency standards for commercial vehicles.



Collaborating with customers for better performance

Since 2004, Cummins has collaborated with its end user truck fleet customers on 74 customer-focused Six Sigma projects, which saved 55 million gallons of fuel and avoided 558,000 tons of CO₂ emissions. That's equivalent to taking 99,000 cars off the road. Here are a few other ways the Company engages our customers to improve performance.



FUEL ECONOMY REFERENCE LIBRARY TOOLS

Customers can access information describing the best fuel economy configuration for electronic parameters, transmission, tires and other factors.

FLEET MANAGEMENT

Fleet managers can analyze engine data for variations between drivers or trucks, looking for trends that can aid driver coaching.

GREATER FUEL ECONOMY: DRIVER ASSISTANCE

Road Speed Governors and Cruise Control limit maximum speed, saving fuel. Smart Torque minimizes the down shifts required to maintain speed.

GREATER FUEL ECONOMY: ENGINE FINE-TUNING

Greater fuel economy through vehicle specifications, calibration and hardware. Cummins can also help with powertrain integration and accessory management.

POWERSPEC

Helps customers specify the correct vehicle and electronic parameters using inputs such as vehicle weight and engine type to determine proper axle and transmission configuration.

After achieving significant energy efficiency and GHG reductions over the last six years, Cummins raised the bar on its efforts by becoming a partner in the energy department's Better Buildings, Better Plants Challenge.

As a Challenge Partner, Cummins has committed to reduce energy use by at least 25 percent adjusted for sales from 2005-2015, to complete a larger-scale energy efficiency project, and report details on energy use and progress. The Challenge provides a forum to both share our knowledge and learn from fellow partners that can encourage other companies to pursue energy efficiency actions.

The Company's plant in Rocky Mount, N.C. is part of the DOE's Superior Energy Performance demonstration project. Demonstration support teams are working with the facilities to implement energy management systems that conform to the ISO 50001 international standard and to measure and verify the resulting energy performance improvement. Facilities receive energy management training and resources to prepare for Superior Energy Performance (SEP) certification.

GOVERNMENT RELATIONS

Our government relations office continues to advocate for products and technologies globally that benefit the environment. These include fuel efficient generators for military applications, combined heat and power systems and distributed generation and natural gas engines.

Cummins is active in efforts to remove barriers to remanufacturing and remanufactured goods globally.

The Company is leading a coalition whose aim is to secure continued funding for the Diesel Emissions Reduction Act (DERA) to either rebuild or replace diesel-powered vehicle engines to meet more stringent emission standards or install emission reduction systems.

SCIENCE AND TECHNOLOGY ADVISORY COUNCIL

Cummins seeks advice from its Science and Technology Advisory Council in developing products to meet various standards, to reduce the Company's environmental footprint and to meet customer demands.

The 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 Council was restructured in 2010 to facilitate access to a broader group of international specialists and align their expertise with the specific topics being addressed by the Council at a particular time.

The permanent members are:

- » Chairman Dr. Gerald Wilson, former Dean of Engineering at the Massachusetts Institute of Technology.
- » Dr. Harold Brown, former U.S. Secretary of Defense and former President of the California Institute of Technology.

Other senior international scientists and engineers are invited to participate as advisors depending on the topic.

The Safety, Environment and Technology Committee of the Cummins Board of Directors also advises senior leaders

- and the technical leadership of Cummins regarding:
- » Environmental and technological strategies, compliance programs and major projects as they relate to the Company and its products.
 - » Public policy developments, strategies and positions taken by the Company with respect to safety, environmental and technological matters that significantly impact the Company or its products.
 - » Progress of strategic environmental programs and policies.

OTHER PARTNERSHIPS IN ENERGY EFFICIENCY, GREEN PRACTICES

Cummins has continued to partner with Duke Energy on many energy efficiency initiatives. The Company was named a “Power Partner” in 2009 and 2010 after it expanded an Energy Contract for Service pilot to upgrade plants with high efficiency lighting and smart sensors that Duke Energy owns and maintains.

The facilities pay for the energy service as provided – in this case lumens of light – and the cost of that service is less than

what it would cost if Cummins purchased and operated the more efficient lighting.

For three years, Cummins has supported the Environmental Defense Fund’s Climate Corps Fellows program. The Climate Corps is a summer fellowship program that places specially-trained MBA and MPA students in companies, cities and universities to build the business case for energy efficiency.

Since the program began in 2008, fellows have uncovered efficiencies in lighting, computer equipment and heating and cooling systems. Cummins’ Environmental Defense Fund fellows have worked on energy efficiency training and global building standards and scorecards.

In conjunction with the Massachusetts Institute of Technology, Cummins is studying how to use less energy in manufacturing and engine design. The collaboration with the Environmentally Benign Manufacturing Group aims to prepare a design for low energy manufacturing methodology.

This methodology will identify the embodied energy required both in the materials needed for production of an engine as well as the manufacturing process of the engine itself.

The team also will look at creating a tool for designers to be aware of how design decisions affect required energy.

The Indian Green Building Council (IGBC) of the Confederation of Indian Industry will take another step forward in advancing green practices in India as it broadens its focus from green buildings to green companies. Pradeep Barghava, Director, Cummins India Limited, and a national leader in green building practices, chaired the first Green Company Summit in June 2012.

The Summit is the culmination of nearly two years of work in which more than 100 professionals have been involved to create a “code” by which the totality of a Company’s efforts can be measured and quantified to achieve a composite rating.

The IGBC is looking beyond building, energy, water, waste management, and including factors such as green supply chain, product stewardship and life-cycle assessments of products in its rating.

SUSTAINABILITY REPORTING

Cummins takes a number of steps to report its environmental information to the public and work with other companies to share best practices.

For the past seven years, the Company has participated in the Carbon Disclosure Project (CDP), an institutional investor consortium that seeks to encourage greater public environmental reporting among companies.

CDP asks companies to provide details on their carbon emissions, their responses to the impact of climate change on their markets and regulatory environment, their uses of energy and planning for the future.

PRODUCT WEBSITES

Some Cummins business units are also releasing more environmental information about their products and practices. Power Generation’s newly updated environmental sustainability website brings together news and information from across the business about its varied products, services, projects, and more.

The URL is <http://www.cumminspowerdocs.com/climate/climate-landing.html>

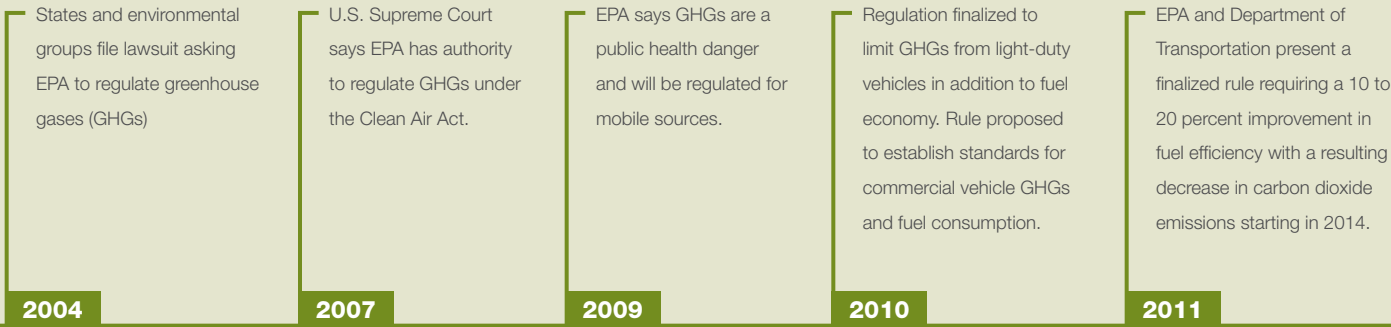
Cummins also has a website for upcoming Euro 6 diesel engine emissions standards in Europe. Euro 6 is very similar to the U.S. Environmental Protection Agency standards for 2010 in lowering particulate matter and nitrogen oxides to near-zero levels.

The URL is www.cumminseuro6.com

In addition, Cummins is a member of the Business Roundtable’s S.E.E. Change (Society, Environment and Economy) initiative, which encourages member companies to lead by example and adopt business strategies and projects that measurably improve society, the environment and the economy. Cummins has been a regular contributor to the Roundtable’s annual sustainability report, including the 2012 report “Create, Grow, Sustain.” The report is available at businessroundtable.org/studies-and-reports/create-grow-sustain.

Cummins also is a member of the Business Environmental Leadership Council of the Center for Climate and Energy Solutions and sits on the President’s Council of Resources for the Future.

KEY MOMENTS IN U.S. GREENHOUSE GAS REGULATION



A family affair

Growing up, Gayatri Adi loved watching her father fix things around their home in Pune, India.

"I used to repair little things and Gayatri would watch me," Hemant Adi remembers. "She always wanted to know how things worked."

Little did father and daughter know those moments would lead Gayatri on a journey thousands of miles from home to the middle of the United States.

Gayatri Adi is the first graduate from the Cummins College of Engineering for Women (CCEW) in Pune to get her PhD at Purdue University in West Lafayette, Ind. through a partnership established by Cummins, Purdue and CCEW.

Gayatri will start work in June for Cummins' Advanced Engine Controls Team in

Columbus, Ind. She will be following in her father's footsteps, working for the same company where he has been a mechanical engineer for more than 30 years.

"It is a little surprising that I'm going to be working in the same company as dad because when I was an undergraduate, I was studying instrumentation and control engineering so my focus wasn't really on engines," Gayatri says.

"But after coming to Purdue I found out that control theory can be used for very interesting applications related to engines and that's how I ended up working in the same field as my dad."

The diesel engine laboratory at Purdue University became a second home for Gayatri Adi. She is the first graduate of the Cummins College of Engineering for Women in Pune, India to get her PhD at Purdue in West Lafayette, Ind.



"I was sure she would not just follow my footsteps into engineering, but would surpass me."

HEMANT ADI
GAYATRI'S FATHER

Hemant Adi says he was not surprised his daughter became an engineer. Her older sister, Ketaki, got her undergraduate degree in electronics and telecommunications engineering in India and has a master's in computer science from the University of Texas – Dallas.

"I was sure she would not just follow my footsteps into engineering," he said of Gayatri, "but would surpass me."

It didn't take long during an interview earlier this year to see that Gayatri Adi was at home around the six-cylinder diesel engine she worked on in Associate Professor Greg Shaver's laboratory at Purdue. For much of the past five years, she spent between eight and 10 hours a day in the lab, five or more days a week.

Gayatri's research for her doctorate focused on the use of electronic controls to enable an engine to detect the percentage of biofuel being used and how the engine could most efficiently work with it. Such controls could be critical with the use of fuels made from renewable sources like corn, soybeans, sugar cane, algae and even waste cooking oil.

While Gayatri doesn't see herself as a trailblazer, her success is a significant milestone for Cummins College of Engineering for Women. Established in 1991 with a grant from the Cummins India Foundation, the college has given more

than 4,000 women in India the opportunity to pursue careers in the male-dominated world of engineering.

Since 2003, Cummins, CCEW and Purdue have been working together to provide CCEW graduates the opportunity to apply to continue their studies in West Lafayette. Twenty-five college graduates have gone on to become Cummins Fellows at Purdue, receiving financial support through the Cummins India Foundation for one year until they joined a professor's research team to pursue their master's.

Gayatri said the fellowship was critical because unlike many graduate students she didn't have to worry about funding for her first year at Purdue. She had the luxury to look for a project that aligned with her interests, ultimately joining Shaver's team.

Members of the partnership say they continue to be pleased with the way the initiative is working.

"It is an honor to see the program that (Cummins Vice President and Chief Technical Officer) John Wall and I started continue to thrive including graduating Dr. Adi this year," said Jay P. Gore, founding and former director of the Energy Center in Purdue's Discovery Park and the Reilly University Chair Professor of Mechanical Engineering.

"Gayatri has worked hard," he added, "and always with a smile."

Energy savings from the earth's core to the shop floor

Combine the talents of a self-described “eco-child” with a cost conscious facilities leader and an engaged and committed group of employees and you get Cummins Turbo Technologies (CTT) in Huddersfield, U.K., one of the Company’s leading facilities for energy conservation and other green practices.

Jennifer Hirst, an Energy Engineer at CTT Huddersfield, and Richard Keane, CTT’s Facilities Manager, are the leaders of Huddersfield’s energy conservation efforts. The facility has consistently ranked at the top of Cummins’ Energy Champions program since the initiative began in 2008.

Hirst and Keane are quick to give credit to the employees at Huddersfield. They say more than 70 percent of the energy conservation projects at the facility in recent years were suggested by workers on the shop floor.

“It’s been very gratifying to see ideas come from the bottom up and not from the top down,” Keane said.

Hirst, the self-described “eco-child,” agreed. “They’re the ones with the vision and approach,” she said.

But it’s also clear that Huddersfield benefits from Keane’s and Hirst’s dedication and passion for finding ways to use energy more wisely.

The facility is currently developing a geo-thermal system that draws energy from the earth to heat and cool a building on the campus that will provide training space.

Last year, CTT Huddersfield installed a large array of solar cells on the roof of the site’s Technical Center to supplement power for that facility (Hirst would love to see the tech center go totally “green” someday, producing enough energy to be taken off the grid).

And Huddersfield has consistently found new ways to build on the \$120,000 it saved during Cummins’ first Unplugged Energy Challenge, an effort launched in 2008 to reduce power consumption during holiday shutdowns.

