

CUMMINS INC  
Form 8-K  
October 25, 2011  
**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:** October 25, 2011

**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 October 25, 2011, Cummins Inc. issued a press release regarding its release of third quarter results.

**Item 7.01. Regulation FD Disclosure**

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition" and Item 7.01, "Regulation FD Disclosure."

On October 25, 2011, Cummins Inc. ( Cummins, the Company, the registrant, we, our, or, us ) issued the attached release reporting its financial results for the third quarter of 2011. 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 herewith:

99-Press Release dated October 25, 2011

**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: October 25, 2011

CUMMINS INC.

**/s/ Marsha L. Hunt**

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

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

| In millions, except per share amounts                         | Three months ended       |                  | September<br>26,<br>2010 |
|---|--------------------------|------------------|--------------------------|
|   | September<br>25,<br>2011 | June 26,<br>2011 |                          |
| <b>NET SALES</b>  | \$ 4,626                 | \$ 4,641         | \$ 3,401                 |
| Cost of sales   | 3,438                    | 3,438            | 2,571                    |
| <b>GROSS MARGIN</b>   | <b>1,188</b>             | 1,203            | 830                      |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                          |                  |                          |
| Selling, general and administrative expenses                  | 489                      | 463              | 375                      |
| Research, development and engineering expenses                | 164                      | 157              | 103                      |
| Equity, royalty and interest income from investees (Note 1)   | 102                      | 117              | 88                       |
| Gain on sale of business (Note 2)                             | -                        | 68               | -                        |
| Other operating (expense) income, net                         | 2                        | -                | (5)                      |
| <b>OPERATING INCOME</b>                                       | <b>639</b>               | 768              | 435                      |
| Interest income   | 9                        | 10               | 6                        |
| Interest expense  | 11                       | 13               | 11                       |
| Other income (expense), net                                   | (8)                      | (3)              | 8                        |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>629</b>               | 762              | 438                      |
| Income tax expense (Note 3)                                   | 157                      | 225              | 129                      |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>472</b>               | 537              | 309                      |
| Less: Net income attributable to noncontrolling interests     | 20                       | 32               | 26                       |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 452</b>            | \$ 505           | \$ 283                   |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                          |                  |                          |
| Basic   | \$ 2.35                  | \$ 2.61          | \$ 1.45                  |
| Diluted   | \$ 2.35                  | \$ 2.60          | \$ 1.44                  |

**WEIGHTED AVERAGE SHARES OUTSTANDING**

|         |              |       |       |
|---------|--------------|-------|-------|
| Basic   | <b>192.1</b> | 193.8 | 195.8 |
| Diluted | <b>192.7</b> | 194.4 | 196.3 |

**CASH DIVIDENDS DECLARED PER COMMON SHARE**

|                |           |           |
|----------------|-----------|-----------|
| <b>\$ 0.40</b> | \$ 0.2625 | \$ 0.2625 |
|----------------|-----------|-----------|

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

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

| <b>In millions, except per share amounts</b>                  | <b>Nine months ended</b>      |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September<br/>25, 2011</b> | <b>September<br/>26, 2010</b> |
| <b>NET SALES</b>  | \$ 13,127                     | \$ 9,087                      |
| Cost of sales   | 9,779                         | 6,903                         |
| <b>GROSS MARGIN</b>   | <b>3,348</b>                  | <b>2,184</b>                  |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                               |                               |
| Selling, general and administrative expenses                  | 1,341                         | 1,064                         |
| Research, development and engineering expenses                | 450                           | 291                           |
| Equity, royalty and interest income from investees (Note 1)   | 315                           | 261                           |
| Gain on sale of business (Note 2)                             | 68                            | -                             |
| Other operating (expense) income, net                         | (4)                           | (13)                          |
| <b>OPERATING INCOME</b>                                       | <b>1,936</b>                  | <b>1,077</b>                  |
| Interest income   | 25                            | 14                            |
| Interest expense  | 34                            | 29                            |
| Other income (expense), net                                   | (14)                          | 25                            |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>1,913</b>                  | <b>1,087</b>                  |
| Income tax expense (Note 3)                                   | 539                           | 338                           |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>1,374</b>                  | <b>749</b>                    |
| Less: Net income attributable to noncontrolling interests     | 74                            | 71                            |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 1,300</b>               | <b>\$ 678</b>                 |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                               |                               |
| Basic   | \$ 6.71                       | \$ 3.44                       |
| Diluted   | \$ 6.69                       | \$ 3.43                       |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                               |                               |
| Basic   | 193.8                         | 197.0                         |
| Diluted   | 194.4                         | 197.4                         |

|   |                 |                  |
|---|-----------------|------------------|
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b> | <b>\$ 0.925</b> | <b>\$ 0.6125</b> |
|---|-----------------|------------------|

