

CUMMINS INC
Form 8-K
February 02, 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: February 2, 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 February 2, 2012, Cummins Inc. issued a press release regarding its release of fourth quarter and full year 2011 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 February 2, 2012, Cummins Inc. (Cummins, the Company, the registrant, we, our, or, us) issued the attached release reporting its financial results for the fourth quarter and full year 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 February 2, 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: February 2, 2012

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

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

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

	Three months ended		
	December 31, 2011	September 25, 2011	December 31, 2010
In millions, except per share amounts			
NET SALES	\$ 4,921	\$ 4,626	\$ 4,139
Cost of sales	3,680	3,438	3,155
GROSS MARGIN	1,241	1,188	984
OPERATING EXPENSES AND INCOME			
Selling, general and administrative expenses	496	489	423
Research, development and engineering expenses	179	164	123
Equity, royalty and interest income from investees (Note 1)	101	102	90
Gain on sale of businesses (Note 2)	53	-	-
Other operating (expense) income, net (Note 3)	25	2	(3)
OPERATING INCOME	745	639	525
Interest income	9	9	7
Interest expense	10	11	11
Other income (expense), net	14	(8)	9
INCOME BEFORE INCOME TAXES	758	629	530
Income tax expense (Note 4)	186	157	139
CONSOLIDATED NET INCOME	572	472	391
Less: Net income attributable to noncontrolling interests	24	20	29
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 548	\$ 452	\$ 362
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.			
Basic	\$ 2.87	\$ 2.35	\$ 1.85
Diluted	\$ 2.86	\$ 2.35	\$ 1.84
WEIGHTED AVERAGE SHARES OUTSANDING			
Basic	190.9	192.1	195.8
Diluted	191.5	192.7	196.4
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.40	\$ 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 STATEMENTS OF INCOME
Unaudited (a)

In millions, except per share amounts	For the years ended	
	December 31, 2011	December 31, 2010
NET SALES	\$ 18,048	\$ 13,226
Cost of sales	13,459	10,058
GROSS MARGIN	4,589	3,168
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	1,837	1,487
Research, development and engineering expenses	629	414
Equity, royalty and interest income from investees (Note 1)	416	351
Gain on sale of businesses (Note 2)	121	-
Other operating (expense) income, net (Note 3)	21	(16)
OPERATING INCOME	2,681	1,602
Interest income	34	21
Interest expense	44	40
Other income (expense), net	-	34
INCOME BEFORE INCOME TAXES	2,671	1,617
Income tax expense (Note 4)	725	477
CONSOLIDATED NET INCOME	1,946	1,140
Less: Net income attributable to noncontrolling interests	98	100
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 1,848	\$ 1,040
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	\$ 9.58	\$ 5.29
Diluted	\$ 9.55	\$ 5.28
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	193.0	196.7
Diluted	193.6	197.1
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.325	\$ 0.875

(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)

In millions, except par value	December 31,	December 31,
	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,484	\$ 1,023
Marketable securities	277	339
Total cash, cash equivalents and marketable securities	1,761	1,362
Accounts and notes receivable, net	2,526	2,243
Inventories	2,141	1,977
Deferred income taxes	268	314
Prepaid expenses and other current assets	395	393
Total current assets	7,091	6,289
Long-term assets		
Property, plant and equipment, net	2,288	2,041
Investments and advances related to equity method investees	838	734
Goodwill and other intangibles, net	566	589
Other assets	885	749
Total assets	\$ 11,668	\$ 10,402
LIABILITIES		
Current liabilities		
Loans payable	\$ 28	\$ 82
Accounts payable (principally trade)	1,546	1,362
Accrued expenses	2,083	1,816
Total current liabilities	3,657	3,260
Long-term liabilities		
Long-term debt	658	709
Other liabilities	1,522	1,437
Total liabilities	5,837	5,406
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.2 and 221.8 shares issued	2,001	1,934
Retained earnings	6,038	4,445
Treasury stock, at cost, 30.2 and 24.0 shares	(1,587)	(964)
Common stock held by employee benefits trust, at cost, 1.8 and 2.1 shares	(22)	(25)
Accumulated other comprehensive loss	(938)	(720)
Total Cummins Inc. shareholders' equity	5,492	4,670
Noncontrolling interests	339	326
Total equity	5,831	4,996
Total liabilities and equity	\$ 11,668	\$ 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	For the years ended	
	December 31,	December 31,
	2011	2010
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,073	\$ 1,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(622)	(364)
Investments in internal use software	(60)	(43)
Proceeds from disposals of property, plant and equipment	8	55
Investments in and advances to equity investees	(81)	(2)
Proceeds from sale of businesses, net of cash sold	199	-
Acquisition of business, net of cash acquired	-	(104)
Investments in marketable securities-acquisitions	(729)	(823)
Investments in marketable securities-liquidations	750	690
Purchases of other investments	-	(62)
Cash flows from derivatives not designated as hedges	(18)	2
Other, net	1	-
Net cash used in investing activities	(552)	(651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	127	214
Payments on borrowings and capital lease obligations	(237)	(143)
Net borrowings (payments) under short-term credit agreements	6	9
Distributions to noncontrolling interests	(56)	(28)
Dividend payments on common stock	(255)	(172)
Proceeds from sale of common stock held by employee benefit trust	-	58
Repurchases of common stock	(629)	(241)
Excess tax benefits (deficiencies) on stock-based awards	5	10
Other, net	14	26
Net cash used in financing activities	(1,025)	(267)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(35)	5
Net increase (decrease) in cash and cash equivalents	461	93
Cash and cash equivalents at beginning of year	1,023	930
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,484	\$ 1,023