“Richard was leading energy efficiency programs with CTT before the Energy Champions program was created,” said Mark Dhennin, Cummins Director of Energy Efficiency. “He’s been a tremendous advocate for energy efficiency.”



Richard Keane

Dhennin says Hirst has had a remarkable impact in just the three years she’s been with Cummins.

“In a relatively short time she’s played a major role in implementing some really important projects for us,” he said.

Keane says he came to energy conservation from the perspective of a plant leader looking to control costs. He said the focus was on getting “turbos out the door” when he arrived at Huddersfield in 2007. Energy conservation took something of a backseat.

He attributes the facility’s success to best practice sharing through the Energy Champions program that showed energy efficiency doesn’t have to come at the expense of production. And he believes the gains realized so far are just the beginning.

“One of the striking things I get to see is what is happening at other sites,” Keane said. “I think we do some very good work and Jennifer is very dedicated but there is excellent work being done all over Cummins.”

Hirst says she believes communication has been crucial to getting employees involved at Huddersfield. “We’re delivering things in a way that people understand— no jargon.”

The facility has electronic signs that track power consumption so everyone can see how the Huddersfield campus is doing on their energy conservation goals. In addition, the facility sponsors educational programming designed to raise awareness.

Huddersfield is demonstrating how environmentally sensitive a plant can be when you have clear goals, leaders with the right skills and dedicated employees.

Energy Engineer Jennifer Hirst stands next to the solar cells installed in 2011 at the Technical Center on campus.



Vocational education: changing lives, strengthening communities

Mike Pritchard knows first-hand the value of vocational education. Growing up in a working-class neighborhood in London's East End, he entered a technical education and apprenticeship program at 16, figuring he'd follow in the footsteps of his father and uncle who worked at an automobile factory in Essex.

Today, Pritchard is the Director General at the Cummins Filtration Plant in San Luis Potosí, Mexico, leading an operation that produces 100,000 filters a day. His career has taken him to Germany, Spain, Australia, the United States, China and now Mexico, where he's working with a local technical college to develop a vocational education program like the one where he started.

"A solid technical education can be the foundation for building a better life," said Pritchard, who joined Cummins in 1993. "Not only is it important for companies like Cummins who need workers with these skills, it can change lives."

From Xiangyang, China and Phaltan, India to Rocky Mount, North Carolina, and Jamestown, N.Y., Cummins leaders have been engaged in improving education, from early childhood instruction through university post-graduate programs.

Many are focusing on the critical need for strong technical and vocational education programs to help prepare the workforce for

the 21st century. Vocational education can provide portable skills that lead to high-paying jobs and ultimately stronger communities, consistent with Cummins' value "to serve and improve the communities in which we live."

To support these leaders, their communities and others like them, the Company and The Cummins Foundation are partnering to start a vocational education initiative in 2012, developing new programs and working with existing ones around the world to find approaches that will achieve positive results.

"The evidence shows that the lack of employable skills can be a barrier to success for many individuals and for the communities in which they live," said Jean Blackwell, Executive Vice President – Corporate Responsibility and CEO of The Cummins Foundation. "Solid technical training gives individuals a pathway to well-paying jobs and it creates a stable employment base for our communities."



A GLOBAL PROBLEM

A recent report by the World Economic Forum estimates that 10 million manufacturing jobs worldwide cannot be filled today due to skills gaps.

The lack of effective technical and vocational training programs is a critical concern at Cummins as it is for many manufacturers. A recent Company study estimates that Cummins will need 37 percent more technical workers in the next three years, including service technicians, diesel mechanics, shop floor workers and more.

Cummins' plant leaders saw early on the potential for pairing their resource needs with the needs of their communities. Ken Anderson, Plant Manager at the Rocky Mount Engine Plant in Rocky Mount, N.C., has been working with area businesses through the local Chamber of Commerce to bring together high schools and community colleges in the region to improve vocational programs.

In addition to Anderson's coalition building, three community colleges in 2011 received diesel engines made at the plant so their students would have the latest equipment to work on.

"Education is essential to our strategy of sustainable improvement where we do business and in the communities where we live and work," said Anderson, who will become Cummins Emission Solutions Global Supply Chain Leader in August 2012. "And it's part of educating and empowering the workforce of the future and creating the capacity for economic development in the community. In that way, Cummins' involvement is part of our being responsible citizens."

Thousands of miles away in Xiangyang, China, leaders of the Dongfeng Cummins Engine Company (DCEC) saw the same potential. The joint venture worked with local government and education officials to start a vocational education program to help teenagers in the Danjiangkou region.

Vocational education students and instructor Jeff Cook (far left) gather around a Cummins engine produced at the Rocky Mount Engine Plant and donated to Nash Community College in Rocky Mount, N.C. The engine allows students to learn on the latest equipment. Cummins leaders have worked to build a coalition in Rocky Mount to improve vocational education.

Two students train at the Industrial Training Institute in Phaltan, India, about a 20-minute drive from Cummins' Megasite, a 300-acre campus that will be home to 10 Cummins facilities by 2014. Cummins India leaders are actively engaged in the school to help strengthen communities near the Megasite and develop the talent Cummins and other companies in the area need.

Many rural teens were sent to the city to find work after a water diversion project displaced a number of families in the region.

"This project is a breakthrough in two aspects," said Wang Ning, Deputy General Manager of DCEC, who is in charge of the initiative.

"Firstly, it is a vocational education program, which aims at solving the most urgent needs of the migrant families," he said. "Secondly, DCEC has leveraged its multiple resources to assist the families, including financial resources, training and job opportunities, to ensure a satisfactory outcome."

The program also helps the joint venture, which is providing teachers and other support.

"Through the vocational school, we believe we can cultivate highly skilled personnel who will meet the development requirements of DCEC," Wang Ning said.

LEARNING LABORATORIES

With its history of involvement in wide-ranging educational endeavors, its global reach, its expertise in skilled manufacturing and product services, Cummins is uniquely positioned to help address the technical skills gap.

In 2011, the Company launched a global initiative, sponsored by Chairman and CEO Tom Linebarger, to expand vocational education and address the shortage of skilled workers. To better understand the problem and to identify an appropriate response, the project team started by conducting numerous interviews in and outside the Company using Six Sigma process improvement tools. The team then formulated a strategy based on its findings.

Now, Cummins and The Cummins Foundation have launched TEC: Technical Education for Communities, an initiative to develop and grow an effective global technical education program.

The Company is currently working to identify at least six locations to serve as learning laboratories. Among the early implementation sites will be the Dongfeng-owned trade school in China as well as training sites in Phaltan, India and Casablanca, Morocco. Cummins will provide expertise and resources to these programs.

Going forward, project leaders will test a variety of approaches, identify best practices, and benchmark progress prior to recommending a global strategy for community technical education. The goal is to develop students with the skill sets to work at Cummins or wherever their interests might take them.

There are many challenges to surmount. In many countries, vocational education has a stigma and the curriculum often isn't connected to the needs of the labor market.

The TEC program will be sensitive to the market conditions, business needs and culture of each site. The training program in Phaltan, India, for example, is unique in that it is located in a rural part of the country experiencing an influx of manufacturing operations.

The Industrial Training Institute (ITI) is a 20-minute drive from Cummins' Megasite in India, a 300-acre campus that will be home to 10 Cummins' facilities by 2014. Leaders from Cummins India are taking an active role, serving on the vocational school's Management Committee along with other regional industry partners.

THE END RESULT

Talk to the students at the Industrial Training Institute and it quickly becomes clear what a transformative role vocational education programs can play in the lives of communities.

Reshma Karand, 16, says she enrolled at the Institute because she realizes that her options are limited unless she finds employment. Many teenage girls who live in rural villages like Nandal, India, find marriage is the more traditional alternative – Reshma has other plans.

"I am hoping that some industry may provide an apprenticeship to me which will help me get practical knowledge," she said. "With good teachers providing holistic knowledge – both theory and practical – I will be better positioned to get a good job."

Reshma and her friends, Sandya Maji Guidagad and Swati Abaji Guldagad, are among 45 girls who enrolled in ITI after they finished their 10th year of schooling.

First, they will complete a year at the institute working toward a general trade certificate. A six-month apprenticeship program follows at one of the area's manufacturing firms.

The inspiration to enroll came from female role models they met who worked at Cummins.

"I have seen girls employed in Cummins and they visited our school to inspire us to join the vocational stream," said Sandya Maji Guidagad.

"Technical jobs are not only for boys," she said. "We girls can also perform equally well."

ABOUT THE COVER

Zhao Yan is the Technical Project Leader at Cummins Turbo Technologies in Wuxi, China. He also helps teach a vocational education program Cummins is supporting at an institute of technology in the city.

He says vocational education is good for students, good for Cummins and good for communities, too.

"Our hope is students, the community and Cummins will benefit from the program," he said during an interview in early 2012 after meeting with about a dozen students to discuss the workings of a turbocharger.

"We hope through this program, we will give students a better understanding of real world technology and the needed skills (in manufacturing)," he added. "After that, we hope the students will pursue careers (in manufacturing) and we hope some of them will join Cummins."



CORPORATE RESPONSIBILITY

Living our corporate responsibility value takes many forms in 2011–2012

Employees invested thousands of hours in community involvement projects in 2011, living the Company's corporate responsibility value to “serve and improve the communities in which we live.”

HIGHLIGHTS

- » Company to establish learning laboratories around the world on vocational education.
- » Record participation in 2011 Environmental Challenge.
- » United Way program enjoys record year.

Nearly 16,500 employees worked 130,774 hours on community projects in 2011 as part of Cummins' Every Employee Every Community (EEEC) program.

Under the EEEC program, the Company pays for employees to work on community projects for at least four hours per year. Employees can work more on company time with the permission of their supervisor.

Most of that work is done through a network of more than 200 employee-led Community Involvement Teams across the globe. They tackled hundreds of projects over the course of the year, ranging from helping Habitat for Humanity build houses in Memphis, Tenn., to cleaning and painting a school in Darlington, U.K., to addressing dangerous traffic situations in Dewas, India.

The Company urges Community Involvement Teams to focus their efforts on one of three subject areas

that Cummins believes it can particularly make a difference:

- » Education
- » The environment
- » Social justice / equal opportunity

ENVIRONMENTAL CHALLENGE

The Company has made a special effort to encourage projects in its newest focus area, the environment. In 2011, Cummins held its third Environmental Challenge to encourage Community Involvement Teams to leverage the Company's environmental expertise to address community concerns (page 61).

The teams competed to be one of 15 to win \$10,000 grants from The Cummins Foundation that they could then give to the charitable partner of their choice. The competition drew a record 140 entries from 21 countries, up from 86 entries from 13 countries in 2010.



Cummins employees at the Corporate Office Building in Columbus, Ind. throw paper airplanes at a target as part of a United Way fundraiser.

The winning projects ranged from an effort to save an Indiana school district millions on its utility bills to a project in Chongqing, China that used a Cummins generator running on landfill gas to generate electricity.

UNITED WAY

Cummins employees across the Company pledged a record \$2.5 million to the United Way in 2011, with workers in Rocky Mount, N.C. leading the way in employee participation for a second consecutive year.

Ninety percent of the employees at the Rocky Mount Engine Plant participated in the United Way pledge drive in 2011, followed by 80 percent of the employees at Cummins' facilities in Nashville, Tenn. and 79 percent of the employees in El Paso, Texas.

“We simply have employees who care about people and those who are less fortunate,” said Gloria Hicks, Community Relations Manager for Cummins at Rocky Mount. “The United Way helps so many people – the homeless, the abused, the elderly and youth. And the United Way addresses social justice issues, too.”

Overall, Cummins employees in North America pledged an additional \$400,000

in 2011 – a nearly 20 percent increase over the \$2.1 million pledged in 2010. United Way participation at Cummins is primarily in North America.

During the 2011 campaign, 56 percent of the eligible Cummins population pledged to give to United Way. Employees have the option to steer their giving to a variety of organizations doing critical work in communities.

All participants have the added satisfaction of knowing their investments will double, due to a dollar-for-dollar matching gift by The Cummins Foundation to their local United Ways. That match resulted in a \$5 million impact to our communities in 2011.

The matching gift program was expanded outside the United States in 2011. Local matching gift programs were started in India, China and the Asia-Pacific region through The Cummins Foundation and the Cummins India Foundation.

Through these programs, Cummins employees are able to pledge their support to organizations that support their local communities.

SPECIAL PARTNERSHIPS / PHILANTHROPY

Cummins continued in 2011-2012 to financially support several special partnerships addressing a range of concerns.

The Minneapolis-based Courage Center, for example, helps those with brain and spinal cord injuries and developmental disabilities. Cummins employees in Fridley, Minn. have long volunteered their time to adapt toys and household devices for the center's patients.

LEFT The Cummins College of Engineering for Women, one of the Company's significant partnerships, graduated its first group of 65 female students with Mechanical Engineering degrees in 2011.

RIGHT Tracy Embree, Vice President and President – Cummins Turbo Technologies (CTT), visits the Cummins Library at the Wuxi Hudai Center Primary School in 2011. Embree and the CTT's Community Involvement Team donated 500 books to the school. Embree was General Manager – Asia for CTT then.

The Cummins College of Engineering in Pune and Nagpur, India, educates women who have been under-represented in the field of engineering.

From its campus in Costa Rica, EARTH University teaches sustainable agriculture and entrepreneurship to students who might never have afforded college.

