

CUMMINS INC  
Form 8-K  
May 01, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**Date of Report:** May 1, 2012

**CUMMINS INC.**

(Exact name of registrant as specified in its charter)

**Indiana**

(State or other Jurisdiction of  
Incorporation)

**1-4949**

(Commission File Number)

**35-0257090**

(I.R.S. Employer Identification  
No.)

**500 Jackson Street**

**P. O. Box 3005**

**Columbus, IN 47202-3005**

**(Principal Executive Office) (Zip Code)**

Registrant's telephone number, including area code: **(812) 377-5000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On May 1, 2012, Cummins Inc. ( Cummins, the Company, the registrant, we, our, or, us ) issued the attached press release reporting its financial results for the first quarter of 2012. A copy of Cummins' press release is attached hereto as Exhibit 99 and hereby incorporated by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) The following exhibit is furnished pursuant to Item 2.02 herewith:

99-Press Release dated May 1, 2012

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 1, 2012

CUMMINS INC.  
**/s/ Marsha L. Hunt**

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Marsha L. Hunt  
Vice President - Corporate Controller  
(Principal Accounting Officer)



**CUMMINS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited) (a)

In millions, except per share amounts	Three months ended		
	April 1, 2012	December 31, 2011	March 27, 2011
<b>NET SALES</b>	<b>\$ 4,472</b>	\$ 4,921	\$ 3,860
Cost of sales	<b>3,274</b>	3,680	2,903
<b>GROSS MARGIN</b>	<b>1,198</b>	1,241	957
<b>OPERATING EXPENSES AND INCOME</b>			
Selling, general and administrative expenses	<b>475</b>	496	389
Research, development and engineering expenses	<b>181</b>	179	129
Equity, royalty and interest income from investees (Note 1)	<b>104</b>	101	96
Gain on sale of business	-	53	-
Other operating income (expense), net	<b>2</b>	25	(6)
<b>OPERATING INCOME</b>	<b>648</b>	745	529
Interest income	<b>8</b>	9	6
Interest expense	<b>8</b>	10	10
Other income (expense), net	<b>2</b>	14	(3)
<b>INCOME BEFORE INCOME TAXES</b>	<b>650</b>	758	522
Income tax expense (Note 2)	<b>175</b>	186	157
<b>CONSOLIDATED NET INCOME</b>	<b>475</b>	572	365
Less: Net income attributable to noncontrolling interests	<b>20</b>	24	22
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 455</b>	\$ 548	\$ 343
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>			
Basic	<b>\$ 2.39</b>	\$ 2.87	\$ 1.75
Diluted	<b>\$ 2.38</b>	\$ 2.86	\$ 1.75
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>			
Basic	<b>190.4</b>	190.9	195.5
Diluted	<b>190.8</b>	191.5	196.1
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.40</b>	\$ 0.40	\$ 0.2625

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

**CUMMINS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited) (a)**

<b>In millions, except par value</b>	<b>April 1, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,317	\$ 1,484
Marketable securities	252	277
Total cash, cash equivalents and marketable securities	1,569	1,761
Accounts and notes receivable, net	2,684	2,526
Inventories	2,382	2,141
Prepaid expenses and other current assets	682	663
Total current assets	7,317	7,091
Long-term assets		
Property, plant and equipment	5,416	5,245
Accumulated depreciation	(3,025)	(2,957)
Property, plant and equipment, net	2,391	2,288
Investments and advances related to equity method investees	903	838
Goodwill	342	339
Other intangible assets, net	250	227
Other assets	916	885
Total assets	\$ 12,119	\$ 11,668
<b>LIABILITIES</b>		
Current liabilities		
Loans payable	\$ 33	\$ 28
Accounts payable (principally trade)	1,731	1,546
Current portion of accrued product warranty	418	422
Accrued compensation, benefits and retirement costs	289	511
Deferred revenue	211	208
Taxes payable (including taxes on income)	297	282
Other accrued expenses	651	660
Total current liabilities	3,630	3,657
Long-term liabilities		
Long-term debt	650	658
Pensions	157	205
Postretirement benefits other than pensions	428	432
Other liabilities and deferred revenue	896	885
Total liabilities	5,761	5,837
<b>EQUITY</b>		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.4 and 222.2 shares issued	2,017	2,001
Retained earnings	6,416	6,038

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Treasury stock, at cost, 30.2 and 30.2 shares	<b>(1,590)</b>	(1,587)
Common stock held by employee benefits trust, at cost, 1.7 and 1.8 shares	<b>(20)</b>	(22)
Accumulated other comprehensive loss		
Defined benefit postretirement plans	<b>(713)</b>	(724)
Other	<b>(100)</b>	(214)
Total accumulated other comprehensive loss	<b>(813)</b>	(938)
Total Cummins Inc. shareholders' equity	<b>6,010</b>	5,492
Noncontrolling interests	<b>348</b>	339
Total equity	<b>6,358</b>	5,831
Total liabilities and equity	<b>\$ 12,119</b>	\$ 11,668