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

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

| In millions, except par value                               | September 25,<br>2011 | December 31,<br>2010 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| Current assets  |                       |                      |
| Cash and cash equivalents                                   | \$ 1,165              | \$ 1,023             |
| Marketable securities                                       | 273                   | 339                  |
| Total cash, cash equivalents and marketable securities      | 1,438                 | 1,362                |
| Accounts and notes receivable, net                          | 2,666                 | 2,243                |
| Inventories   | 2,295                 | 1,977                |
| Deferred income taxes                                       | 277                   | 314                  |
| Prepaid expenses and other current assets                   | 350                   | 393                  |
| Total current assets  | 7,026                 | 6,289                |
| Long-term assets  |                       |                      |
| Property, plant and equipment                               | 5,131                 | 4,927                |
| Accumulated depreciation                                    | (2,963)               | (2,886)              |
| Property, plant and equipment, net                          | 2,168                 | 2,041                |
| Investments and advances related to equity method investees | 830                   | 734                  |
| Goodwill  | 346                   | 367                  |
| Other intangible assets, net                                | 215                   | 222                  |
| Deferred income taxes                                       | 125                   | 203                  |
| Other assets  | 628                   | 546                  |
| Total assets  | \$ 11,338             | \$ 10,402            |
| <b>LIABILITIES</b>  |                       |                      |
| Current liabilities   |                       |                      |
| Loans payable   | \$ 48                 | \$ 82                |
| Accounts payable (principally trade)                        | 1,659                 | 1,362                |
| Current portion of accrued product warranty                 | 417                   | 421                  |
| Accrued compensation, benefits and retirement costs         | 481                   | 468                  |
| Deferred revenue  | 208                   | 182                  |
| Taxes payable (including taxes on income)                   | 251                   | 202                  |
| Other accrued expenses                                      | 678                   | 543                  |
| Total current liabilities                                   | 3,742                 | 3,260                |
| Long-term liabilities                                       |                       |                      |
| Long-term debt  | 665                   | 709                  |
| Pensions  | 75                    | 195                  |
| Postretirement benefits other than pensions                 | 446                   | 439                  |
| Other liabilities and deferred revenue                      | 866                   | 803                  |

|  |                  |           |
|--|------------------|-----------|
| Total liabilities  | <b>5,794</b>     | 5,406     |
| <b>EQUITY</b>  |                  |           |
| Cummins Inc. shareholders' equity  |                  |           |
| Common stock, \$2.50 par value, 500 shares authorized, 222.2 and 221.8 shares issued | <b>1,982</b>     | 1,934     |
| Retained earnings  | <b>5,567</b>     | 4,445     |
| Treasury stock, at cost, 29.3 and 24.0 shares  | <b>(1,505)</b>   | (964)     |
| Common stock held by employee benefits trust, at cost, 1.9 and 2.1 shares            | <b>(22)</b>      | (25)      |
| Accumulated other comprehensive loss   |                  |           |
| Defined benefit postretirement plans   | <b>(606)</b>     | (646)     |
| Other  | <b>(205)</b>     | (74)      |
| Total accumulated other comprehensive loss   | <b>(811)</b>     | (720)     |
| Total Cummins Inc. shareholders' equity  | <b>5,211</b>     | 4,670     |
| Noncontrolling interests   | <b>333</b>       | 326       |
| Total equity   | <b>5,544</b>     | 4,996     |
| Total liabilities and equity   | <b>\$ 11,338</b> | \$ 10,402 |