Cummins is able to financially support these and other initiatives through its businesses as well as The Cummins Foundation (page 73) and its related foundations, such as the Cummins India Foundation.

In 2011, Cummins invested more than \$37 million in its corporate responsibility efforts, including \$26 million to The Foundation, one of the oldest corporate foundations in the United States.

But donating money has always been a relatively small part of the Company's Corporate Responsibility program.

"I've always believed that Corporate Responsibility is only effective if as a company we add something to it; if we add our skills, if we add our passion, if it furthers our strategic goals," said Jean Blackwell, Cummins Executive Vice President – Corporate Responsibility. "At Cummins, corporate responsibility is about much more than just money."



Challenge keeps growing in scope, impact

Cummins' Third Environmental Challenge in 2011 was bigger and better than ever, with more employees accomplishing a bigger reduction in greenhouse gases (GHGs) than ever before.

The competition among the Company's employee-led Community Involvement Teams (CITs) for the best environmental projects drew 140 entries from 21 countries compared with 86 entries from 13 countries in 2010.

And the 2011 Challenge eliminated an estimated 3,600 tons of GHGs, up from 809 tons in 2010. Fifteen projects received \$10,000 grants payable to the charitable groups chosen by the winning CITs. Here's a look at five projects that received special recognition:

AWARD
WINNER

BEST ENVIRONMENTAL IMPACT

TACKLING PUNE'S GARBAGE PROBLEM

Pune, India

Part of Cummins' Mission is to "demand that everything we do leads to a cleaner, healthier, safer environment." An Environmental Challenge Project in Pune, India is making a big difference in all three ways.

The city of 4 million people produces a lot of garbage – as much as 1,000 tons of trash or more per day. Much of that waste is taken to a makeshift landfill where vultures, pigs and stray dogs are known to scavenge. Flies, cockroaches and rodents add to the misery. And the garbage can create an unbearable stench.



The problem is compounded by the fact that two villages border the 55-acre landfill. Residents regularly protest by blocking the trucks bringing garbage into their communities.

Disadvantaged residents got jobs sorting the wet waste from the dry waste as part of the project, helping them to better support their families.



Children hold up some of the promotional material urging residents to separate dry waste from wet waste.

Cummins India partnered with Janwani, an initiative to improve the quality of life in Pune, to implement a trial program to significantly reduce the amount of waste that ends up in the landfill.

The “Zero Garbage” project is taking place in one ward of the city but officials hope it might be a model for the rest of the city – and the country, too.

Cummins purchased sorting bins for the 11,000 households and businesses in the ward. Then, more than 600 Cummins employees canvassed the area, urging residents through everything from door-to-door meetings to puppet shows to separate their wet and dry waste into two containers.

The wet waste is collected and placed in air-tight containers, creating methane gas that is used to run power generators that provide light for the community. Pulling out the biodegradable waste has reduced the amount of trash trucked to the landfill by nearly 8,000 pounds a day.

The program is also building a stronger community by producing jobs for disadvantaged residents who formerly picked through trash for items they could sell. The program provides them with gloves and equipment to pick up the separated trash from households and businesses, which pay them for the service.

In addition, they are able to get income from selling scrap and other recyclables.

“The deliverables on this project, all of the outcomes, have significantly exceeded our expectations,” said Raj Menon, who was Chief Operating Officer of Cummins India during much of the project. In May 2012, he was named Cummins’ Executive Managing Director – North America and Central America (NACA) Distribution Business.

There’s still a long way before Pune’s garbage problem is solved. But it’s clear the Zero Garbage initiative is providing hope in the city for a cleaner, healthier and safer future.

AWARD WINNER

BEST CONTINUATION OF A PROJECT

FRIDLEY GARDEN KEEPS ON GIVING

Fridley, Minn.

Where one seed is planted, the harvest can be plentiful.

One year after a Community Giving Garden was installed next to the Cummins Power Generation Plant in Fridley, Minn., the initiative using straw bale gardening has spread to other Cummins sites and several community partner locations as well.

“The impacts of the Giving Garden are many, and they keep growing,” said Project Management Analyst Melissa King. Her 2010 Community Impact Six Sigma Project identified a need in the community for fresh produce – especially among low income residents. That led to the Fridley Giving Garden.

“From the straw-bale concept itself – which is a more sustainable alternative to traditional gardening – to the impact on employees and the recipients of the produce, it truly is a partnership that benefits the local community on so many levels,” she added. “We’re proud to watch it grow.”

Straw bales can be placed virtually anywhere as they do not require soil like a traditional in-ground garden. Employees volunteer their time to plant, harvest and donate the produce to local nonprofit organizations. Other benefits include:

- » Soil and water conservation
- » No pesticides and low fertilizer use, resulting in little or no water contamination
- » Composting of garden waste
- » A greatly reduced carbon footprint

The first year was a tremendous success and attracted a lot of attention throughout the Company. The strong interest in community gardening led to another Six Sigma project, this time led by Global Brand & Internal Communications Analyst Elena Grimm. She explored creating a standardized process and “garden toolkit.”

The resulting project guide is being distributed and used not only by other Cummins locations but outside the Company, too. Cummins’ Seymour, Ind. Engine Plant, for example, started a garden at a shelter and food pantry in that city and several Minneapolis-area corporations have started gardens as well.

AWARD WINNER

BEST NEW ENTRY

A SMALL BUT MIGHTY COMMUNITY INVOLVEMENT TEAM

Kenya and South Africa

Cummins Filtration has a small workforce of a few dozen people in Kenya and South Africa, but that didn’t stop the business from reaching out to help others in a big way.

Filtration’s Community Involvement Team (CIT) tackled an ambitious garden project that touched five institutions in three communities and two countries. In some cases, CIT members worked with business partners on the project to extend their reach.

LEFT Cummins Power Generation employees work on the straw bale gardening at a housing project for disadvantaged residents.

RIGHT Straw bale gardens conserve soil, water and fertilizer use and can reduce or eliminate the need for pesticides.





ABOVE Cummins employees in Africa started gardens for children's day care centers and senior citizen residences.

BELOW The Cummins Filtration Community Involvement Team may be small but it tackled a big garden project.

Led by Human Resources Manager Ashie Singh, the CIT worked with community partners in Johannesburg and Pietermaritzburg, South Africa and Nairobi, Kenya to establish vegetable gardens at five children's day care and senior living facilities.

Cummins employees worked alongside the beneficiaries of the gardens to plant the vegetables, erect fences and set up storm water collection systems to ensure the gardens could be watered during dry periods. Those systems are critical because water is frequently a scarce and expensive resource in Africa.

Singh says getting employees involved at all levels of the company early on was critical. It didn't take long for everyone to feel they had some ownership of the project.

The produce from each garden is helping to feed children and the elderly. As an additional benefit, any surplus produce is sold to generate income for the partner institutions.

Working with the children was particularly satisfying for Singh.

"Working with children is very exciting and fulfilling," she said. "When we teach good habits at an early age, we contribute to societies that are healthy and environmentally friendly.

"The vegetable gardens promote healthy and balanced diets and in many instances these day care centers can barely afford a balanced and nutritious diet," she added. "They would usually feed the children maize meal and canned beans or fish and often provide butternut. Seldom are green vegetables included, both because of availability and cost."

The centers benefitting from the gardens are grateful for the help.

"Particularly the spinach grows and grows," reported an official with Hotel Hope, a center for children in Johannesburg. "It is truly an investment that keeps on growing. Thank you so much for being a part of the Hotel Hope family."

AWARD
WINNER

BEST OPPORTUNITY
FOR REPLICATION

ENERGY DETECTIVES

Columbus, Ind.

Two years into its partnership with Cummins' employees, the Bartholomew Consolidated School Corporation (BCSC) in Columbus, Ind. accomplished what some thought impossible: produce major environmental benefits while saving money.

The school corporation worked with members of the Cummins Distribution Business Unit and students to significantly reduce energy waste. The project is now expected to save BCSC more than \$7 million over the next 10 years.

"BCSC is an extremely capable community partner that recognizes the importance of energy management," said Wes Wheeldon, a Master Black Belt in Six Sigma, the data-driven problem solving tool. He led the Cummins project team. "They were ready to make a difference and we were available to assist with data analysis and validating key inputs for a capable energy management program."

Students have played a important role in the initiative.

"The most effective way for us to improve and sustain energy and environmental activities was to get students involved," said Adam Ulrich, Principal of the Clifty Creek Elementary School where energy consumption was reduced 23 percent in the past year. "Our student based Green Team is now performing energy audits and promoting energy efficiency while also leading other key environmental efforts in recycling and planting. They have truly made a difference."

Providing lighting, heating and water for the daily activities of more than 10,000 students in Bartholomew County is no small task. Classrooms, swimming pools, science labs and football fields are just some of the places where schools consume large amounts of energy.

The team looked at energy use in multiple buildings and interviewed local facility users for a more in-depth understanding. They identified areas with excessive power usage and proposed ideas for better managing those facilities.

Based off the partnership's analysis, an energy efficiency proposal was made to the BCSC Board of Directors that included hiring a full-time energy manager to oversee the effort and the purchase of new, state-of-the-art energy software to more effectively implement improvements.

The school system's Board of Directors approved the plan. In the end, the major selling point was the benefit to both students and the environment. In addition to the financial savings, more than 2,000 tons of greenhouse gas will be reduced over the next 10 years.

Students on Clifty Creek Elementary School's Green Team worked with Cummins employees to look for ways their school in Columbus, Ind. could reduce its energy consumption.





BEST TECHNICAL PROJECT

RESHAPING RURAL INDIA

Pune, India

Besides being the preferred dinner for pandas, bamboo is the ecologically preferable source for high-end flooring, soft towels and now buildings stronger than steel.

Employees at Cummins Research and Technology India (CRTI) in Pune put their engineering skills to work so people in rural areas could have a lower cost alternative for building materials.

In India, 72 percent of the population lives in rural areas where steel is the most commonly used construction material. In order to provide a reliable and cost-effective alternative, the CRTI India Community Involvement Team (CIT), led by Rajesh Kale, turned to bamboo.

“Bamboo has a higher tensile strength-to-weight ratio than steel, is widely available across India, and is resistant to moisture and rotting,” Rajesh said. “Additionally, bamboo is one of the fastest-growing plants on earth.”

The CIT partnered with the foundation arm of a local pharmaceutical company, Dr. Reddy’s Foundation. The foundation has been working to improve the livelihoods of people living in rural areas by creating small poultry sheds made of bamboo and then training local carpenters on the process.

This effort stalled, however, when the foundation needed engineering expertise to increase the size and sophistication of the structures. Using analysis-led design and experimental testing, the CIT offered its engineering skills and launched a Community Impact Six Sigma project to develop bamboo structures that could replace steel structures, thus providing an eco-friendly and cost-effective option for rural, small-scale industries.

Bamboo wasn’t always easy for the team to work with. There are more than 200 species of bamboo in India alone. The diameter and thickness vary from one species to another, as well as within a single bamboo shoot. The structural properties also were not consistent, and no data existed around the creation of bamboo joints.

Despite these challenges, the team developed a modular design that required no on-site machining and was easy to transport to rural areas. This design led to a 65 percent cost reduction over steel structures and resulted in savings of 900 kg of CO₂ emissions per structure. Now, instead of only using bamboo to create small poultry sheds, it can be used to build homes, schools, greenhouses, grain storage units, fencing and more.

The team took the design to two already existing Corporate Responsibility initiatives around Cummins’ Megasite in Phaltan, India, where the structures are now in place: a school cafeteria at the ITI-Phaltan school and the cow and poultry sheds at the village of Nandal, part of the Megasite’s Model Village program.

OTHER 2011 ENVIRONMENTAL CHALLENGE WINNERS

LIGHT THE FUTURE *Chengdu, China*

This three-phased project raised awareness about energy efficiency and installed energy saving lighting in two communities.

ELIZABETHTOWN CLEANUP *Elizabethtown, Ind.*

This initiative revolved around a large scale cleanup of a small community facing many challenges. Volunteers collected 16 dumpsters containing 47 tons of trash and 90 tires for recycling.

LANDFILL ELECTRIFICATION *Chongqing, China*

Cummins engineers retrofitted a Cummins engine to run on landfill biogas to generate electricity for the community. The project decreased greenhouse gas emissions and provided a sustainable solution to growing energy demands.

LA BOUR PARK PROJECT *Elkhart, Ind.*

Cummins employees helped redevelop a Brownfield site so nearby residents could safely grow fruits and vegetables. The project included a picnic area and a walking trail.

GREEN SCHOOL PROJECT *Kent, United Kingdom*

This initiative worked with students from two local schools to develop a sustainable energy strategy to reduce their school’s environmental footprint.

PLASTIC BAG PROJECT *Pune, India*

Cummins India employees created a social enterprise that turns recycled newspapers into paper bags with the goal of ridding the community of plastic bags that litter roadways and landfills. Disabled residents from four community partners participated in the paper bag production.

PVC CAP RECYCLING *Janesville, Wis.*

Employees found a creative way to reuse PVC caps used at the plant. The project provided an employment opportunity for disabled residents, who sorted the PVC caps before they were returned to the plant.

REDUCING WATER POLLUTION DURING FESTIVAL TIME *Pune, India*

This initiative raised awareness and implemented eco-friendly alternatives to submerging statues during festival times. The project prevented 26 tons of waste, 3.2 tons of dry waste, and more than 18,000 idols from polluting a river.