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

**CUMMINS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited) (a)**

<b>In millions</b>	<b>Three months ended</b>	
	<b>April 1, 2012</b>	<b>March 27, 2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 475	\$ 365
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	85	79
Deferred income taxes	(27)	21
Equity in income of investees, net of dividends	(59)	(62)
Pension contributions in excess of expense	(27)	(24)
Other post-retirement benefits payments in excess of expense	(4)	(5)
Stock-based compensation expense	7	5
Excess tax benefits on stock-based awards	(11)	(2)
Translation and hedging activities	10	4
Changes in current assets and liabilities, net of acquisitions		
Accounts and notes receivable	(135)	(306)
Inventories	(209)	(210)
Other current assets	(28)	(2)
Accounts payable	148	251
Accrued expenses	(196)	(28)
Changes in other liabilities and deferred revenue	29	24
Other, net	(37)	(22)
Net cash provided by operating activities	21	88
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(126)	(91)
Investments in internal use software	(16)	(10)
Investments in and advances to equity investees	(5)	(21)
Acquisition of businesses, net of cash acquired	(5)	-
Investments in marketable securities acquisitions	(146)	(101)
Investments in marketable securities liquidations	184	134
Cash flows from derivatives not designated as hedges	11	4
Other, net	1	7
Net cash used in investing activities	(102)	(78)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	12	38
Payments on borrowings and capital lease obligations	(38)	(45)
Net borrowings (payments) under short-term credit agreements	-	1
Distributions to noncontrolling interests	(22)	(21)
Dividend payments on common stock	(77)	(51)



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Repurchases of common stock	(8)	(190)
Excess tax benefits on stock-based awards	11	2
Other, net	9	4
Net cash used in financing activities	(113)	(262)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>27</b>	<b>8</b>
Net increase (decrease) in cash and cash equivalents	(167)	(244)
Cash and cash equivalents at beginning of year	1,484	1,023
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,317</b>	<b>\$ 779</b>

(a) Prepared on an unaudited basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

## CUMMINS INC. AND SUBSIDIARIES

## SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Power Components	Generation	Distribution	Non-segment Items <sup>(1)</sup>	Total
<b>Three months ended April 1, 2012</b>						
External sales	\$ 2,412	\$ 774	\$ 516	\$ 770	\$ -	\$ 4,472
Intersegment sales	447	325	264	5	(1,041)	-
Total sales	2,859	1,099	780	775	(1,041)	4,472
Depreciation and amortization <sup>(2)</sup>	47	19	11	7	-	84
Research, development and engineering expenses	111	51	18	1	-	181
Equity, royalty and interest income from investees	38	8	10	48	-	104
Interest income	4	1	2	1	-	8
Segment EBIT	381	143	76	94	(36)	658
<b>Three months ended December 31, 2011</b>						
External sales	\$ 2,628	\$ 781	\$ 682	\$ 830	\$ -	\$ 4,921
Intersegment sales	433	311	238	4	(986)	-
Total sales	3,061	1,092	920	834	(986)	4,921
Depreciation and amortization <sup>(2)</sup>	46	18	10	8	-	82
Research, development and engineering expenses	112	49	17	1	-	179
Equity, royalty and interest income from investees	40	7	10	44	-	101
Interest income	4	2	2	1	-	9
Segment EBIT	368	132	87	87	94	768
<b>Three months ended March 27, 2011</b>						
External sales	\$ 2,006	\$ 660	\$ 557	\$ 637	\$ -	\$ 3,860
Intersegment sales	385	264	238	5	(892)	-
Total sales	2,391	924	795	642	(892)	3,860
Depreciation and amortization <sup>(2)</sup>	45	18	10	6	-	79
Research, development and engineering expenses	80	37	11	1	-	129
Equity, royalty and interest income from investees	42	8	8	38	-	96
						10

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Interest income	3	1	1	1	-	6
Segment EBIT	290	105	89	89	(41)	532

- (1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three month periods ended April 1, 2012 and March 27, 2011. For the three months ended December 31, 2011, unallocated corporate expenses include a \$53 million gain (\$33 million after-tax) recorded for the sale of certain assets and liabilities of our light-duty filtration business from our Components segment and a \$38 million gain (\$24 million after-tax) related to flood damage recoveries from the insurance settlement regarding a June 2008 flood in Southern Indiana.
- (2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the *Condensed Consolidated Statements of Income* as Interest expense.