(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)

| In millions  | Nine months ended<br>September 25,<br>2011 | September 26,<br>2010 |
|--|--|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                       |
| Consolidated net income  | \$ 1,374                                   | \$ 749                |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |  |                       |
| Depreciation and amortization  | 243  | 239                   |
| Gain on sale of business (Note 2)  | (68)                                       | -                     |
| Gain on fair value adjustment for consolidated investee  | -  | (12)                  |
| Deferred income taxes  | 148  | 83                    |
| Equity in income of investees, net of dividends  | 7  | (95)                  |
| Pension contributions in excess of expense   | (71)                                       | (114)                 |
| Excess tax benefits on stock based awards  | (4)  | (8)                   |
| Other post-retirement benefits payments in excess of expense                                   | (10)                                       | (22)                  |
| Stock-based compensation expense   | 28   | 17                    |
| Translation and hedging activities   | (14)                                       | 10                    |
| Changes in current assets and liabilities, net of acquisitions and divestitures:               |  |                       |
| Accounts and notes receivable  | (469)                                      | (198)                 |
| Inventories  | (367)                                      | (524)                 |
| Other current assets   | (5)  | (16)                  |
| Accounts payable   | 317  | 336                   |
| Accrued expenses   | 173  | 102                   |
| Changes in other liabilities and deferred revenue  | 93   | 97                    |
| Other, net   | (7)  | (25)                  |
| Net cash provided by operating activities  | <b>1,368</b>                               | 619                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                       |
| Capital expenditures   | (377)                                      | (170)                 |
| Investments in internal use software   | (31)                                       | (28)                  |
| Proceeds from disposals of property, plant and equipment                                       | 5  | 46                    |
| Investments in and advances to equity investees  | (104)                                      | (17)                  |
| Proceeds from sale of business, net of cash sold (Note 2)                                      | 111  | -                     |
| Acquisition of businesses, net of cash acquired  | -  | (77)                  |

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|  |       |       |
|--|-------|-------|
| Investments in marketable securities acquisitions    | (538) | (560) |
| Investments in marketable securities liquidations    | 572   | 452   |
| Purchases of other investments                       | -     | (54)  |
| Cash flows from derivatives not designated as hedges | 4     | 2     |
| Other, net   | 2     | -     |
| Net cash used in investing activities                | (356) | (406) |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |       |       |
|---|-------|-------|
| Proceeds from borrowings  | 96    | 163   |
| Payments on borrowings and capital lease obligations              | (174) | (64)  |
| Net borrowings under short-term credit agreements                 | (5)   | (4)   |
| Distributions to noncontrolling interests                         | (50)  | (21)  |
| Dividend payments on common stock                                 | (178) | (120) |
| Proceeds from sale of common stock held by employee benefit trust | -     | 52    |
| Repurchases of common stock                                       | (546) | (241) |
| Excess tax benefits on stock-based awards                         | 4     | 8     |
| Other, net  | 13    | 17    |
| Net cash used in financing activities                             | (840) | (210) |

**EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**

|  |                 |               |
|--|-----------------|---------------|
|  | (30)            | 4             |
| Net increase (decrease) in cash and cash equivalents | 142             | 7             |
| Cash and cash equivalents at beginning of year       | 1,023           | 930           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>    | <b>\$ 1,165</b> | <b>\$ 937</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)

