

CUMMINS INC  
Form 8-K  
October 31, 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:** October 31, 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)

Edgar Filing: CUMMINS INC - Form 8-K

- 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 31, 2012, Cummins Inc. ( Cummins, the Company, the registrant, we, our, or us ) issued the attached release reporting its financial results for the third 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 October 31, 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: October 31, 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)**

| In millions, except per share amounts                         | Three months ended       |                 | September<br>25,<br>2011 |
|---|--------------------------|-----------------|--------------------------|
|   | September<br>30,<br>2012 | July 1,<br>2012 |                          |
| <b>NET SALES</b>  | <b>\$ 4,118</b>          | \$ 4,452        | \$ 4,626                 |
| Cost of sales   | <b>3,076</b>             | 3,242           | 3,438                    |
| <b>GROSS MARGIN</b>   | <b>1,042</b>             | 1,210           | 1,188                    |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                          |                 |                          |
| Selling, general and administrative expenses                  | <b>456</b>               | 487             | 489                      |
| Research, development and engineering expenses                | <b>186</b>               | 187             | 164                      |
| Equity, royalty and interest income from investees (Note 1)   | <b>94</b>                | 104             | 102                      |
| Gain on sale of businesses                                    | -                        | 6               | -                        |
| Other operating income (expense), net                         | <b>(1)</b>               | 2               | 2                        |
| <b>OPERATING INCOME</b>                                       | <b>493</b>               | 648             | 639                      |
| Interest income   | <b>5</b>                 | 7               | 9                        |
| Interest expense  | <b>9</b>                 | 8               | 11                       |
| Other income (expense), net                                   | <b>(2)</b>               | 14              | (8)                      |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>487</b>               | 661             | 629                      |
| Income tax expense (Note 2)                                   | <b>117</b>               | 166             | 157                      |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>370</b>               | 495             | 472                      |
| Less: Net income attributable to noncontrolling interests     | <b>18</b>                | 26              | 20                       |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 352</b>            | \$ 469          | \$ 452                   |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                          |                 |                          |
| Basic   | <b>\$ 1.87</b>           | \$ 2.47         | \$ 2.35                  |
| Diluted   | <b>\$ 1.86</b>           | \$ 2.47         | \$ 2.35                  |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                          |                 |                          |
| Basic   | <b>188.6</b>             | 189.8           | 192.1                    |
| Diluted   | <b>189.0</b>             | 190.1           | 192.7                    |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>               | <b>\$ 0.50</b>           | \$ 0.40         | \$ 0.40                  |

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

**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 30,<br/>2012</b> | <b>September 25,<br/>2011</b> |
| <b>NET SALES</b>  | <b>\$ 13,042</b>              | <b>\$ 13,127</b>              |
| Cost of sales   | <b>9,592</b>                  | 9,779                         |
| <b>GROSS MARGIN</b>   | <b>3,450</b>                  | 3,348                         |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                               |                               |
| Selling, general and administrative expenses                  | <b>1,418</b>                  | 1,341                         |
| Research, development and engineering expenses                | <b>554</b>                    | 450                           |
| Equity, royalty and interest income from investees (Note 1)   | <b>302</b>                    | 315                           |
| Gain on sale of businesses                                    | <b>6</b>                      | 68                            |
| Other operating income (expense), net                         | <b>3</b>                      | (4)                           |
| <b>OPERATING INCOME</b>                                       | <b>1,789</b>                  | 1,936                         |
| Interest income   | <b>20</b>                     | 25                            |
| Interest expense  | <b>25</b>                     | 34                            |
| Other income (expense), net                                   | <b>14</b>                     | (14)                          |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>1,798</b>                  | 1,913                         |
| Income tax expense (Note 2)                                   | <b>458</b>                    | 539                           |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>1,340</b>                  | 1,374                         |
| Less: Net income attributable to noncontrolling interests     | <b>64</b>                     | 74                            |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 1,276</b>               | <b>\$ 1,300</b>               |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                               |                               |
| Basic   | <b>\$ 6.73</b>                | \$ 6.71                       |
| Diluted   | <b>\$ 6.72</b>                | \$ 6.69                       |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                               |                               |
| Basic   | <b>189.6</b>                  | 193.8                         |
| Diluted   | <b>190.0</b>                  | 194.4                         |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>               | <b>\$ 1.30</b>                | \$ 0.925                      |