SANS SOUCI RECYCLING *Columbus, Ind.*

Employees used their knowledge of effective work flow to improve the way a nonprofit processes donated items. The result was a significant reduction in waste.

TOX-AWAY DAY *Columbus, Ind.*

Cummins employees worked with local nonprofits and area business partners to sponsor a day when residents could safely dispose of household hazardous waste. More than 63 tons of waste was diverted from landfill and sewers.

UPDATE:**Power for Padarwadi, and beyond**

*The news is good from Padarwadi,
but there have been some difficult times, too.*



Cummins India employees donated the money they won in the Company's Environmental Challenge to build a permanent brick shelter for the generator in Padarwadi after wind and rain brought down the original building.

It's been more than two years since the tiny village in India, accessible only by foot, received a generator converted by engineers at Cummins India to run on oil from a local seed.

The generator powered a small mill to husk the rice that village residents grew so they didn't have to make hundreds of trips to the nearest town. That town is more than seven miles away round-trip, through mountainous terrain.

The project was honored in Cummins 2010 Environmental Challenge. The arduous journey with the heavy generator down a rocky mountain path was captured in a video that won first place in the Boston College Corporate Responsibility Film Festival the following year.

Unfortunately, just when things were going so well, Padarwadi was hit by heavy rains and wind that same year and the shelter that housed the generator was destroyed.

But that's not the end of this story. Cummins India employees decided to use the \$10,000 grant they won in the Company's Environmental Challenge to help the village build a permanent brick shelter.

The villagers in Padarwadi still trek into town today, but for a much different purpose. Thanks to the new generator, they are selling hulled rice, rick husks and oil and cake from harvesting and milling Pongomia seeds. The oil and can be used for medicinal purposes and the cake can be used as fertilizer.

This has resulted in significantly more revenue that's helping to improve the quality of life in the village.

Employees from Cummins' Distribution Business Unit have been maintaining the equipment at no cost to the village. To help sustain this work, Cummins India has been working with a local non-governmental organization (NGO) to teach the village residents to perform routine maintenance and minor repairs.

The NGO is also working with village leaders to establish a contingency fund to pay for repairs and replacement of the equipment and parts.

The International Energy Agency estimates that 1.4 billion people in the world lack access to electricity, 85 percent of whom live in rural areas like Padarwadi. This energy poverty is a significant impediment to achieving basic levels of education, health care, and economic wellbeing.

Hoping to build on the success achieved in Padarwadi, Cummins and The Cummins Foundation have partnered to create a global initiative on rural electrification. This initiative is seeking to leverage its resources, global presence, talents and values to help develop solutions to the energy poverty problem and attend to the needs of underserved rural communities.

Cummins is currently exploring partnering with innovative power producers that work with underserved, non-electrified rural communities in India and sub-Saharan Africa. The focus will be on identifying partners that share the goal of bringing power to these rural communities in a sustainable manner to develop economic opportunities for local communities.

Cummins may be able to assist its partners in technology validation, technical training, impact assessments, identification of income-generating opportunities, and access to financing.

RURAL ELECTRIFICATION: GUIDING PRINCIPLES**CUSTOMER FOCUS**

Any project is driven by the needs of the customer who is treated as a vested partner, actively involved and consulted throughout the process.

INCOME GENERATION

Electricity is used by the customer to generate income so as to increase economic wealth and living standards.

CAPACITY BUILDING

Necessary education and training will be provided to customers to ensure that electricity is used in a manner that is financially and environmentally responsible, and to create ownership of the project.

SUSTAINABILITY

Every reasonable effort should be taken to ensure that any project is sustained after Cummins exits; income-generation, customer focus and capacity building are key success factors.

LEARNING AND EMPLOYEE ENGAGEMENT

A project should provide meaningful opportunities for Cummins to validate and refine its rural electrification framework, gain knowledge that can be applied to the business and / or enable Company employees to utilize their knowledge and skills.

SCALABILITY

Projects should have potential for scalability where results achieved can be leveraged to replicate similar projects elsewhere.

The Company is technology neutral on rural electrification. Improving the quality of life for others through access to electricity is our objective and Cummins is open to all viable technologies that can help achieve that goal.



Putting our professional skills to work

Community involvement work at Cummins takes many forms, from cleanup work to tutoring and mentoring. But the best projects seem to involve Cummins employees using their professional skills to help others.

SANS SOUCI

Cummins Supply Chain employees used a \$20,000 grant from The Cummins Foundation to purchase dollies, tables, shelving and carts to help the store get organized and handle donations more efficiently.

Cummins' Supply Chain employees put their skills to work in 2011 to help a thrift store called Sans Souci in Columbus, Ind. that serves low-income residents in need of clothing and household goods at reasonable prices.

The store's name means "without worry" in French, but there was plenty of concern at Sans Souci. At certain times of the year, the donations of clothing and household goods would come in so fast that stacks of donations would extend nearly from floor to ceiling at the shop's warehouse.

"We would get hit with a lot of donations and we couldn't process them fast enough," said Sheryl Adams, executive director of the not-for-profit. "It was like a bottleneck at all times."

Mold would become a problem and frequently donations had to be tossed out before they could be processed for sale. That's when staff members from Cummins' Corporate Supply Chain group entered the picture.

They redesigned the flow of goods in and out of the shop. And with a nearly \$20,000 grant from The Cummins Foundation, they purchased dollies, tables, shelving and carts to help the store get organized and handle donations more efficiently.

"Our commitment to Sans Souci was to become a partner and bring some skills they might not have readily available," said JaneAnn Gifford, Director of Global Materials for the Supply Chain organization.



"They chose the warehouse as an area of focus and given that, we worked closely with them to re-layout the facility.

"That meant changing the flow of donations, and purchasing the right equipment to help them become more efficient," Gifford added. "We spent time with Sans Souci employees at the facility to understand their operations, resources and constraints."

By improving the way the material was sorted and stored, fewer articles of clothing got moldy. The organization also found it easier to separate recyclable material to keep it out of the waste stream.

The project reduced Sans Souci's landfill waste from 15 percent to 12 percent of total donations. The organization is now able to process donations more quickly and by reducing handling time employees can perform other important tasks.

The Corporate Supply Chain group is continuing to work with Sans Souci and both are looking forward to the collaboration.

"Cummins doing this is just awesome," said Sans Souci's Adams.

THE WUXI WELFARE HOUSE

Cummins employees in China have been making life better for children with disabilities at the Wuxi Welfare House for several years.

Located in heavily populated Wuxi, China, the Welfare House is the only facility of its kind in the city for the care, rehabilitation, and education of abandoned and disabled children.



ABOVE Cummins employees use their Six Sigma skills to help the staff at the Wuxi Welfare House pick out the best rehabilitative equipment for the children who live there.

BELOW Hanna Yuan, Assistant to the General Manager at Cummins Generator Technologies in Wuxi, says employees visit the Wuxi Welfare House frequently to learn about the children's needs.

“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 technology, financial and production performance.”

J. IRWIN MILLER

CUMMINS' LONGTIME LEADER ADDRESSED THE COMPANY'S COMMITMENT TO CORPORATE RESPONSIBILITY IN THE 1972 ANNUAL REPORT.

The Welfare House serves more than 200 kids ages 1 to 14 on a full-time basis. Over a third of the children are affected by cerebral palsy and require special attention.

Cummins employees take the children on outings. They throw parties and play with the kids, too. But using their Six Sigma skills, the data-driven business problem solving tool, they have also helped the house make critical decisions on how to make the most of its limited funds for rehabilitation equipment critical to the children's future.

In 2010, Cummins Generator Technologies Marketing and Strategy Manager Rebecca Weng completed a Community Impact Six Sigma project centered on developing a process to generate long-term assistance and a project plan for the organization.

The Six Sigma project also implemented a measurement system to track the impact of donated therapeutic equipment.

As a result, the Welfare House is better able to gauge the outcomes and benefits of the equipment for the children and spend its money more wisely.

Six Sigma has also guided employee donations to the Welfare House. Employees have donated a bicycling rehabilitation machine, assistive devices for dining, orthopedic shoes, special clothing items and more. The donations were based on needs identified using Six Sigma tools.

This year, the Welfare House is moving to a new facility in order to reach a greater number of children. The new space will accommodate 100 more beds and includes a dedicated children's rehabilitation area, with several rooms designated for key therapies and training. And the Six Sigma research is helping with that effort, too.

The rehabilitation area will grow significantly, strengthening the Welfare House's ability to provide top-level care for children with cerebral palsy. Before the new rehabilitation area, about 36 percent of the Welfare House's children could go through training and rehabilitation program. With this addition, the training rate will increase to 75 percent.

“We visit the Wuxi Welfare House several times every year to understand the most urgent needs of the children,” said Hanna Yuan, Assistant to the General Manager at Cummins Generator Technologies in Wuxi. “We believe that with our help, the Welfare House can improve these children's self-dependent ability and help them fit into society and have the chance to be adopted in the future.”

Philanthropy: augmenting our skills and passions

Cummins wants to use its philanthropy to augment our employees' skills and passions toward our goal of building stronger communities.

The Company invested more than \$37 million in its corporate responsibility efforts in 2011, including \$26 million in funding for The Cummins Foundation, employee volunteer hours on Company time, donations and sponsorships from operating funds and staff involved in our efforts around the world.

The Cummins Foundation, founded in 1954, is one of the oldest corporate foundations in the United States. It has played a critical role in hundreds of initiatives since its inception.

It made grants of \$10.7 million in 2011, funding a variety of initiatives ranging from a summer education program in Seymour, Ind. to a computer lab at a middle school

in Xiangyang, China and a job training program in Kenya.

The Foundation primarily focuses on communities where Cummins facilities are located and in support of the Company's global priorities of education, the environment and social justice / equal opportunity.

In addition, there were grants totaling \$879,000 from a Cummins-supported foundation in India. The Cummins India Foundation, established in 1990, supports higher education, energy, the environment and local infrastructure projects.

A list of Cummins' larger philanthropic contributions is included on the following pages.

Cummins employees are engaged in building stronger communities around the world – improving the communities near the Company's Megasite in Phaltan, India (left), and cleaning up in Korea (right).



GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS	CUMMINS INC.
Education				
Community Education Coalition IU Center for Art and Design	Columbus, Ind.	\$1,000,000		
Indianapolis Zoo – International Great Ape Center	Indianapolis, Ind.	\$500,000		
Cummins College of Engineering for Women Campus expansion	Nagpur, India	\$449,573		
The Mind Trust – Summer Advantage Program	Seymour, Ind.	\$210,000		
Ithemba Institute of Technology – Educational funding	Johannesburg, South Africa	\$125,000		
Community Education Coalition Early Childhood Education Initiative	Columbus, Ind.	\$125,000		
Franklin College – Various projects	Franklin, Ind.	\$100,000		
National Society of Black Engineers SEEK Summer Camps	Alexandria, Va.	\$75,000		
Save the Children Early childhood care and development programs	Beijing, China	\$60,591		
Industrial Training Institute – Educational funding	Phaltan, India	\$57,400		
Jagriti School for the Blind – Educational funding	Pune, India	\$53,755		
Children’s Hope China (through Global Giving) – Foster home	Beijing, China	\$50,000		
Community Education Coalition Early childhood scholarship program	Columbus, Ind.	\$50,000		
International School of Columbus Educational funding	Columbus, Ind.	\$50,000		
Building Tomorrow – Feasibility study	Indianapolis, Ind.	\$48,437		
Dandelion School (through Global Giving) Replacement and repair on school grounds	Beijing, China	\$42,870		
University of Science & Technology Electronic Control Lab Program	Beijing, China	\$42,259		
Memphis Cultural Arts Enrichment Center Operating support	Memphis, Tenn.	\$42,000		
Lutou Middle School (through Global Giving) – Computer lab	Xiangyang, China	\$33,010		
Community Education Coalition Graduation Coaches Program	Columbus, Ind.	\$30,000		
Mineral Point Public Library – Educational technologies	Mineral Point, Wisc.	\$29,826		
Simon Kenton High School Community Based Program Instructional materials	Independence, Ky.	\$25,268		
Xiangfan High School (through Global Giving) Address educational gap for high school students	Hubei Province, China	\$25,000		
Metanoia – After-school program	Charleston, S.C.	\$25,000		
Friends of the Stoughton Area Youth Center Space for Youth Programming	Stoughton, Wisc.	\$20,000		
Bartholomew Consolidated School Foundation M2 Math Program	Columbus, Ind.	\$15,000		
Orion Enterprises – Laptops for students	Pune, India	\$14,025		

GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS	CUMMINS INC.
Education – cont.				
Brown County Foundation – Computer hardware / software	Nashville, Ind.	\$12,500		
Putnam County High Schools Create clubs to teach students about charitable organizations	Cookeville, Tenn.	\$12,000		
Malcolm Sargent Primary School Environmental Challenge grant recipient	Stamford, U.K.	\$10,226		
Bartholomew Consolidated School Corporation Book Buddies expansion	Columbus, Ind.	\$10,000		
Community Education Coalition Early childhood education initiative	Columbus, Ind.	\$10,000		
Indiana Chamber Foundation – Indiana Vision 2025	Indianapolis, Ind.	\$10,000		
Saint Vasile School – Environmental Challenge grant recipient	Craiova, Romania	\$10,000		
Nucleo Assistencial Bezerra de Menezes Environmental Challenge grant recipient	São Paulo, Brazil	\$10,000		
School on Wheels – Educational funding	Indianapolis, Ind.	\$10,000		
Environment				
EARTH University – Educational funding	Guácimo, Limón, Costa Rica	\$3,300,000		
Tennessee Parks and Greenways Foundation Support to convert a tract of private land into a public park	Nashville, Tenn.	\$75,000		
Sierra Gorda – ECO clubs	San Luis Potosi, Mexico	\$61,385		
Community Estacion Km58 – Jobs program	San Luis Potosi, Mexico	\$48,716		
Queen Eleanor School (through Global Giving) Support to achieve National Environmental Green Flag Award	Stamford, U.K.	\$33,792		
Hands on Nashville – Repair flood damaged waterways	Nashville, Tenn.	\$30,000		
Los Ojos de Dios – Rehabilitation program	Juárez, Mexico	\$28,467		
Global Village of Beijing (through Global Giving) Develop economic opportunities for villagers	Beijing, China	\$26,392		
Yongsheng County Rural Community Development Association (through Global Giving) Economic development project	Kunming, China	\$25,332		
Xiangyang Charity Federation Plant trees to offset carbon released	Hubei Province, China	\$24,112		
Northern Kentucky Hazardous Materials Weapons Response Team - Household hazardous waste collection	Walton, Ky.	\$18,400		
Bartholomew County Solid Waste Management District Tox-Away Day	Columbus, Ind.	\$15,000		
Green Hills – Environmental Challenge grant recipient	Pune, India	\$10,000		
Energy Matters Community Coalition Environmental Challenge grant recipient	Columbus, Ind.	\$10,000		
Springbrook Nature Center Foundation Environmental Challenge grant recipient	Fridley, Minn.	\$10,000		
Rural Technology Institute – Energy efficient stoves project	Pune, India	\$10,000		
AIIESEC – Youth organization	Beijing, China	\$10,000		
Tampadhum – Environmental Challenge grant recipient	San Luis Potosi, Mexico	\$10,000		

GRANTEE ORGANIZATION	COMMUNITY	GRANT OR DONATION	CUMMINS FOUNDATIONS	CUMMINS INC.
Social Justice				
United Way Agencies – US Matching Program	United States	\$2,526,126		
Minnesota Indian Women's Resource Center Empower American Indian Women and Families	Minneapolis, Minn.	\$231,630		
John Townsend Trust – Visitor Education Center	Kent, U.K.	\$176,000		
Big Brothers Big Sisters of Central Indiana Six Sigma Project Implementation	Indianapolis, Ind.	\$150,000		
EW Tipping Foundation (through Global Giving) Provide a customized van	Carnegie, Australia	\$121,851		
Grameen America – Operating expense	Indianapolis, Ind.	\$100,000		
People Serving People – Green Initiative Project	Minneapolis, Minn.	\$85,036		
Soydoy Foundation (through Global Giving) Provide children with nutritional supplements	Bogota, Columbia	\$85,000		
Wisconsin Vietnam Veterans Memorial Project Provide educational equipment	Neillsville, Wisc.	\$58,587		
Rise Inc. – Self Sufficiency Project	Minneapolis, Minn.	\$57,922		
Gleaner's Food Bank – Facility replacement and repair project	Indianapolis, Ind.	\$39,597		
BOMA Fund – Micro finance and job training opportunity	Kenya, Africa	\$29,200		
Gleaner's Food Bank – Back Sacks Program	Walesboro, Ind.	\$25,000		
Street Kids International – Educational opportunities	Vijayawada, India	\$25,000		
Wuxi Social Welfare House (through Global Giving) Therapy equipment	Wuxi, China	\$23,000		
Emmaus vzw (through Global Giving) Provide equipment and training materials	Mechelen, Belgium	\$20,652		
Gleaner's Food Bank – Back Sacks Program	Seymour, Ind.	\$20,000		
Love Chapel – Emergency Assistance Fund	Columbus, Ind.	\$20,000		
Sans Souci Equipment to re-design and improve warehouse flow	Columbus, Ind.	\$19,675		
Friends of the Chautauqua County Child Advocacy Program – Expansion project	Jamestown, N.Y.	\$15,000		
Community Emergency Assistance Program Replace communication technology	Brooklyn Park, Minn.	\$10,997		
Developmental Services Inc. – Feasibility study	Columbus, Ind.	\$10,000		
ADEC Inc. – Environmental Challenge grant recipient	Bristol, Ind.	\$10,000		
CommonBond Communities Environmental Challenge grant recipient	St. Paul, Minn.	\$10,000		
Shepherd Community Environmental Challenge grant recipient	Indianapolis, Ind.	\$10,000		
Family Nurturing Center Environmental Challenge grant recipient	Florence, Ky.	\$10,000		
BAIF Development Research Foundation Environmental Challenge grant recipient	Pune, India	\$10,000		
Deep Griha Society – Environmental Challenge grant recipient	Pune, India	\$10,000		
Maharashtra Arogya Mandal (MAM) Environmental Challenge grant recipient	Pune, India	\$10,000		

Foundation Leaders

The Cummins Foundation is governed by these officials and committees:

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Chairman and CEO, Cummins

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*Executive Vice President –
Corporate Responsibility, Cummins*

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EMPLOYEE RELATIONS // SAFETY

A record year in safety

Health and safety leaders say they hope to build on Cummins' safest year ever to establish a culture throughout the Company where everyone takes responsibility for safety – leaders, managers and employees.

For the first time, Cummins met all of its targets in 2011 for the Company's key safety performance indicators. The 2011 goals were the toughest the Company had ever set and came amid rapid growth for Cummins, especially outside the United States.

Among the most notable achievements:

- » Cummins recorded a 32 percent improvement in its Incidence Rate compared to 2010.
- » The Company had a 25 percent improvement in its Severity Lost Work Day Rate over the same time period.
- » Cummins achieved a 34 percent decrease in the Company's Severity Case Rate when compared to 2010.
- » In December of 2011, Cummins recorded no Major Injuries and no Dangerous Occurrences – a first for the Company since 2009.

"These rates are far better compared to the industry average and we are indeed one of the best," said Jim Lyons, Vice President of Corporate Manufacturing and Chairman of Cummins' Health, Safety and Environment Council, in a podcast to health and safety leaders around the world.

"But we are on a journey," Lyons added, "and 'Best in Class' is simply a milestone toward becoming 'world class' in people safety and health, and creating the right environment."

Cummins believes strongly that safety is a key component of sustainability. Our workforce is our greatest asset and protecting that asset is critical to the financial well-being of the Company.

For their part, health and safety leaders plan to continue their aggressive approach, rolling out a number of initiatives in 2012 ranging from a program promoting electrical safety at all Cummins facilities to an initiative focusing on enhanced ergonomics for both plant and office employees.

HIGHLIGHTS

- » Cummins enjoys safest year ever in 2011.
- » Safety officials honored for their driver safety campaign and use of technology to advance safety.
- » Distribution Business Unit seeks to make emotional connection to safety.



Cummins East Asia Research & Development Center employees celebrate 1,000 accident-free days in June 2011 by lining up in the number 1,000. It was one of many safety accomplishments in what officials say was the Company's safest year ever.

"Our ultimate goal is to develop a culture where we all look after each other to ensure everyone is safe," said Michelle Garner-Janna, Director – Corporate Health and Safety.

LOOKING BACK AT A GREAT YEAR

While health and safety leaders are focused on the future, 2011 was truly an outstanding year. Here's a quick look back:

- » Health and safety officials won top awards for their road safety program and for the development of information technology to help achieve health and safety goals (page 12).
- » The Distribution Business Unit (DBU) held a "Time Out for Safety" event in September 2011 where thousands of employees stopped their normal work routine to watch a video featuring their peers talking about their on-the-job injuries and the impact they had on their lives. Employees then discussed ways they could make their own workplaces safer.
- » The DBU also held safety summits in Australia and Africa over the past year (page 80).
- » Those events followed a very successful global workshop in 2011 where the Company's safety personnel from around the world gathered in Indianapolis, Ind.

A number of Cummins locations celebrated safety milestones over the past 12 months including:

- » Employees at Cummins Filtration Plant in Neillsville, Wis., recorded 2 million hours without a lost work-day injury in July 2011.
- » Cummins Emission Solutions employees in Mineral Point, Wis. celebrated 1 million hours without a lost work day injury in November 2011.
- » The Cummins East Asia Research & Development Center recorded 1,000 accident-free days in June 2011.
- » Employees at Cummins Turbo Technologies' Dewas, India plant celebrated three years of zero OSHA incidents in October 2011.

TWO KEY DEVELOPMENTS

Health and safety leaders give a lot of the credit for the record year to improved technology and a new communications plan.

Cummins identifies and assesses potential safety hazards through the Company's Health and Safety Enterprise Management System. The system sets key objectives and monitors health and safety performance in a uniform way across all Company facilities.

The system establishes minimum standards at Cummins locations for chemical safety, emergency preparedness, lockout and tagout of equipment and more. A new audit tool incorporates the latest health and safety standards from the International Organization for Standardization (ISO) and makes it much easier for an individual site to see what others are doing to tackle comparable challenges.

“It’s never been so easy to share best practices,” said Cummins’ Occupational Health Director Kelli Smith. “I think it’s a major advancement.”

Health and safety leaders also implemented a detailed communications plan that took into account the target audience and the best tools to reach that audience. A very informal system was replaced with a much more thoughtful and effective approach.

“We are doing a much better job of getting out the message that safety is everybody’s job,” said James Dorris, Cummins’ Occupational Safety Director.

LOOKING AHEAD

In 2012, health and safety officials expect to complete the rollout of an electrical safety plan that includes a robust tool kit and assessments of more than 150 Cummins or Cummins-related facilities.

Officials also expect to make progress on improving ergonomics in 2012 throughout the Company now that the infrastructure is in place for a significant focus on that area.

“This is a key year,” Dorris said.

“We absolutely can’t afford to become complacent. We should all view 2011 as the beginning of our safety journey, not the end.”

MAKING SAFETY PERSONAL

Safety summits sponsored by Cummins Distribution Business Unit (DBU) in Africa and Australia over the last 12 months didn’t include a dry recitation of injury statistics. Nor did they involve much in the way of training.

Instead, organizers wanted to make an emotional connection with their audience.

“The object of these summits was to explore and reinforce participants’ personal commitment to safety,” said Adam Tucker, Director – Health, Safety and the Environment for the DBU. “This is about everyone in the Cummins family returning safely home to their families each night.”

The summits, which involved everyone from leadership to the shop floor, are part of a larger campaign at Cummins built around the theme “Safety Begins with Me.” Participants start by discussing how to make their workplaces safer. The key moment comes later when they are asked what personal commitment they are willing to make toward the goal of a safer workplace.

“Safety isn’t just about following the rules, it’s about doing the right thing when no one is watching,” Tucker said. “To get this level of dedication to safety, you have to make it personal.”

Tucker said the reaction has been extremely positive. DBU is planning similar events around the world in 2012 and beyond.

‘Ergo Team’ charts safer path for plant

When Health, Safety and Environment Manager Patricia Rojas started seeing an increase in ergonomic injuries in 2010 at Cummins’ New and Reconditioned Parts plant in San Luis Potosí, Mexico, she knew changes had to be made – and fast.

Armed with data showing half of the plant’s recordable injuries were ergonomic related in 2010, resulting in 108 Lost Work Days, she went to see Operations Director Aaron Borunda, who quickly agreed.

“When you have ergonomic injuries – sprains and strains and back problems – it can take a long time to recover,” Rojas said. “Nobody wants that – not employees or their managers.”

Working to recondition engine parts can be especially tricky from an ergonomic standpoint. Each used engine can present unique challenges requiring different techniques to take apart.

Rojas, who has a background in ergonomic injury prevention, says the good news is that some pretty simple steps, ranging from stretching exercises to re-evaluating how to do a particular job, can make a big difference.

While she says there were plenty of raised eyebrows at first, employees at San Luis Potosí today are thinking about ways they can do their jobs that reduce the stress on their bodies.

Some jobs have been redesigned to promote proper posture. And more than a few employees are performing preventive stretching. Almost everyone has participated in some aspect of ergonomic injury prevention.

The early results are promising. Recordable ergonomic injuries dropped by 50 percent in 2011 and Lost Work Days decreased from 108 to 49 days.

Health, Safety and Environment Manager Patricia Rojas sits at a table in the physical therapy area at San Luis Potosí that was developed as part of the project. Employees use blocks, tubs of lentils and other simple items to enhance exercises designed to develop strength and avoid injuries.



Rojas started her initiative by sponsoring a Six Sigma project on injuries at the plant. Six Sigma is the data-based problem solving tool used across Cummins. Rojas recruited participants from various areas of the plant to be part of her team to ensure each area had a voice in the effort.

She said Borunda's willingness to enhance the "Ergo Team" by adding 15 young engineering interns was critical. The engineers, who received some basic training in ergonomics, brought fresh new ideas to the project as well as a lot of energy.

"Six Sigma is our cultural tool to attack complex issues," Borunda said. "Then you need resources around to execute the method and make the difference."

An added benefit of Rojas' initiative is that the engineers will now have a good understanding of how the processes they design can impact an operator's health, positively impacting quality and efficiency as well as health and safety.

Rojas, though, said the most important thing her team did was talk to employees to learn what they were thinking.

"The person doing a job, they know what is giving them trouble, what is causing them discomfort," Rojas said. "Really listening helps you come up with the best solution and makes changes much easier to implement."