|   | Engine   | Power<br>Generation | Components | Distribution | Non-segment<br>Items <sup>(1)</sup> | Total    |
|---|----------|---------------------|------------|--------------|-------------------------------------|----------|
| <b>In millions</b>                                    |          |                     |            |              |                                     |          |
| <b>Three months ended</b>                             |          |                     |            |              |                                     |          |
| <b>September 25, 2011</b>                             |          |                     |            |              |                                     |          |
| External sales  | \$ 2,539 | \$ 604              | \$ 704     | \$ 779       | \$ -                                | \$ 4,626 |
| Intersegment sales                                    | 416      | 270                 | 311        | 4            | (1,001)                             | -        |
| Total sales   | 2,955    | 874                 | 1,015      | 783          | (1,001)                             | 4,626    |
| Depreciation and<br>amortization <sup>(2)</sup>       | 46       | 11                  | 19         | 6            | -                                   | 82       |
| Research, development and<br>engineering expenses     | 103      | 14                  | 46         | 1            | -                                   | 164      |
| Equity, royalty and interest<br>income from investees | 35       | 16                  | 7          | 44           | -                                   | 102      |
| Interest income                                       | 5        | 2                   | 1          | 1            | -                                   | 9        |
| Segment EBIT  | 349      | 92                  | 113        | 104          | (18)                                | 640      |
| <b>Three months ended June</b>                        |          |                     |            |              |                                     |          |
| <b>26, 2011</b>                                       |          |                     |            |              |                                     |          |
| External sales  | \$ 2,476 | \$ 649              | \$ 741     | \$ 775       | \$ -                                | \$ 4,641 |
| Intersegment sales                                    | 424      | 260                 | 291        | 10           | (985)                               | -        |
| Total sales   | 2,900    | 909                 | 1,032      | 785          | (985)                               | 4,641    |
| Depreciation and<br>amortization <sup>(2)</sup>       | 44       | 11                  | 18         | 5            | -                                   | 78       |
| Research, development and<br>engineering expenses     | 102      | 12                  | 43         | -            | -                                   | 157      |
| Equity, royalty and interest<br>income from investees | 49       | 13                  | 9          | 46           | -                                   | 117      |
| Interest income                                       | 6        | 3                   | 1          | -            | -                                   | 10       |
| Segment EBIT  | 377      | 105                 | 120        | 106          | 67                                  | 775      |
| <b>Three months ended</b>                             |          |                     |            |              |                                     |          |
| <b>September 26, 2010</b>                             |          |                     |            |              |                                     |          |
| External sales  | \$ 1,727 | \$ 564              | \$ 540     | \$ 570       | \$ -                                | \$ 3,401 |
| Intersegment sales                                    | 342      | 227                 | 229        | 3            | (801)                               | -        |

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|  |       |     |     |     |       |       |
|--|-------|-----|-----|-----|-------|-------|
| Total sales  | 2,069 | 791 | 769 | 573 | (801) | 3,401 |
| Depreciation and amortization <sup>(2)</sup>       | 42    | 10  | 20  | 5   | -     | 77    |
| Research, development and engineering expenses     | 65    | 8   | 30  | -   | -     | 103   |
| Equity, royalty and interest income from investees | 37    | 12  | 6   | 33  | -     | 88    |
| Interest income                                    | 3     | 2   | -   | 1   | -     | 6     |
| Segment EBIT                                       | 223   | 97  | 63  | 74  | (8)   | 449   |

**Nine months ended  
September 25, 2011**

|  |          |          |          |          |         |           |
|--|----------|----------|----------|----------|---------|-----------|
| External sales                                     | \$ 7,021 | \$ 1,810 | \$ 2,105 | \$ 2,191 | \$ -    | \$ 13,127 |
| Intersegment sales                                 | 1,225    | 768      | 866      | 19       | (2,878) | -         |
| Total sales  | 8,246    | 2,578    | 2,971    | 2,210    | (2,878) | 13,127    |
| Depreciation and amortization <sup>(2)</sup>       | 135      | 32       | 55       | 17       | -       | 239       |
| Research, development and engineering expenses     | 285      | 37       | 126      | 2        | -       | 450       |
| Equity, royalty and interest income from investees | 126      | 37       | 24       | 128      | -       | 315       |
| Interest income                                    | 14       | 6        | 3        | 2        | -       | 25        |
| Segment EBIT                                       | 1,016    | 286      | 338      | 299      | 8       | 1,947     |

**Nine months ended  
September 26, 2010**

|  |          |          |          |          |         |          |
|--|----------|----------|----------|----------|---------|----------|
| External sales                                     | \$ 4,495 | \$ 1,460 | \$ 1,515 | \$ 1,617 | \$ -    | \$ 9,087 |
| Intersegment sales                                 | 896      | 556      | 613      | 8        | (2,073) | -        |
| Total sales  | 5,391    | 2,016    | 2,128    | 1,625    | (2,073) | 9,087    |
| Depreciation and amortization <sup>(2)</sup>       | 125      | 31       | 61       | 19       | -       | 236      |
| Research, development and engineering expenses     | 187      | 23       | 81       | -        | -       | 291      |
| Equity, royalty and interest income from investees | 124      | 27       | 17       | 93       | -       | 261      |
| Interest income                                    | 7        | 4        | 1        | 2        | -       | 14       |
| Segment EBIT                                       | 553      | 207      | 195      | 215      | (54)    | 1,116    |