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

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

| <b>In millions, except par value</b>   | <b>September 30,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|-------------------------------|------------------------------|
| <b>ASSETS</b>  |                               |                              |
| Current assets   |                               |                              |
| Cash and cash equivalents  | \$ 1,033                      | \$ 1,484                     |
| Marketable securities  | 239                           | 277                          |
| Total cash, cash equivalents and marketable securities                               | 1,272                         | 1,761                        |
| Accounts and notes receivable, net   | 2,503                         | 2,526                        |
| Inventories  | 2,570                         | 2,141                        |
| Prepaid expenses and other current assets  | 770                           | 663                          |
| Total current assets   | 7,115                         | 7,091                        |
| Long-term assets   |                               |                              |
| Property, plant and equipment  | 5,691                         | 5,245                        |
| Accumulated depreciation   | (3,134)                       | (2,957)                      |
| Property, plant and equipment, net   | 2,557                         | 2,288                        |
| Investments and advances related to equity method investees                          | 962                           | 838                          |
| Goodwill   | 443                           | 339                          |
| Other intangible assets, net   | 365                           | 227                          |
| Other assets   | 972                           | 885                          |
| Total assets   | \$ 12,414                     | \$ 11,668                    |
| <b>LIABILITIES</b>   |                               |                              |
| Current liabilities  |                               |                              |
| Loans payable  | \$ 54                         | \$ 28                        |
| Accounts payable (principally trade)   | 1,460                         | 1,546                        |
| Current portion of accrued product warranty  | 406                           | 422                          |
| Accrued compensation, benefits and retirement costs                                  | 388                           | 511                          |
| Deferred revenue   | 208                           | 208                          |
| Taxes payable (including taxes on income)  | 172                           | 282                          |
| Other accrued expenses   | 621                           | 660                          |
| Total current liabilities  | 3,309                         | 3,657                        |
| Long-term liabilities  |                               |                              |
| Long-term debt   | 670                           | 658                          |
| Postretirement benefits other than pensions  | 417                           | 432                          |
| Other liabilities and deferred revenue   | 1,184                         | 1,090                        |
| Total liabilities  | 5,580                         | 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 | 2,046                         | 2,001                        |
| Retained earnings  | 7,068                         | 6,038                        |
| Treasury stock, at cost, 32.3 and 30.2 shares  | (1,809)                       | (1,587)                      |

Edgar Filing: CUMMINS INC - Form 8-K

|   |                  |           |
|---|------------------|-----------|
| Common stock held by employee benefits trust, at cost, 1.6 and 1.8 shares | <b>(19)</b>      | (22)      |
| Accumulated other comprehensive loss                                      |                  |           |
| Defined benefit postretirement plans                                      | <b>(694)</b>     | (724)     |
| Other   | <b>(114)</b>     | (214)     |
| Total accumulated other comprehensive loss                                | <b>(808)</b>     | (938)     |
| Total Cummins Inc. shareholders' equity                                   | <b>6,478</b>     | 5,492     |
| Noncontrolling interests  | <b>356</b>       | 339       |
| Total equity  | <b>6,834</b>     | 5,831     |
| Total liabilities and equity  | <b>\$ 12,414</b> | \$ 11,668 |