A reconciliation of our segment information to the corresponding amounts in the *Condensed Consolidated Statements of Income* is shown in the table below:

In millions	Three months ended		
	April 1, 2012	December 31, 2011	March 27, 2011
Segment EBIT	\$ 658	\$ 768	\$ 532
Less			
Interest expense	8	10	10
Income before income taxes	\$ 650	\$ 758	\$ 522

## CUMMINS INC. AND SUBSIDIARIES

## SELECTED FOOTNOTE DATA

(Unaudited)

## NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

Equity, royalty and interest income from investees included in our *Condensed Consolidated Statements of Income* for the interim reporting periods was as follows:

In millions	Three months ended		
	April 1, 2012	December 31, 2011	March 27, 2011
<b>Distribution Entities</b>			
North American distributors	\$ 40	\$ 34	\$ 30
Komatsu Cummins Chile, Ltda.	5	6	4
All other distributors	1	1	1
<b>Manufacturing Entities</b>			
Chongqing Cummins Engine Company, Ltd.	18	17	12
Dongfeng Cummins Engine Company, Ltd.	16	16	23
Cummins Westport, Inc.	5	6	1
Tata Cummins, Ltd.	4	5	4
Shanghai Fleetguard Filter Co., Ltd.	3	3	4
Valvoline Cummins, Ltd.	2	1	2
Komatsu manufacturing alliances	(1)	2	2
Beijing Foton Cummins Engine Co., Ltd.	(2)	(2)	(2)
All other manufacturers	1	2	6
Cummins share of net income	92	91	87
Royalty and interest income	12	10	9
Equity, royalty and interest income from investees	\$ 104	\$ 101	\$ 96

## NOTE 2. INCOME TAXES

Our effective tax rate for the year is expected to approximate 27 percent, absent any discrete period activity. Our tax rate is generally less than the 35 percent U.S. statutory income tax rate primarily due to lower tax rates on foreign income. The tax rate for the three month period ended April 1, 2012, was 27 percent.

Our effective tax rate for the three months ended March 27, 2011, was 30 percent. The decrease in the 2012 effective tax rate compared to 2011 is due primarily to our assertion that income earned after 2011 by our China operations is permanently reinvested, as well as certain tax planning strategies implemented in our U.K. subsidiaries.

**CUMMINS INC. AND SUBSIDIARIES****FINANCIAL MEASURES THAT SUPPLEMENT GAAP****(Unaudited)****Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding special items**

We believe this is a useful measure of our operating performance for the period presented as it illustrates our operating performance without regard to special items including the gains related to the sale of certain assets and liabilities and flood insurance recovery. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. to net income attributable to Cummins Inc. excluding special items for the quarters ended April 1, 2012, December 31, 2011 and March 27, 2011.

	<b>Three months ended</b>		<b>December 31, 2011</b>		<b>March 27, 2011</b>	
	<b>April 1, 2012</b>					
<b>In millions</b>	<b>Net</b>	<b>Diluted</b>	<b>Net</b>	<b>Diluted</b>	<b>Net</b>	<b>Diluted</b>
	<b>Income</b>	<b>EPS</b>	<b>Income</b>	<b>EPS</b>	<b>Income</b>	<b>EPS</b>
Net income attributable to Cummins Inc.	<b>\$ 455</b>	<b>\$ 2.38</b>	\$ 548	\$ 2.86	\$ 343	\$ 1.75
Subtract						
Gain on sale of business <sup>(1)</sup>	-	-	33	0.17	-	-
Flood insurance recovery <sup>(1)</sup>	-	-	24	0.13	-	-
Net income attributable to Cummins Inc. excluding special items	<b>\$ 455</b>	<b>\$ 2.38</b>	\$ 491	\$ 2.56	\$ 343	\$ 1.75

(1) The gains have been excluded from operating results as they were not considered in our evaluation of performance for the quarter ended December 31, 2011.

## CUMMINS INC. AND SUBSIDIARIES

## FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

## Earnings before interest expense, taxes and noncontrolling interests

We define EBIT as earnings or loss before interest expense, income tax expense and noncontrolling interests in income of consolidated subsidiaries (EBIT). We use EBIT to assess and measure the performance of our operating segments and also as a component in measuring our variable compensation programs. Below is a reconciliation of EBIT, a non-GAAP financial measure, to Net income attributable to Cummins Inc., for each of the applicable periods:

<b>In millions</b>	<b>Three months ended</b>		
	<b>April 1, 2012</b>	<b>December 31, 2011</b>	<b>March 27, 2011</b>
Earnings before interest expense, income taxes and special items	\$ 658	\$ 677	\$ 532
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	<i>14.7%</i>	<i>13.8%</i>	<i>13.8%</i>
Add			
Gain on sale of business	-	53	-
Flood insurance recovery	-	38	-
Earnings before interest expense and income taxes	\$ 658	\$ 768	\$ 532
<i>EBIT as a percentage of net sales</i>	<i>14.7%</i>	<i>15.6%</i>	<i>13.8%</i>
Less			
Interest expense	8	10	10
Income tax expense	175	186	157
Consolidated net income	475	572	365
Less			
Net income attributable to noncontrolling interests	20	24	22
Net income attributable to Cummins Inc.	\$ 455	\$ 548	\$ 343
<i>Net income attributable to Cummins Inc. as a percentage of net sales</i>	<i>10.2%</i>	<i>11.1%</i>	<i>8.9%</i>

**CUMMINS INC. AND SUBSIDIARIES****SEGMENT INFORMATION****(Unaudited)**

Engine segment net sales by market

**2012**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Heavy-duty truck	\$ 892	\$ -	\$ -	\$ -	\$ 892
Medium-duty truck and bus	526	-	-	-	526
Light-duty automotive and RV	286	-	-	-	286
Industrial	861	-	-	-	861
Stationary power	294	-	-	-	294
Total sales	\$ 2,859	\$ -	\$ -	\$ -	\$ 2,859

**2011**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Heavy-duty truck	\$ 485	\$ 693	\$ 748	\$ 865	\$ 2,791
Medium-duty truck and bus	474	608	640	598	2,320
Light-duty automotive and RV	296	310	271	299	1,176
Industrial	855	988	977	1,030	3,850
Stationary power	281	301	319	269	1,170
Total sales	\$ 2,391	\$ 2,900	\$ 2,955	\$ 3,061	\$ 11,307

Unit shipments by engine classification (including unit shipments to Power Generation)

**2012**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Midrange	109,000	-	-	-	109,000
Heavy-duty	36,000	-	-	-	36,000
High-horsepower	5,500	-	-	-	5,500
Total units	150,500	-	-	-	150,500

**2011**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Midrange	109,400	131,300	130,600	138,100	509,400



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Heavy-duty	20,000	29,900	31,100	35,300	116,300
High-horsepower	4,900	5,700	5,600	5,400	21,600
Total units	134,300	166,900	167,300	178,800	647,300

**CUMMINS INC. AND SUBSIDIARIES****SEGMENT INFORMATION****(Unaudited)**

Component segment sales by business

<b>2012</b>					
<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Emission solutions	\$ 404	\$ -	\$ -	\$ -	\$ 404
Turbo technologies	298	-	-	-	298
Filtration	270	-	-	-	270
Fuel systems	127	-	-	-	127
Total sales	\$ 1,099	\$ -	\$ -	\$ -	\$ 1,099

<b>2011</b>					
<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Emission solutions	\$ 273	\$ 311	\$ 306	\$ 372	\$ 1,262
Turbo technologies	297	314	298	314	1,223
Filtration	255	287	288	283	1,113
Fuel systems	99	120	123	123	465
Total sales	\$ 924	\$ 1,032	\$ 1,015	\$ 1,092	\$ 4,063

In the first quarter of 2012, our Power Generation segment reorganized its reporting structure to include the following businesses: power products, power systems, generator technologies and power solutions. Sales for our Power Generation segment by business (including 2011 and 2010 reorganized balances) were as follows:

<b>2012</b>					
<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Power products	\$ 375	\$ -	\$ -	\$ -	\$ 375
Power systems	188	-	-	-	188
Generator technologies	141	-	-	-	141
Power solutions	76	-	-	-	76
Total sales	\$ 780	\$ -	\$ -	\$ -	\$ 780

<b>2011</b>					
<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Power products	\$ 377	\$ 415	\$ 433	\$ 411	\$ 1,636
Power systems	189	210	188	228	815

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Generator technologies	154	189	166	164	673
Power solutions	75	95	87	117	374
Total sales	\$ 795	\$ 909	\$ 874	\$ 920	\$ 3,498

**2010**

**In millions**

	<b>YTD</b>
Power products	\$ 1,465
Power systems	616
Generator technologies	550
Power solutions	288
Total sales	\$ 2,919

**CUMMINS INC. AND SUBSIDIARIES****SEGMENT INFORMATION****(Unaudited)**

Distribution segment sales by product

**2012**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Parts and filtration	\$ 288	\$ -	\$ -	\$ -	\$ 288
Power generation	186	-	-	-	186
Engines	166	-	-	-	166
Service	135	-	-	-	135
Total sales	\$ 775	\$ -	\$ -	\$ -	\$ 775

**2011**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Parts and filtration	\$ 235	\$ 271	\$ 283	\$ 296	\$ 1,085
Power generation	145	195	191	191	722
Engines	140	186	171	206	703
Service	122	133	138	141	534
Total sales	\$ 642	\$ 785	\$ 783	\$ 834	\$ 3,044