Plant leaders set priorities and implemented a program in 2011 that included an improved procedure to report incidents to the medical department, prevention of some injuries through exercise, and some engineering changes in the way certain jobs were performed.

In addition, a physical therapy clinic was established using simple things like a tub full of rice or lentils and blocks of wood to enhance exercises to build strength.

"I think our project went beyond just preventing injuries," said Rojas, who believes it could be a model for other Cummins facilities. "Not only is the plant safer, I think we've helped improve the work environment, too."

PROPER POSTURE IS KEY

As part of its review of plant operations, the ergonomics team at San Luis Potosí redesigned some jobs. In the "before" picture on the left, an employee stretches awkwardly to pick up something out of a bin. The job was redesigned so the employee could pick up what she needed without reaching a long way. The plant has been seeing fewer ergonomic injuries since making this and other changes.



EMPLOYEE RELATIONS // DIVERSITY

Leveraging the full benefit of diversity

A diverse and inclusive work environment helps all employees work more effectively and efficiently, both with their local teams and with colleagues around the world. This ability to work locally and globally allows Cummins to focus on leveraging the full power of the Company for its customers no matter where they are located.

One way Cummins works to create the right environment for success is through a program called Unleashing the Collective Power of Groups and Individuals, also known as the Affirmative Development Project. This project brings employees at all levels together to learn and practice skills that facilitate better understanding and engagement.

Workshops are customized for each participating group, depending on its specific needs, and help managers work more effectively with affinity groups, which are organized at Cummins around a specific demographic trait, and Local Diversity Councils, which are designed to promote diversity in general. The project's goal: help all employees reach their full potential.

"This project helps employees who are affinity group or Local Diversity Council members, as well as leaders, better align and strengthen their organizations. It helps managers and supervisors better connect

with and lead diverse teams," said Lisa Gutierrez, Executive Director of Cummins' Global Diversity Department.

HOW IT WORKS

While much of the discussion during the sessions is customized to meet the particular cultural needs of the audience, the framework remains the same around the world.

A series of one-on-one conversations with employees at all levels of the organization begins the workshop planning process. These conversations are intended to help the facilitators better understand the intricacies and concerns of the local cultures they will be working with throughout the project.

The second part is a full day session with affinity group and Local Diversity Council members, their managers and the local leadership. This event offers a venue for employees to speak freely about issues, work collaboratively to develop plans to

HIGHLIGHTS

- » Affirmative Development Project goes to Brazil and Australia.
- » Chairman's Diversity Council meets on a range of issues.
- » Company adds more employee resource groups.

strengthen the impact of affinity groups and Local Diversity Councils, and explore ways to manage and work more effectively in diverse teams while also experiencing role modeling and championing from Cummins leaders.

The final part is a full-day session designed specifically to help managers and supervisors in managing their diverse teams. Through facilitated discussion and group exercises, managers develop action plans to assist them in connecting more productively with employees whose backgrounds and experiences are different than theirs. A key challenge is to move their skills from good to great.

Participants are surveyed before the workshops and 90 and 120 days after the sessions to gauge the short- and long-term effects of the training.

The project has been delivered in Columbus, Ind.; India and China in recent years. During the past 12 months, the initiative kicked off in Brazil and Australia.

In Brazil, more than 300 employees at all levels attended the sessions, which were conducted with simultaneous translation to ensure understanding. Four new employee resource groups were launched, including affinity groups for women, Generation Y, Afro-Brazilian and Special Needs.

“Our workshops in Brazil helped us as leaders to see opportunities to include perspectives that we may not have previously thought about,” said Luis Pasquotto, Vice President – South America Area Business Organization. “It’s important to capture the voices of employees at all levels. This workshop helped us rediscover the tremendous advantage our diversity gives us. Now we have more than a forum where those voices can be heard on a regular basis.”

Most recently, the project launched in Australia with the goal of re-energizing two employee resource groups: a Women’s Affinity Group and a Local Diversity Council, and launching an affinity group for apprentices.

“Everyone has a role to play in creating a great work environment,” said Gino Butera, Executive Managing Director, Asia Pacific. “We saw how passionate employees are about creating an inclusive environment where everyone can realize their potential. This workshop allowed us to see how vested employees are in our success, and now we are working to ensure that we continually look for ways to empower these employees to share their perspectives.”

Employees give high praise for these sessions. Managers believe they are better equipped to handle difficult situations as a result of the workshops, and nearly every employee would recommend the workshops to colleagues.

OTHER DIVERSITY DEVELOPMENTS

The Unleashing the Collective Power of Groups and Individuals project was one of several important developments for diversity at Cummins in 2011-2012. Others include:

- » The Chairman’s Diversity Council, comprised of Chairman and CEO Tom Linebarger’s leadership team, met quarterly and discussed topics such as emotions and power and influence in the workplace. The council discusses



and implements decisions related to diversity strategies, confirming diversity as a key Cummins’ value.

- » Cummins added several more employee resource groups and now has more than 100 affinity groups and Local Diversity Councils, spanning 10 countries across six continents.
- » Cummins was honored by several groups for its commitment to diversity including DiversityInc, which again named Cummins to its list of the top companies for diversity; and the Human Rights Campaign, the largest advocacy group for gay, lesbian, bisexual and transgender employees (page 12).

Chairman and Chief Executive Officer Tom Linebarger shares his feelings about the importance of diversity in the Company’s growth plans during a town hall meeting sponsored by the CBS and Corporate Local Diversity Council in Columbus, Ind. in April 2012.



Making a difference for women at Cummins

When Tina Vujovich was asked to sponsor Cummins' first Women's Affinity Group in 2001, she wasn't quite sure what to expect.

"I found several women who were dedicated to helping one another," said Vujovich, retired Vice President of Marketing and Environmental Policy at the Company. "We put together a team that instinctively set about surveying the broad population of women at Cummins to learn what it was that they were looking for from the affinity group. Suddenly, we knew what we needed to do."

Jill Cook, Vice President – Human Resources and sponsor of the Women's Affinity Group of Southern Indiana speaks at the group's 10th anniversary celebration in 2011.

The result: More than 270 employees showed up for the first meeting. Today, the Women's Affinity Group (WAG) of Southern Indiana is one of Cummins' oldest affinity groups, closely tied to the needs of its target audience and providing assistance in key areas such as career development, business enhancement, recruiting and retention.

The WAG, which celebrated its 10th anniversary in 2011, is one of more than 40 affinity groups at Cummins located across the world. These groups are organized around a variety of dimensions of diversity: gender, race, ethnicity, special needs, veteran status and country of origin.

"Career development and networking have been long-standing initiatives throughout our existence," said Amy Liimatta, a member of the group since its inception who also served a stint as its leader. "It's something women very clearly wanted from the group."

Mentoring circles, for example, have been a very successful initiative offered by the group, bringing together successful women at Cummins and newcomers to the Company. In a mentoring circle, the protégés are paired with one male and one female mentor, allowing more women to have access to company leaders than with one-on-one mentoring.



Members of the Women's Affinity Group Leadership Team in Columbus, Ind.

"The inner workings are left to each circle to decide what will work best for their group," said Jessica Kuehner, Co-Leader of the affinity group now. "WAG provides guidelines to the circles on how to decide their topics, meeting agendas for the first few meetings to get the circles started and feedback gathered from past sessions on what works well and is popular."

Mentoring circles, however, are just one of many projects undertaken by the group.

The WAG's Executive Speakers Series enables top executives at Cummins to share career advice with others. The WAG also developed Discover Cummins, an event to help new employees learn more about the Company by visiting booths sponsored by various functions within Cummins. (Today, Discover Cummins is hosted by LAUNCH – Leaders Advancing Uniting and Networking Cummins Hires, an affinity group that focuses on helping employees who have been with Cummins for less than five years.)

The WAG has also successfully campaigned for rooms in many Cummins facilities for nursing mothers.

Finally, the group frequently works with women's groups at other Cummins facilities around the world to help them launch their own affinity group and share ideas for programs.

Now, the affinity group's Co-Leaders Jamie Freeman and Kuehner are planning for the future and the issues the WAG will champion for the next 10 years.

"With strong leadership in place, and a large, active membership," they say, "the Southern Indiana WAG will continue to champion women for years to come."

"Career development and networking have been long-standing initiatives throughout our existence. It's something women very clearly wanted from the group."

AMY LIIMATTA
SERVICE FUNCTIONAL EXCELLENCE LEADER AND PAST LEADER
OF THE WOMEN'S AFFINITY GROUP OF SOUTHERN INDIANA



EMPLOYEE RELATIONS // SUPPLIER DIVERSITY

Taking supplier diversity to the next level

Very rarely these days is Gordon Fykes asked, “What is supplier diversity?”

Instead, Cummins’ Director of Diversity Procurement says he is increasingly asked by purchasing personnel across the Company, “How do I develop a strategy to increase diverse supplier spending?”

Fykes says there’s a huge difference between those two questions.

“We’re getting a lot of requests for a deeper discussion,” said Fykes, who expects he and Supplier Development Manager Brian Sanders will be on the road a lot in 2012 as a result. “I think we’re finally getting away from the myth that supplier diversity is simply about giving away a slice of the business pie.”

At Cummins, diversity procurement is a key business strategy with bottom-line benefits.

Helping diverse suppliers develop and grow will eventually increase competition for the Company’s business. That ultimately results in lower prices and better quality for Cummins’ purchases.

It also increases economic opportunity in all of the communities where Cummins employees live and work and is consistent with the Company’s Corporate Responsibility value to “serve and improve the communities in which we live.”

A largely U.S. undertaking (although the concept is starting to catch on elsewhere), diversity procurement has seen considerable growth at Cummins. In 1995, the Company spent \$35 million with diverse suppliers in the United States. Last year, Cummins recorded \$810 million in total diverse supplier spend or 12.2 percent of its total U.S. purchases.

LOOKING BACK

Cummins’ diversity procurement program had several highlights in 2011-2012, including:

- » Cummins is up to 25 percent in spending with minority and women-owned businesses to fulfill its contracts with Chrysler Group LLC, maker of the Dodge Ram heavy-duty trucks.

- » The Company pushed back its goal to reach \$1 billion in spending on minority-owned suppliers until 2014 because of weakening in the U.S. economy although Fykes says the Company still might reach that goal by the end of 2012.
- » Cummins expanded its educational efforts in the area of diversity procurement, sponsoring a competition at LeMoyne-Owen College in Memphis, Tenn. that asked students to develop a model for a Fortune 500 manufacturer to increase its business with minority suppliers. The Company hopes to work with the historically black college to make the FOCUS (Framework for Opportunity Convergence and the Utilization of Sustainable Solutions) competition an annual event to help develop young entrepreneurs.
- » The Company continued working with the Diverse Manufacturing Supply Chain Alliance (DMSCA) to help develop diverse suppliers. Cummins is sponsoring AMG Engineering & Machining of Indianapolis, Ind. in the DMSCA training and two other Cummins’ suppliers – Magni-Power Co. of Wooster, Ohio and GB Manufacturing Co. of Delta, Ohio – are taking the training on their own.
- » The Company’s participation in the National Minority Supplier Development Corp.’s Automotive Industry Group also paid big dividends. Members share best practices as well as the names of successful minority-owned businesses they’ve worked with. Members of the group include corporations like Chrysler. Cummins was invited to join this group and is the only member that doesn’t make vehicles.

LOOKING AHEAD

Fykes said perhaps the most exciting development has been the emergence over the last few years of a number of diverse suppliers capable of taking their relationship with Cummins to the next level.

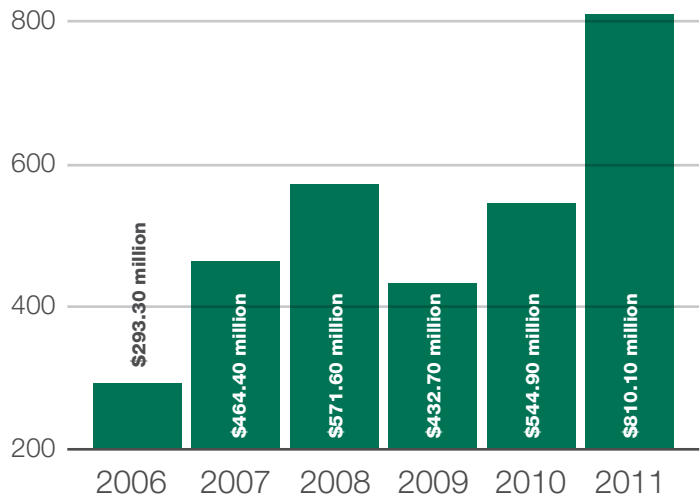
These companies want to be viewed as strategic partners. They do more than just provide Cummins with a part or service, they suggest ways the Company can improve its efficiency or product quality.

He cited, for example:

- » Telamon Corp., a Carmel, Ind.-based firm that works with Cummins on supply management and IT issues.
- » Turbocam International in Barrington, N.H., which specializes in turbo-machinery applications.
- » JBE Inc., a Hartsville, S.C., company that provides complex and highly technical sub-assemblies and global supply chain management.

Spending on diverse suppliers in millions of dollars

The total amount of money Cummins has been spending with diverse suppliers has steadily increased since 2006.



HIGHLIGHTS

- » Cummins tops \$800 million in spending with diverse suppliers.
- » The Company expands educational initiatives to help develop diverse suppliers.
- » Cummins joins Automotive Industry Group to share best practices.

Cummins employees work the booth talking about supplier diversity at the Indiana Minority Supplier Development Council 2012 Trade Show in Indianapolis.