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

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

| <b>In millions</b>  | <b>Nine months ended</b> |                      |
|---|--------------------------|----------------------|
|   | <b>September 30,</b>     | <b>September 25,</b> |
|   | <b>2012</b>              | <b>2011</b>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                      |
| Consolidated net income   | <b>\$ 1,340</b>          | \$ 1,374             |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities |                          |                      |
| Depreciation and amortization   | <b>262</b>               | 243                  |
| Gain on sale of businesses  | <b>(6)</b>               | (68)                 |
| Gain on fair value adjustment for consolidated investee                                       | <b>(7)</b>               | -                    |
| Deferred income taxes   | <b>91</b>                | 148                  |
| Equity in income of investees, net of dividends   | <b>(51)</b>              | 7                    |
| Pension contributions in excess of expense  | <b>(74)</b>              | (71)                 |
| Other post-retirement benefits payments in excess of expense                                  | <b>(16)</b>              | (10)                 |
| Stock-based compensation expense  | <b>29</b>                | 28                   |
| Excess tax benefits on stock-based awards   | <b>(12)</b>              | (4)                  |
| Translation and hedging activities  | <b>16</b>                | (14)                 |
| Changes in current assets and liabilities, net of acquisitions and divestitures:              |                          |                      |
| Accounts and notes receivable   | <b>66</b>                | (469)                |
| Inventories   | <b>(367)</b>             | (367)                |
| Other current assets  | <b>(54)</b>              | (5)                  |
| Accounts payable  | <b>(145)</b>             | 317                  |
| Accrued expenses  | <b>(398)</b>             | 173                  |
| Changes in other liabilities and deferred revenue   | <b>154</b>               | 93                   |
| Other, net  | <b>(41)</b>              | (7)                  |
| Net cash provided by operating activities   | <b>787</b>               | 1,368                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                      |
| Capital expenditures  | <b>(424)</b>             | (377)                |
| Investments in internal use software  | <b>(62)</b>              | (31)                 |
| Investments in and advances to equity investees   | <b>(92)</b>              | (104)                |
| Proceeds from sale of business, net of cash sold  | <b>10</b>                | 111                  |
| Acquisition of businesses, net of cash acquired   | <b>(215)</b>             | -                    |
| Investments in marketable securities acquisitions   | <b>(433)</b>             | (538)                |
| Investments in marketable securities liquidations   | <b>475</b>               | 572                  |
| Cash flows from derivatives not designated as hedges  | <b>13</b>                | 4                    |
| Other, net  | <b>9</b>                 | 7                    |
| Net cash used in investing activities   | <b>(719)</b>             | (356)                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |                      |
| Proceeds from borrowings  | <b>64</b>                | 96                   |
| Payments on borrowings and capital lease obligations  | <b>(120)</b>             | (174)                |
| Net borrowings under short-term credit agreements   | <b>5</b>                 | (5)                  |



Edgar Filing: CUMMINS INC - Form 8-K

|   |                 |                 |
|---|-----------------|-----------------|
| Distributions to noncontrolling interests                           | (50)            | (50)            |
| Dividend payments on common stock                                   | (246)           | (178)           |
| Repurchases of common stock   | (231)           | (546)           |
| Excess tax benefits on stock-based awards                           | 12              | 4               |
| Other, net  | 16              | 13              |
| Net cash used in financing activities                               | (550)           | (840)           |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | <b>31</b>       | <b>(30)</b>     |
| Net increase (decrease) in cash and cash equivalents                | (451)           | 142             |
| Cash and cash equivalents at beginning of year                      | 1,484           | 1,023           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                   | <b>\$ 1,033</b> | <b>\$ 1,165</b> |

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

## CUMMINS INC. AND SUBSIDIARIES

## SEGMENT INFORMATION

(Unaudited)