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. The three months ended June 26, 2011, and the nine months ended September 25, 2011, include a \$68 million gain (\$37 million after-tax) related to the sale of our exhaust business from the Components segment. The gain has been excluded from segment results as it was not considered by management in its evaluation of operating results for the three months ended June 26, 2011, and the nine months ended September 25, 2011. For the three and nine months ended September 26, 2010, unallocated corporate expenses included \$32 million of Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. In the third quarter of 2010, it was determined that we overpaid a Brazilian revenue based tax during 2004-2008. Our 2010 results include a pre-tax recovery related to tax credits on imported products arising from this overpayment. The recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the quarter. There were no other significant unallocated corporate expenses for the three and nine months ended September 25, 2011 and September 26, 2010.

(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.

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## CUMMINS INC. AND SUBSIDIARIES

## RECONCILIATION OF SEGMENT INFORMATION

(Unaudited)

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       |                  | September<br>26,<br>2010 | Nine months ended     |                          |
|----------------------------|--------------------------|------------------|--------------------------|-----------------------|--------------------------|
|                            | September<br>25,<br>2011 | June 26,<br>2011 |                          | September 25,<br>2011 | September<br>26,<br>2010 |
| Segment EBIT               | \$ 640                   | \$ 775           | \$ 449                   | \$ 1,947              | \$ 1,116                 |
| Less:                      |                          |                  |                          |                       |                          |
| Interest expense           | 11                       | 13               | 11                       | 34                    | 29                       |
| Income before income taxes | \$ 629                   | \$ 762           | \$ 438                   | \$ 1,913              | \$ 1,087                 |

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**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:

| <b>In millions</b>                                 | <b>Three months ended</b>         |                          | <b>Nine months ended</b>          |                                   |                                   |
|--|-----------------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|  | <b>September<br/>25,<br/>2011</b> | <b>June 26,<br/>2011</b> | <b>September<br/>26,<br/>2010</b> | <b>September<br/>25,<br/>2011</b> | <b>September<br/>26,<br/>2010</b> |
| <b>Distribution Entities</b>                       |                                   |                          |                                   |                                   |                                   |
| North American distributors                        | \$ 35                             | \$ 35                    | \$ 26                             | \$ 100                            | \$ 72                             |
| Komatsu Cummins Chile, Ltda                        | 6                                 | 6                        | 5                                 | 16                                | 11                                |
| All other distributors                             | 1                                 | 1                        | -                                 | 3                                 | 2                                 |
| <b>Manufacturing Entities</b>                      |                                   |                          |                                   |                                   |                                   |
| Chongqing Cummins Engine Company, Ltd.             | 20                                | 19                       | 12                                | 51                                | 35                                |
| Dongfeng Cummins Engine Company, Ltd.              | 15                                | 26                       | 24                                | 64                                | 76                                |
| Shanghai Fleetguard Filter Co., Ltd.               | 4                                 | 4                        | 3                                 | 12                                | 9                                 |
| Cummins Westport, Inc.                             | 4                                 | 3                        | 2                                 | 8                                 | 7                                 |
| Tata Cummins, Ltd.                                 | 2                                 | 3                        | 4                                 | 9                                 | 11                                |
| Valvoline Cummins, Ltd.                            | 2                                 | 2                        | 2                                 | 6                                 | 7                                 |
| Komatsu manufacturing alliances                    | -                                 | (1)                      | 2                                 | 1                                 | 7                                 |
| Beijing Foton Cummins Engine Co., Ltd.             | (2)                               | (1)                      | (6)                               | (5)                               | (12)                              |
| All other manufacturers                            | 7                                 | 6                        | 7                                 | 19                                | 14                                |
| Cummins share of net income                        | 94                                | 103                      | 81                                | 284                               | 239                               |
| Royalty and interest income                        | 8                                 | 14                       | 7                                 | 31                                | 22                                |
| Equity, royalty and interest income from investees | \$ 102                            | \$ 117                   | \$ 88                             | \$ 315                            | \$ 261                            |

**NOTE 2. SALE OF EXHAUST BUSINESS**

In January 2011, we reached an agreement to sell certain assets and liabilities of our exhaust business which manufactures exhaust products and select components for emission systems for a variety of applications not core to our other product offerings. The transaction closed in the second quarter of 2011. This business was historically included in our Components segment. The sales price was \$123 million. We recognized a pre-tax gain on the sale of \$68 million, which included an allocation of goodwill of \$19 million. The transaction had a working capital adjustment mechanism that was determined in the third quarter. There was not a significant change to the measurement of the gain. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the nine months ended September 25, 2011.