Development mindset key to sustainable workforce

The effort to create a sustainable workforce begins as soon as an employee joins Cummins and continues throughout his or her career.

EMPLOYEE RELATIONS

Onboarding classes, a robust performance management system, training opportunities for plant and professional employees alike and an extensive system to identify and develop the Company's next generation of leaders are all part of Cummins' comprehensive approach.

With more than 60 percent of its employees living outside the United States, the Company takes a global view of workforce development. Cummins' Performance Management System, for example, is available in 12 different languages.

But while there's flexibility in the Company's efforts to account for differences in language and culture among Cummins' 44,000 employees, the key principles are consistent across the globe. Leaders and managers must have a development mindset built around the following critical skill areas:

- » Coaching and development
- » Fostering open communications
- » Managing diversity
- » Talent management
- » Thinking strategically / Set the aim

By training top leaders in these areas and then having them work within their organizations on the same skills with their managers, who have also received training on these skill sets, Cummins believes its workforce development efforts will not only be effective but sustainable, too.

STARTING EARLY

Approximately 16,000 professionals are now in the Company's Performance Management System. Through the program, Cummins strives to deliver to all participating employees the feedback they need to succeed in their careers.

The Company is also working to achieve consistent functional development within various disciplines so someone in finance in Brazil, for example, is acquiring the same skills and is evaluated in the same way as a finance employee in Belgium.

Both steps are critical to developing the talent pool Cummins will need in the future to succeed.

OPERATIONS EXCELLENCE

The Company's development efforts also extend to the shop floor. In 2011, Cummins created a new initiative to promote and develop Operations Excellence in its global manufacturing system.

Leaders of the effort identified best practice standards for 31 key processes in the Company's plants around the world. Now they are creating a suite of training programs to help employees apply those practices.

Shop floor employees began receiving training on 12 of the 31 key processes in the latter part of 2011. The Company has Operations Excellence advisors either in plants or assigned to regions who are qualified to deliver the training.

Additional processes are expected to be added in 2012.

LEADERSHIP DEVELOPMENT

Cummins believes strongly that leadership development is a key component of the Company's sustainability, starting with those employees managing others for the first time and extending to those at the highest levels of the Company.

In 2011, the Company launched the first phase of its Building Success in Others program. This program provides managers with the tools they need to help their direct reports become successful at Cummins, with an emphasis on managing the growing number of employees new to the Company.

There are approximately 3,500 managers now in the program, participating in webinars and e-learning around the five key skill areas featured in other leadership programs.

Meanwhile, 300 top leaders are finishing the Leadership Culture Series, an initiative created in 2009 to strengthen the Company's commitment to the skills necessary to build successful leaders across Cummins. The initiative is moving into a new phase as participants begin to roll out what they've learned from senior leaders in the Company within their own organizations.

To help develop a pipeline of leaders from all regions where Cummins does business, the Company is continuing its Leadership Development Program. The 18-month program prepares approximately 15 high potential employees from a particular country for future leadership roles in their home countries – or elsewhere.

In 2011, the program was initiated in China and India. It will be rolled out in Brazil and Africa in 2012.

Consistent with the Company's emphasis on continuous improvement, Cummins also has an Executive Development Program for senior leaders. Now in its fourth cycle, the program brings together small groups of high potential senior leaders for 24 months of extensive education about the Company's operations. All those selected for this program are viewed as potential members of the senior leadership team.

Participants have a hand in developing the program and travel the globe to learn about various aspects of the Company's business.

Cummins depends on a high-tech workforce. Of its 44,000 employees as of May 21, 2012, the Company has:

Engineers

» Nearly 7,100 engineers

Information Technology

» Just over 900 people in information technology positions

Other areas

» Nearly 3,200 employees who are not in engineering or information technology but have a college degree – either a bachelor's, master's or PhD - in engineering or a science-related field of study

Location

» About 64 percent of the Company's workforce resides outside the United States.

Union

» About 36 percent of the Cummins workforce belongs to a union.

GOVERNANCE, RISK MANAGEMENT AND SECURITY

Sustainability built on good governance

Cummins believes that a sustainable company is built on a foundation of good governance that promotes ethical behavior at all levels.

HIGHLIGHTS

- » Cummins establishes an ethics and compliance organization independent of its business units.
- » Board of Directors travel to China to review operations and strategy.
- » Risk Management takes a more holistic approach that includes key global functions.

Indiana Gov. Mitch Daniels, sitting closest to Chairman and CEO Tom Linebarger (far right) attended the Company's expansion announcement in Seymour, Ind. in the spring of 2012. Part of the project is a commitment on behalf of local, state and company officials to focus on education in the city.

The Company took an important step in its governance efforts in 2012 by creating an ethics and compliance organization independent of our business units and corporate functions, led by an officer at Cummins.

The move was made not in response to any problem but in recognition of the critical role ethics and governance play in the success and sustainability of a company.

“Cummins already has successful compliance efforts in most aspects of our business,” said Cummins CEO Tom Linebarger in announcing the move. “This new group will be looking to build on these successes and develop our processes and resources to ensure

continuous improvement.” Linebarger reminded employees that ethical behavior remained the responsibility of every employee at Cummins.

“Acting in accordance with our Code of Business Conduct is the responsibility of every employee at Cummins and the creation of this new ethics and compliance organization does not change the primary accountability each of us has to live Cummins’ values in every aspect of our work,” Linebarger said.

Mark Sifferlen, formerly the Company’s Deputy General Counsel, was named the Company’s first Vice President – Ethics and Compliance.



OUR PRINCIPLES

Cummins ethics and governance initiatives are built around the **10 Statements of Ethical Principles** in the Code of Business Conduct:

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

Cummins puts these principles into practice through a comprehensive compliance training program targeting appropriate employee groups to promote ethical behavior. The Company has required courses on topics ranging from Anti-bribery to Lobbying and Political Action and Information Protection.

The Company’s policies and procedures in these areas are periodically updated. For example, in 2012 the Company will update its Code of Business Conduct.

2011 COMPLIANCE TRAINING

These figures are accumulated enrollments going back to when the courses were first implemented.

Course	Enrolled	Completion Rate
Anti-bribery	17,723	88%
Antitrust and Fair Competition	7,990	92%
Careful Communication	22,991	90%
Code of Business Conduct	16,204	100%
Conflict of Interest	23,663	89%
Export Compliance	17,643	100%
Fair Labor Standards Act	512	90%
Global Competition Principles and Practices	11,384	82%
Information Protection	22,858	88%
Intellectual Property	5,522	93%
Lobbying and Political Action	567	91%
Managing within the Law	458	97%
Records and Information Management	22,689	100%
Treatment of Others	15,154	100%

“Acting in accordance with our Code of Business Conduct is the responsibility of every employee at Cummins and the creation of this new ethics and compliance organization does not change the primary accountability each of us has to live Cummins’ values in every aspect of our work.”

TOM LINEBARGER
CHAIRMAN AND CEO

ETHICS VIOLATIONS, REPORTING AND INVESTIGATIONS

Any effective governance and ethics program must have a mechanism to ensure ethical codes are enforced.

Employees at all levels at Cummins are frequently reminded that they have an obligation to report suspected violations of Cummins’ Code of Business Conduct. They can do that in a number of ways, including telling a supervisor, reporting it on-line at ethics.cummins.com or by calling the Cummins Ethics Help Line (the number varies by country but in the United States at 1-800-671-9600). All reports are investigated and violations at any level of the Company are acted on swiftly and appropriately.

The Company also ensures that no one’s career can be negatively affected by reporting suspected code violations

made in good faith. Where permitted by local law, employees can report potential violations anonymously.

Cummins has a team of Master Investigators who respond to reports of violations to the Company’s Code of Business Conduct and make sure an appropriate action is taken in a timely manner. The Company has Master Investigators in most regions of the world.

In 2011, Cummins investigated 1,076 code of conduct-related complaints compared to 814 in 2010. Forty-seven percent of those complaints came from outside the United States, and 24 percent of all complaints were reported anonymously.

Of those cases investigated in 2011, 53 percent were substantiated and 38 percent of those substantiated cases resulted in employee terminations. Reports of unprofessional behavior and those grouped into the category of Human Relations accounted for the most Code of Business Conduct cases.

The Company averaged 13 days to close cases in 2011, down from 15 days in 2010.

Cummins’ senior leaders closely monitor reported violations and approve corrective actions. Each quarter, business unit leaders receive an update on reports in their region or business. Chairman and CEO Tom Linebarger also receives updates and an annual update is reviewed by the Audit Committee of the Cummins Board of Directors.

ETHICS CERTIFICATION PROCESS

Each year, employees certify their compliance with the Company’s Code of Business Conduct and underlying policies and report any exceptions to Cummins policy.

In 2011, 17,909 employees and officers – up from 15,266 in 2010 – completed their annual Ethics Certification including all members of the Board of Directors.

Internal Audit and Cummins Law Department reviewed all exceptions to ensure they were documented and investigated, according to Company policy.

SUPPLIER CODE OF CONDUCT

Cummins holds suppliers to a higher standard than just compliance with local laws. That’s why the Company’s Supplier Code of Conduct has been translated into more than a dozen languages.

The code includes provisions banning child or forced labor, respecting employee rights and providing a safe workplace for employees.

The Company wants to do business with suppliers that share its passion for sustainable practices and policies.

By the end of 2011, Cummins had sent its code to the Company’s top suppliers who collectively received 80 percent of Cummins’ total spending. All reported they were in compliance.

JOINT VENTURE RELATIONSHIPS

By doing business through alliances with partners and joint venture agreements, Cummins can increase market penetration around the world, streamline supply chain management, expand product lines and develop new technologies.

The Company takes appropriate steps to ensure these business relationships share Cummins values regardless of whether the Company directly manages these alliances and joint ventures. Cummins screens potential partners carefully and only initiates a joint venture with partners whom Company leaders know and trust.

Cummins strives to ensure its values are part of joint venture agreements and operations by making values important to Cummins a part of negotiations, and by ensuring Cummins employees are included on joint venture boards of directors.

GOVERNANCE BY THE NUMBERS

1,076

Number of Code of Conduct cases around the world investigated by Cummins

53

Percentage of those cases substantiated

13

Average number of days to close Code of Conduct cases in 2011, down from 15 in 2010

4,166

Cummins’ suppliers reporting to be in compliance with the Company’s Supplier Code of Conduct. They represent the top 80 percent of Cummins largest suppliers

17,909

Employees and officers who completed their Ethics Certification at Cummins in 2011

500

Distribution Business Unit locations that will need Business Continuity Plans by the end of 2014

Cummins Board of Directors

Cummins is governed by a nine-member Board of Directors. Eight of the nine directors are independent of the Company. Cummins Chairman and CEO Tom Linebarger is the only Cummins employee on the board. Each Director must stand for election annually.

The board represents and protects the interests of Cummins' stakeholders. The board has the legal responsibility for overseeing the affairs of the Company, exercising sound and independent business judgment regarding significant, strategic and operational issues. The board also advises senior management and adopts governance principles consistent with Cummins' Vision, Mission and Values.

The board takes an active role in fulfilling these responsibilities. Directors traveled to China, for example, in the fall of 2011 to see the Company's facilities there, meet with key Company personnel as well as customers and review strategy.

The board monitors a number of issues:

- » The performance of the Company.
- » The performance of senior management.
- » Compliance with all applicable laws and regulations.
- » Communications and relationships with stakeholders.
- » The effectiveness of internal controls and risk management practices.

COMMITTEES

Cummins Board of Directors has six standing committees:

- » Compensation Committee
- » Governance and Nominating Committee
- » Audit Committee
- » Finance Committee
- » Safety, Environment and Technology Committee
- » Executive Committee

The Company complies with all New York Stock Exchange and regulatory requirements concerning the membership of certain committees.

INTERNAL AUDIT

Cummins Internal Audit department provides the board and senior leaders with objective and independent information on the performance of the Company's control environment.

The Vice President – Internal Audit reports to the Audit Committee of the Board of Directors. In 2011, the Internal Audit Group published 144 audit reports and memos. To ensure management has addressed identified risks and implemented corrective action, Internal Audit has a formal follow-up process.

The responsible business or functional leader must present a corrective action plan to the Audit Committee of the Board of Directors when a function or business receives an "Unacceptable" audit grade.



ROBERT J. BERNHARD

Vice President for Research and a professor of Engineering at the University of Notre Dame. He joined the board in 2008.



ROBERT K. HERDMAN

Managing Director of Kalorama Partners, LLC, a Washington, D.C. - based consulting firm. He joined the board in 2008.



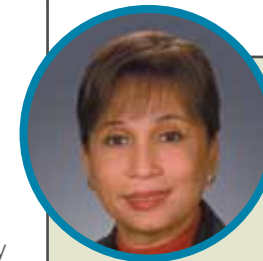
GEORGIA R. NELSON

President and CEO of PTI Resources, LLC, an independent consulting firm. She joined the board in 2004.



FRANKLIN CHANG DIAZ

Chairman and CEO of the Ad Astra Rocket Company, a U.S. spaceflight engineering company based in Houston, Texas. He joined the board in 2009.



ALEXIS M. HERMAN

Chairman and CEO of New Ventures, LLC, a corporate consulting company. She joined the board in 2001 and currently serves as Lead Director.



CARL WARE

Retired Coca-Cola Executive and President and COO, Ware Investment Properties LLC. He joined the board in 2004.