(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	Power Generation	Distribution	Non-segment Items ⁽¹⁾	Total
Three months ended December 31, 2011						
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 ⁽²⁾	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
Three months ended September 25, 2011						
External sales	\$ 2,539	\$ 704	\$ 604	\$ 779	\$ -	\$ 4,626
Intersegment sales	416	311	270	4	(1,001)	-
Total sales	2,955	1,015	874	783	(1,001)	4,626
Depreciation and amortization ⁽²⁾	46	19	11	6	-	82
Research, development and engineering expenses	103	46	14	1	-	164
Equity, royalty and interest income from investees	35	7	16	44	-	102
Interest income	5	1	2	1	-	9
Segment EBIT	349	113	92	104	(18)	640
Three months ended December 31, 2010						
External sales	\$ 2,099	\$ 656	\$ 690	\$ 694	\$ -	\$ 4,139
Intersegment sales	398	262	213	5	(878)	-
Total sales	2,497	918	903	699	(878)	4,139
Depreciation and amortization ⁽²⁾	46	18	10	6	-	80
Research, development and engineering expenses	76	33	13	1	-	123
	37	6	8	39	-	90

Equity, royalty and interest
income from investees

Interest income	5	1	1	-	-	7
Segment EBIT	256	83	92	82	28	541

**For the year ended
December 31, 2011**

External sales	\$ 9,649	\$ 2,886	\$ 2,492	\$ 3,021	\$ -	\$ 18,048
Intersegment sales	1,658	1,177	1,006	23	(3,864)	-
Total sales	11,307	4,063	3,498	3,044	(3,864)	18,048
Depreciation and amortization ⁽²⁾	181	73	42	25	-	321
Research, development and engineering expenses	397	175	54	3	-	629
Equity, royalty and interest income from investees	166	31	47	172	-	416
Interest income	18	5	8	3	-	34
Segment EBIT	1,384	470	373	386	102	2,715

**For the year ended
December 31, 2010**

External sales	\$ 6,594	\$ 2,171	\$ 2,150	\$ 2,311	\$ -	\$ 13,226
Intersegment sales	1,294	875	769	13	(2,951)	-
Total sales	7,888	3,046	2,919	2,324	(2,951)	13,226
Depreciation and amortization ⁽²⁾	171	79	41	25	-	316
Research, development and engineering expenses	263	114	36	1	-	414
Equity, royalty and interest income from investees	161	23	35	132	-	351
Interest income	12	2	5	2	-	21
Segment EBIT	809	278	299	297	(26)	1,657

- (1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three months ended December 31, 2011 unallocated corporate expenses includes a \$53 million gain (\$33 after-tax) recorded for the sale of certain assets and liabilities of our light-duty filtration business from the 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. There were no significant unallocated corporate expenses for the three months ended September 25, 2011 and the three months ended December 31, 2010. The year ended December 31, 2011, includes a \$121 million gain (\$70 million after-tax) related to the sale of certain assets and liabilities of our exhaust and light-duty filtration business, both from the 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. The gains have been excluded from segment results as they were not considered by management in its evaluation of operating results for the year ended December 31, 2011. For the year ended December 31, 2010 unallocated corporate expenses included \$32 million in Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. This tax recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 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.

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			For the years ended	
	December 31, 2011	September 25, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment EBIT	\$ 768	\$ 640	\$ 541	\$ 2,715	\$ 1,657
Less:					
Interest expense	10	11	11	44	40
Income before income taxes	\$ 758	\$ 629	\$ 530	\$ 2,671	\$ 1,617

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:

	Three months ended	For the years ended
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