Agenda

01 Introduction
02 CMI results
03 Europe financials and Europe ABO
04 DBU financials
05 Summary
Antonio Introduction

**Work**

- SDMO
- Power Generation
- Distribution

**Family**

**ABO Purpose**

- To deliver success for our European customers
- To develop Cummins market share and brand across Europe
- To develop our regional talent ensuring success now and in the future
Agenda

01  Introduction
02  CMI results
03  Europe financials and Europe ABO
04  DBU financials
05  Summary
CMI Q3 results

Sales $5.9 billion

CMI revenue includes external sales and excludes intercompany sales.

Q3 sales up 12% from Q3’17

North America sales + 17% from Q3’17

International sales + 6% from Q3’17
CMI Q3 results

EBITDA $983 million

Earnings before interest, taxes, depreciation and amortization. EBITDA figure is three months ended Sept. 30th 2018,

<table>
<thead>
<tr>
<th>Segment</th>
<th>EBITDA %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine</td>
<td>14.9%</td>
</tr>
<tr>
<td>Components</td>
<td>16.4%</td>
</tr>
<tr>
<td>Distribution</td>
<td>8.0%</td>
</tr>
<tr>
<td>Power Systems</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

16.5% compared to 14.9% percent of sales Q3’18 Q3’17
Agenda

01 Introduction

02 CMI results

03 Europe financials and Europe ABO

04 DBU financials

05 Summary
H1 2017 v H1 2018 European Business

<table>
<thead>
<tr>
<th>Engine</th>
<th>Power Systems</th>
<th>Components</th>
<th>Distribution and Parts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$146M</td>
<td>$151M</td>
<td>$354M</td>
<td>$277M</td>
<td>$928M</td>
</tr>
<tr>
<td>H1 2018</td>
<td>$186M</td>
<td>$124M</td>
<td>$411M</td>
<td>$1,105M</td>
</tr>
<tr>
<td>External (only) Sales in Europe (A,B)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross worldwide sales from European entities (B, C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2017</td>
</tr>
<tr>
<td>H1 2018</td>
</tr>
</tbody>
</table>

Reflects external invoicing so:
- (A) Engine sales via DBU entities show up in Distribution
- (B) Product sourced from outside of Europe but invoiced from European entities are included
- (C) Gross, before I/co eliminations
Europe ABO focus - 2018

▪ Customers
  • Improved sales from 2017
  • Increasing opportunities with key OEMs
  • Launch of EPBU in Europe

▪ People
  • GLDP first cohort of 20, 50:50 male and female, 65% non-UK, 5 from DBU
  • MSDP graduate program, 55% female, 70% non-UK
  • Greater number of global roles in the region
  • Reduced number of ex-pats

▪ Government relations
  • Stronger ties with local government close to sites
  • Increased presence in UK Government and in Brussels
  • 2 roundtable meetings with UK Prime Minister this year
Europe ABO focus - 2018

- **Strategy**
  - BREXIT preparedness, supply chain, product regulation, immigration
  - Increased focus on European markets

- **Brand**
  - Increased European communication
  - Greater external stakeholder communication, Government, Universities

- **Investment**
  - Expansion/integration of Darlington site
  - New EPBU site in Milton Keynes
  - New Paddington office
  - New Madrid office
Outlook for 2019 and beyond

- Strong performance in Europe in 2018 is a great foundation for growth in 2019

- Acquisition of Johnson Matthey battery systems in UK and focus on electrical power is a great opportunity for both our full electrical and battery systems products, as well as hybrid systems.

- Opportunities are being explored in bus, port equipment, mining, as well as marine and rail

- New Isuzu deal could lead to some new products particularly in natural gas area

- Many traditional OEMs in Europe are changing their vertical integration owing to the need to invest in new technologies – this also gives us greater opportunities for diesel engine sales

- Europe at the centre of many growth trends for Cummins
Agenda

01  Introduction
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04  DBU financials
05  Summary
DBU Global performance – Q3 2018

Sales $1.9 billion

Operating Segment revenues include intercompany and external sales.

Up 10 percent from Q3'17

Q3'17 | Q4'17 | Q1'18 | Q2'18 | Q3'18
---|---|---|---|---
$1.8B | $1.9B | $1.9B | $2.0B | $1.9B
DBU Global performance – Q3 2018

EBITDA $155 million

Earnings before interest, taxes, depreciation and amortization. EBITDA figure is three months ended Sept. 30th 2018,

Segment EBITDA for Q3’18 was $155M or 8% of sales. Increase driven by:

• Favourable mix of aftermarket to wholegoods
• Improved aftermarket margins
• Pricing actions in N. America
• 2018 Revenue is expected to grow by 19% from prior year mainly driven by Engine pre-buy and PG projects.

• EBIT% is expected to be at 7.4%, slightly improved from prior year of 7.3%, thanks to the tight cost control.
Agenda

01 Introduction
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03 Europe financials and Europe ABO
04 DBU financials
05 Summary
Summary

- 2018 Q1 – Q3 have been successful
- Great year in Europe so far, much stronger than 2017
- Strong delivery from ABO
- Increasing people opportunities in Europe
- Need to continue to focus on GM and EBIT measures
- Need strong delivery in Q4
- Great opportunities in 2019
- 2019 will need continued focus on expenditure and improvements in efficiency
Q&A