STEPHEN B. DOBBS

Senior Group President at Fluor Corporation, a Fortune 500 company that offers engineering, procurement, construction, maintenance, and project management services. He joined the board in 2010.



WILLIAM I. MILLER

President of the New York-based Wallace Foundation focused on K-12 education and the arts. He joined the board in 1989.



N. THOMAS LINEBARGER

Chairman and CEO of Cummins Inc. since January 2012. Previously, President and Chief Operating Officer. He joined the board in 2009.

Managing risk key to sustainability

Keeping our business units up and running is the ultimate goal of the Risk Management group at Cummins, making their work critical to keeping our Company sustainable.

Cummins Japan Ltd. has been busy helping with the recovery efforts following the March 11, 2011 tsunami. Months after the disaster, volunteers from the Company visited two cities that were largely destroyed. Some are photographed here. Cummins' facilities suffered relatively little damage.

That's why Cummins' Risk Management team is now taking a broader approach to their work: not just focusing on how to keep a particular location operational, but also how to keep numerous global functions operating.

"The idea is to take a more holistic approach to risk management," says Brian McBroom, Cummins Director of Risk Management. "We want to expand our

focus to global processes to make sure we have the redundancy necessary to meet our customers' needs in a global marketplace."

Cummins believes strongly that managing risk effectively enables a company to invest in building stronger communities and in reducing its environmental footprint. This means the Company cannot afford lengthy delays, especially in its most critical functions.

Senior leaders at the Company maintain a continually updated list of the top threats facing Cummins. Frequently, Six Sigma Black Belts, those employees most adept at using the business problem solving tool, are assigned to research potential threats and possible counter actions.

Additionally, leaders present a "Risk Map," "Risk Dashboard," and a list of the "Top 10 Risks" and their corresponding mitigation strategies at every Board of Directors meeting. This keeps Cummins directors informed about potential obstacles to the Company's success.



BUSINESS CONTINUITY PLANS

A major task for the Risk Management staff, however, remains the preparation of Business Continuity Plans for the most critical Cummins locations.

These plans include detailed information on crisis communications, operational recovery and emergency preparedness. Upon completion, the plans are transferred to local leaders who update them annually.

The staff has prepared well over 100 plans, but as Cummins grows, the need for additional plans increases. The Distribution Business Unit, for example, wants all of its sites and branches – some 500 locations – to have continuity plans by the end of 2014.

To meet that goal, McBroom said the staff has created a Business Continuity Plan training package that helps sites create their own plans, with the Risk Management team providing support remotely. This new training package enables the Risk Management team to focus on the "big picture" as our global footprint continues to expand.

Recent natural disasters ranging from the tsunami in Japan and earthquakes in Mexico, to the tornadoes in Southern Indiana and Kentucky in the spring of 2012 underscore the urgency of completing the plans. To protect Cummins' supply chain against similar risks, the Company's suppliers are also asked to create and maintain their own continuity plans.

TRAVEL SECURITY

Limiting risk for Cummins employees while they travel is one of the responsibilities of the Global Security team at Cummins.

The team fulfills that mission by providing employees with variety of travel information including up-to-the-minute security assessments of travel destinations around the world. The information is delivered in multiple ways including Global Security's "Travel Smart, Travel Safe" website available on Cummins' intranet site.

Billed as "your one stop for your international travel needs," the site includes travel "DOs and DON'Ts"; frequently asked questions and answers; travel tips for women; travel tips for lesbian, gay, bisexual and transgender employees; advice on how to travel with medical prescriptions; weather and much more.

The site started in 2010 and has expanded each year since. It also offers detailed information on travel to countries that might present a high or moderate risk to visitors, especially those from certain parts of the world.

The Company works with vendors who not only provide information but also respond to such things as medical emergencies across the world.

In 2011, the Global Security team initiated and completed online training for employees who travel for their jobs. The training targeted employees who travel to high- and moderate-risk countries and included advice such as taking different routes to work sites and on how to raise awareness about your personal surroundings.



Members of Cummins' Board of Directors visited China in the fall of 2011, participating in a ceremony celebrating the expansion of the Company's East Asia Research & Development Center in Wuhan, visiting various facilities and meeting with key personnel and customers.

GOVERNMENT RELATIONS AND POLITICAL ACTIVITY

Cummins has government relations employees around the world working on issues that might have a significant impact on the Company, such as energy policy, environmental legislation, taxes, trade and transportation to name just a few.

The Company maintains an office in Washington, D.C. but with more than 60 percent of Cummins' sales coming from outside the United States, the Company also has government relations employees in China and India, too.

These employees work to ensure that Cummins' voice is heard. For example, Cummins worked extensively in Washington to protect the U.S. Environmental Protection Agency's 2010 heavy-duty on-highway emissions standards from delay or modification and supported the government's effort to establish the first ever greenhouse gas and fuel consumptions standards for commercial vehicles.

Cummins belongs to a number of trade organizations to further its business interests. These organizations help the Company by leveraging Cummins' resources with other companies on issues where we share similar positions.

While Cummins might not agree with the positions these associations take on every issue, the Company believes participating in these groups helps ensure government officials know where Cummins' stands on matters critical to the Company.

POLITICAL CONTRIBUTIONS

Cummins bans contributions using corporate funds to candidates, political parties and independent expenditure campaigns. This ban includes contributions to 501 (c) (4) and 527 tax-exempt groups in the United States for the purpose of engaging in political activity. On ballot measures deemed vital to the Company's interests, Cummins is committed to publicly disclosing any payments made directly to influence the outcome, including recipient names and amounts.

Political contributions are made by the Cummins Inc. Political Action Committee (CIPAC), but the committee is funded solely by voluntary employee contributions. CIPAC makes contributions to federal candidates on a bipartisan basis after review and approval by CIPAC's Executive Committee and according to federal law.

For a complete list of the political action committee's contributions to candidates, go to www.fec.gov.

CIPAC is governed by corporate policies and bylaws that state:

- » All CIPAC contributions are strictly voluntary.
- » The Company will not reimburse employees directly or indirectly for political contributions.
- » Employees will not be pressured to contribute to CIPAC or make any other personal political contribution.
- » A decision not to contribute to CIPAC shall not disadvantage an employee's career in any way.

Contributions to political candidates and political organizations are based on the following criteria:

- » Public integrity of the candidate.
- » Representation of a Cummins facility or employees.
- » Support for issues of importance to Cummins.
- » Timely and effective constituent service.
- » Political leadership or organization.
- » Support for the Company's values.

All of CIPAC's political activities are disclosed to the Cummins Board of Directors in an annual political contribution report.

LOBBYING

The following list of U.S. trade organizations to which Cummins paid dues in excess of \$50,000 during calendar year 2011 and the U.S. Chamber of Commerce, which fell below the \$50,000 threshold. Listed with each entity is Cummins' estimation of the portion of these dues used by each organization for lobbying or other political expenditures.

The American Trucking Associations

\$11,930

The Business Roundtable

\$30,326

The Diesel Technology Forum

\$127

The Engine Manufacturers Association

\$8,680

The National Association of Manufacturers

\$21,012

U.S. Chamber of Commerce

\$12,500

LEFT Cummins' Board of Directors visit a Company plant in Wuhan during their trip to China.

RIGHT Cummins' Board of Directors visit the Beijing Foton Cummins Engine Company during their trip to China.

FINANCIAL

Cummins records strong financial performance over past year

A truly sustainable company must be successful financially. Without financial success, it’s difficult, if not impossible, to invest in building stronger communities, reducing a company’s environmental footprint or the research and development necessary to ensure a company’s future financial success.

HIGHLIGHTS

- » Cummins records best year ever in 2011 with record revenue of \$18 billion.
- » 2012 growth driven in part by higher demand in truck, power generation and construction markets in North America.
- » Credit agencies upgrade Cummins’ ratings in 2011.

Cummins Chairman and CEO Tom Linebarger and Anant Talaulicar, President of Cummins’ Components Group, tour the new Cummins Filtration facility in Suwon, South Korea in February 2012. The nanotechnology-enabled media produced at the plant is able to filter debris smaller than a red blood cell.

Cummins has enjoyed more than two years of outstanding growth which continued in 2011 with record revenue of \$18 billion and a 54 percent increase in Earnings Before Interest and Taxes (EBIT). “Cummins had its best year ever in 2011, despite economic uncertainty in a number of regions,” said Tom Linebarger, the Company’s Chairman and Chief Executive Officer. “We continue to benefit

from our leading position in a number of end markets and geographies. “Revenue in the United States grew 53 percent and international revenue grew 27 percent year-over-year,” he said. “In fact, we experienced record full-year revenues in North America, Brazil, China, India and a number of other important markets.”



Overall revenue for 2011 increased 36 percent compared to 2010.

Net income attributable to Cummins for the full year was \$1.85 billion. Excluding the benefit from the gains on divestiture of two businesses within the Components segment, and an insurance settlement stemming from a flood in Columbus, Ind. in 2008, the Company reported full-year net income of \$1.75 billion, up from \$1.04 billion in 2010.

Cummins will make a significant investment back into the Company in 2012.

The Company anticipates making between \$800 million and \$850 million in capital expenditures in 2012 and Cummins’ joint ventures are expected to invest another \$550 million to \$600 million.

The Company expects to continue investing around four percent of sales back into the business in future years.

Cummins’ financial performance has been recognized by several outside entities including three credit agencies that upgraded the Company’s ratings in 2011.

2011 – A RECORD YEAR OF FINANCIAL PERFORMANCE

	2011*	2010	CHANGE
Revenue	\$18.05 B	\$13.23 B	Up 36%
EBIT	\$2.56 B	\$1.66 B	Up 54%
Net Earnings	\$1.75 B	\$1.04 B	Up 69%
EPS	\$9.07	\$5.28	Up 72%
Cash Flow from Operations	\$2.07 B	\$1.01 B	Up 106%
ROE	31%	20%	

* EBIT, Net Earnings and EPS exclude the gains from divestiture of two businesses and an insurance settlement.

KEY DEVELOPMENTS

APRIL 2012

Cummins announces a major expansion of its Seymour, Ind. campus that includes investing \$219 million in new construction and the addition of 290 jobs to support the Company’s global high horsepower engine business.

MARCH 2012

Cummins announces the start of development of a 15-liter heavy-duty, spark-ignited natural gas engine to meet demand for on-highway applications.

MARCH 2012

Company announces its engines will meet North American 2014 fuel efficiency and greenhouse gas standards beginning in January 2013, delivering up to 2 percent greater fuel economy.

NOVEMBER 2011

Company unveils the new QSK95 engine with over 4000-hp (2983 kW) output as the world’s most powerful high-speed diesel. The 95-liter 16-cylinder engine is nicknamed “Hedgehog.”

OCTOBER 2011

Cummins Inc. and Guangxi LiuGong Machinery Co. Ltd. announce a joint-venture partnership to manufacture MidRange engines at a new facility in southern China starting in 2013.

Transition goes according to plan

The smooth transition to Tom Linebarger as the new leader of Cummins may be one of Tim Solso's most satisfying accomplishments.

Solso, the Company's Chairman and Chief Executive Officer from 2000 to 2011, had long said one of his greatest sustainability challenges was finding and developing the next generation of leaders at Cummins.

The transition to Linebarger had been underway for five years before Solso's retirement was announced with little fanfare in July 2011, the former chairman told employees in a series of transition meetings.

The change, which went into effect Jan. 1, 2012, has hardly caused a ripple because people both in and outside of the Company were familiar with Linebarger and his leadership style.

"As I have said on many occasions, I have great confidence in Tom and his team,"

Solso said in a final letter to employees in December 2011. "So while I leave with some sense of sadness, I am also excited about the prospects ahead for Cummins."

Solso, 65, worked in various positions at Cummins for 40 years. At the outset of his tenure as CEO, the Company was in the midst of severe financial problems.

Solso and his team, which included Linebarger, steered Cummins through those difficulties, then developed a plan for long-term financial success that resulted in very strong financial results for the past two years.

Linebarger, 49, is the first engineer to serve as CEO at the Company, but he also has a master's degree in business from Stanford University. He served as President and Chief Operating Officer at Cummins from August 2008 to December 2011. Prior to that, he served as the leader of the Company's Power Generation Business and as the Company's Chief Financial Officer.

"Tim left the Company in a much stronger condition than he found it," Linebarger told employees. "That's something I'd like to be able to do as well as he did."

Solso, who championed Corporate Responsibility during his time as the leader of the Company, wants to stay active in that area through a family foundation. Otherwise, he's trying to keep his options open as he approaches the next chapter in his life.



CUMMINS' SUSTAINABILITY REPORTING DOESN'T END WITH THIS DOCUMENT.

Go to our website – www.cummins.com/sustainability – for regular updates on how we're meeting the needs of all of our stakeholders and practicing good corporate citizenship.

PRODUCTION NOTES

Design and writing: *Cummins Corporate Communications*
Printing: *The Merrick Printing Company*

RESOURCE USAGE

COVER Printed on FSC-certified paper manufactured with electricity in the form of renewable energy (wind, hydro and biogas), and includes a minimum of 30 percent post-consumer recovered fiber.

INTERIOR Printed on FSC-certified paper manufactured with electricity that is made with 100 percent Certified Renewable Energy, from non-polluting wind power projects. The 100 percent post-consumer waste fiber used to make this paper is process-chlorine free and is Green-Seal certified.



Tim Solso and Tom Linebarger say years of planning went into the transition to Linebarger as the Company's leader in January of 2012.



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Bulletin Number 4986108