Sales for this business were \$171 million, \$126 million and \$169 million in 2010, 2009 and 2008, respectively. Income before income taxes for this business was approximately \$22 million, \$11 million and \$19 million in 2010, 2009 and 2008, respectively.

We will enter into supply and other agreements with the operations that will represent ongoing involvement and as such, the results of these operations will not be presented as discontinued operations.

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**CUMMINS INC. AND SUBSIDIARIES**

**SELECTED FOOTNOTE DATA**

**(Unaudited)**

**NOTE 3. INCOME TAXES**

Our effective tax rate for the year is expected to approximate 29.5 percent, absent any discrete period activity. Our tax rate is generally less than the 35 percent U.S. income tax rate primarily due to lower income tax rates on foreign income and research tax credits. The tax rates for the three and nine month periods ended September 25, 2011, were 25.0 percent and 28.2 percent, respectively. The tax rate for the third quarter includes discrete items that total a benefit of \$29 million (or \$0.15 per share) related primarily to amended tax returns for prior periods. The tax rate for the nine months ended September 25, 2011, includes total discrete tax benefits of \$25 million.

Our effective tax rates for the comparable prior year periods were 29.5 percent and 31.1 percent, respectively. In July 2010, the U.K. passed legislation which reduced our U.K. tax rate from 28 percent to 27 percent in 2011. We had an additional charge to our third quarter tax provision of approximately \$2 million to reduce the value of our U.K. deferred tax assets. The tax rate for the nine month period included a discrete income tax charge of \$7 million related to the enactment of the Patient Protection and Affordable Care Act. The lower rate in 2011 compared to 2010 is a result of the geographic mix of earnings.

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**CUMMINS INC. AND SUBSIDIARIES****FINANCIAL MEASURES THAT SUPPLEMENT GAAP****(Unaudited)****Earnings before interest, taxes and noncontrolling interests**

We define EBIT as earnings 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>September</b> | <b>Nine months ended</b> |                  |
|--|---------------------------|-----------------|------------------|--------------------------|------------------|
|  | <b>September</b>          | <b>June 26,</b> | <b>26,</b>       | <b>September</b>         | <b>September</b> |
|  | <b>25,</b>                | <b>2011</b>     | <b>2010</b>      | <b>25,</b>               | <b>26,</b>       |
|  | <b>2011</b>               | <b>2011</b>     | <b>2010</b>      | <b>2011</b>              | <b>2010</b>      |
| Earnings before interest expense, income taxes               |                           |                 |                  |                          |                  |
| and gain on sale of business                                 | \$ 640                    | \$ 707          | \$ 449           | \$ 1,879                 | \$ 1,116         |
| <i>Earnings before interest expense, income taxes and</i>    |                           |                 |                  |                          |                  |
| <i>gain on sale of business as a percentage of net sales</i> | <i>13.8%</i>              | <i>15.2%</i>    | <i>13.2%</i>     | <i>14.3%</i>             | <i>12.3%</i>     |
| Add:   |                           |                 |                  |                          |                  |
| Gain on sale of business                                     | -                         | 68              | -                | 68                       | -                |
| Earnings before interest expense and income taxes            | 640                       | 775             | 449              | 1,947                    | 1,116            |
| <i>EBIT as a percentage of net sales</i>                     | <i>13.8%</i>              | <i>16.7%</i>    | <i>13.2%</i>     | <i>14.8%</i>             | <i>12.3%</i>     |
| Less:  |                           |                 |                  |                          |                  |
| Interest expense   | 11                        | 13              | 11               | 34                       | 29               |

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|   |             |              |             |             |             |
|---|-------------|--------------|-------------|-------------|-------------|
| Income tax expense                                  | 157         | 225          | 129         | 539         | 338         |
| Consolidated net income                             | 472         | 537          | 309         | 1,374       | 749         |
| Less:   |             |              |             |             |             |
| Net income attributable to noncontrolling interests | 20          | 32           | 26          | 74          | 71          |
| Net income attributable to Cummins Inc.             | \$ 452      | \$ 505       | \$ 283      | \$ 1,300    | \$ 678      |
| <i>Net income attributable to Cummins Inc. as</i>   |             |              |             |             |             |
| <i>a</i>  |             |              |             |             |             |
| <i>percentage of net sales</i>                      | <i>9.8%</i> | <i>10.9%</i> | <i>8.3%</i> | <i>9.9%</i> | <i>7.5%</i> |

**Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding gain on sale of business and discrete income tax items**

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our underlying operating performance and trends without regard to discrete income tax items and the gain related to the sale of our exhaust business. 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. excluding gain on sale of business and discrete income tax items to Net income attributable to Cummins Inc. for the three and nine month periods ended September 25, 2011.

| <b>In millions</b>  | <b>Three months ended<br/>September 25, 2011</b> |                        | <b>Nine months ended<br/>September 25, 2011</b> |                        |
|---|--|------------------------|---|------------------------|
|   | <b>Net<br/>Income</b>                            | <b>Diluted<br/>EPS</b> | <b>Net<br/>Income</b>                           | <b>Diluted<br/>EPS</b> |
| Net income attributable to Cummins Inc.<br>excluding          |  |                        |   |                        |
| discrete income tax items and<br>the gain on sale of business | \$ 423   | \$ 2.20                | \$ 1,234  | \$ 6.35                |
| Add:  |  |                        |   |                        |
| Third quarter discrete income<br>tax items                    | 29   | 0.15                   | 29  | 0.15                   |
| Gain on sale of business <sup>(1)</sup>                       | -  | -                      | 37  | 0.19                   |
| Net income attributable to Cummins Inc.                       | \$ 452   | \$ 2.35                | \$ 1,300  | \$ 6.69                |

(1) The gain has been excluded from operating results as it was not considered by management in its evaluation of performance for the nine months ended September 25, 2011.

**CUMMINS INC. AND SUBSIDIARIES****BUSINESS UNIT SALES DATA****(Unaudited)**

Engine segment net sales by market

| <b>2011</b>               |           |           |           |           |            |  |
|---------------------------|-----------|-----------|-----------|-----------|------------|--|
| <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    | \$ -      | \$ 1,926   |  |
| Medium-duty truck and bus | 474       | 608       | 640       | -         | 1,722      |  |
| Light-duty auto and RV    | 296       | 310       | 271       | -         | 877        |  |
| Industrial                | 855       | 988       | 977       | -         | 2,820      |  |
| Stationary power          | 281       | 301       | 319       | -         | 901        |  |
| Total sales               | \$ 2,391  | \$ 2,900  | \$ 2,955  | \$ -      | \$ 8,246   |  |

| <b>2010</b>               |           |           |           |           |            |  |
|---------------------------|-----------|-----------|-----------|-----------|------------|--|
| <b>In millions</b>        | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |
| Heavy-duty truck          | \$ 252    | \$ 340    | \$ 395    | \$ 516    | \$ 1,503   |  |
| Medium-duty bus and truck | 217       | 352       | 430       | 436       | 1,435      |  |
| Light-duty auto and RV    | 207       | 296       | 239       | 280       | 1,022      |  |
| Industrial                | 577       | 656       | 700       | 956       | 2,889      |  |
| Stationary power          | 170       | 255       | 305       | 309       | 1,039      |  |
| Total sales               | \$ 1,423  | \$ 1,899  | \$ 2,069  | \$ 2,497  | \$ 7,888   |  |

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

| <b>2011</b>     |           |           |           |           |            |  |
|-----------------|-----------|-----------|-----------|-----------|------------|--|
| <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   | -         | 371,300    |  |
| Heavy-duty      | 20,000    | 29,900    | 31,100    | -         | 81,000     |  |
| High-horsepower | 4,900     | 5,700     | 5,600     | -         | 16,200     |  |
| Total units     | 134,300   | 166,900   | 167,300   | -         | 468,500    |  |

| <b>2010</b>     |           |           |           |           |            |  |  |
|-----------------|-----------|-----------|-----------|-----------|------------|--|--|
| <b>Units</b>    | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |  |
| Mid-range       | 69,100    | 90,500    | 93,500    | 115,800   | 368,900    |  |  |
| Heavy-duty      | 8,700     | 14,500    | 15,200    | 22,800    | 61,200     |  |  |
| High horsepower | 3,400     | 4,800     | 4,900     | 5,400     | 18,500     |  |  |
| Total units     | 81,200    | 109,800   | 113,600   | 144,000   | 448,600    |  |  |

## Power generation segment sales by business

| <b>2011</b>            |           |           |           |           |            |  |  |
|------------------------|-----------|-----------|-----------|-----------|------------|--|--|
| <b>In millions</b>     | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |  |
| Commercial products    | \$ 505    | \$ 568    | \$ 579    | \$ -      | \$ 1,652   |  |  |
| Generator technologies | 153       | 190       | 166       | -         | 509        |  |  |
| Consumer               | 50        | 53        | 48        | -         | 151        |  |  |
| Commercial projects    | 55        | 58        | 46        | -         | 159        |  |  |
| Power electronics      | 32        | 40        | 35        | -         | 107        |  |  |
| Total sales            | \$ 795    | \$ 909    | \$ 874    | \$ -      | \$ 2,578   |  |  |

| <b>2010</b>            |           |           |           |           |            |  |  |
|------------------------|-----------|-----------|-----------|-----------|------------|--|--|
| <b>In millions</b>     | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |  |
| Commercial products    | \$ 307    | \$ 436    | \$ 519    | \$ 569    | \$ 1,831   |  |  |
| Generator technologies | 107       | 135       | 140       | 167       | 549        |  |  |
| Commercial projects    | 33        | 57        | 49        | 83        | 222        |  |  |
| Consumer               | 43        | 49        | 49        | 45        | 186        |  |  |
| Power electronics      | 27        | 31        | 34        | 39        | 131        |  |  |
| Total sales            | \$ 517    | \$ 708    | \$ 791    | \$ 903    | \$ 2,919   |  |  |

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**CUMMINS INC. AND SUBSIDIARIES****BUSINESS UNIT SALES DATA****(Unaudited)**

## Component segment sales by business

| <b>2011</b>        |           |           |           |           |            |  |
|--------------------|-----------|-----------|-----------|-----------|------------|--|
| <b>In millions</b> | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |
| Turbo technologies | \$ 297    | \$ 314    | \$ 298    | \$ -      | \$ 909     |  |
| Emission solutions | 273       | 311       | 306       | -         | 890        |  |
| Filtration         | 255       | 287       | 288       | -         | 830        |  |
| Fuel systems       | 99        | 120       | 123       | -         | 342        |  |
| Total sales        | \$ 924    | \$ 1,032  | \$ 1,015  | \$ -      | \$ 2,971   |  |

| <b>2010</b>        |           |           |           |           |            |  |
|--------------------|-----------|-----------|-----------|-----------|------------|--|
| <b>In millions</b> | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |  |
| Turbo technologies | \$ 200    | \$ 226    | \$ 239    | \$ 283    | \$ 948     |  |
| Emission solutions | 137       | 170       | 192       | 251       | 750        |  |
| Filtration         | 228       | 250       | 248       | 285       | 1,011      |  |
| Fuel systems       | 65        | 83        | 90        | 99        | 337        |  |
| Total sales        | \$ 630    | \$ 729    | \$ 769    | \$ 918    | \$ 3,046   |  |

## Distribution segment sales by product

| <b>2011</b>          |           |           |           |           |            |  |
|----------------------|-----------|-----------|-----------|-----------|------------|--|
| <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    | \$ -      | \$ 789     |  |
| Power generation     | 145       | 195       | 191       | -         | 531        |  |
| Engines              | 140       | 186       | 171       | -         | 497        |  |
| Service              | 122       | 133       | 138       | -         | 393        |  |
| Total sales          | \$ 642    | \$ 785    | \$ 783    | \$ -      | \$ 2,210   |  |



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**2010**

**In millions**

|                      | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |
|----------------------|-----------|-----------|-----------|-----------|------------|
| Parts and filtration | \$ 193    | \$ 221    | \$ 220    | \$ 248    | \$ 882     |
| Power generation     | 99        | 135       | 125       | 157       | 516        |
| Engines              | 83        | 109       | 112       | 162       | 466        |
| Service              | 101       | 111       | 116       | 132       | 460        |
| Total sales          | \$ 476    | \$ 576    | \$ 573    | \$ 699    | \$ 2,324   |

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