| In millions  | Engine   | Power<br>Components | Power<br>Generation | Non-segment<br>Distribution | Non-segment<br>Items <sup>(1)</sup> | Total    |
|--|----------|---------------------|---------------------|-----------------------------|-------------------------------------|----------|
| <b>Three months ended September 30, 2012</b>       |          |                     |                     |                             |                                     |          |
| External sales                                     | \$ 2,131 | \$ 663              | \$ 526              | \$ 798                      | \$ -                                | \$ 4,118 |
| Intersegment sales                                 | 396      | 275                 | 288                 | 3                           | (962)                               | -        |
| Total sales  | 2,527    | 938                 | 814                 | 801                         | (962)                               | 4,118    |
| Depreciation and amortization <sup>(2)</sup>       | 48       | 21                  | 12                  | 8                           | -                                   | 89       |
| Research, development and engineering expenses     | 115      | 51                  | 19                  | 1                           | -                                   | 186      |
| Equity, royalty and interest income from investees | 25       | 7                   | 12                  | 50                          | -                                   | 94       |
| Interest income                                    | 2        | 1                   | 2                   | -                           | -                                   | 5        |
| Segment EBIT                                       | 239      | 89                  | 73                  | 99                          | (4)                                 | 496      |
| <b>Three months ended July 1, 2012</b>             |          |                     |                     |                             |                                     |          |
| External sales                                     | \$ 2,381 | \$ 710              | \$ 572              | \$ 789                      | \$ -                                | \$ 4,452 |
| Intersegment sales                                 | 460      | 326                 | 337                 | 5                           | (1,128)                             | -        |
| Total sales  | 2,841    | 1,036               | 909                 | 794                         | (1,128)                             | 4,452    |
| Depreciation and amortization <sup>(2)</sup>       | 47       | 19                  | 11                  | 8                           | -                                   | 85       |
| Research, development and engineering expenses     | 115      | 51                  | 19                  | 2                           | -                                   | 187      |
| Equity, royalty and interest income from investees | 37       | 8                   | 10                  | 49                          | -                                   | 104      |
| Interest income                                    | 3        | 1                   | 3                   | -                           | -                                   | 7        |
| Segment EBIT                                       | 376      | 116                 | 94                  | 92                          | (9)                                 | 669      |
| <b>Three months ended September 25, 2011</b>       |          |                     |                     |                             |                                     |          |
| 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 <sup>(2)</sup>       | 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      |

**Nine months ended September 30, 2012**

|  |          |          |          |          |         |           |
|--|----------|----------|----------|----------|---------|-----------|
| External sales                                     | \$ 6,924 | \$ 2,147 | \$ 1,614 | \$ 2,357 | \$ -    | \$ 13,042 |
| Intersegment sales                                 | 1,303    | 926      | 889      | 13       | (3,131) | -         |
| Total sales  | 8,227    | 3,073    | 2,503    | 2,370    | (3,131) | 13,042    |
| Depreciation and amortization <sup>(2)</sup>       | 142      | 59       | 34       | 23       | -       | 258       |
| Research, development and engineering expenses     | 341      | 153      | 56       | 4        | -       | 554       |
| Equity, royalty and interest income from investees | 100      | 23       | 32       | 147      | -       | 302       |
| Interest income                                    | 9        | 3        | 7        | 1        | -       | 20        |
| Segment EBIT                                       | 996      | 348      | 243      | 285      | (49)    | 1,823     |

**Nine months ended September 25, 2011**

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

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended September 30, 2012 and September 25, 2011. The three months ended July 1, 2012, and nine months ended September 30, 2012, include a \$6 million gain (\$4 million after-tax) related to adjustments from our 2011 divestitures. The nine months ended September 25, 2011, include a \$68 million gain (\$37 million after-tax) related to the sale of certain assets and liabilities of our exhaust business from the Components segment. The gains have been excluded from segment results as they were not considered in our evaluation of operating results for the corresponding periods. There were no other significant unallocated corporate expenses.

(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:

| <b>In millions</b>         | <b>Three months ended</b> |                     | <b>September 25, 2011</b> | <b>Nine months ended</b>  |                           |
|----------------------------|---------------------------|---------------------|---------------------------|---------------------------|---------------------------|
|                            | <b>September 30, 2012</b> | <b>July 1, 2012</b> |                           | <b>September 30, 2012</b> | <b>September 25, 2011</b> |
| Segment EBIT               | \$ 496                    | \$ 669              | \$ 640                    | \$ 1,823                  | \$ 1,947                  |
| Less: Interest expense     | 9                         | 8                   | 11                        | 25                        | 34                        |
| Income before income taxes | \$ 487                    | \$ 661              | \$ 629                    | \$ 1,798                  | \$ 1,913                  |

## 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       |                 | September<br>25,<br>2011 | Nine months ended        |                          |
|---|--------------------------|-----------------|--------------------------|--------------------------|--------------------------|
|   | September<br>30,<br>2012 | July 1,<br>2012 |                          | September<br>30,<br>2012 | September<br>25,<br>2011 |
| <b>Distribution Entities</b>                          |                          |                 |                          |                          |                          |
| North American distributors                           | \$ 37                    | \$ 38           | \$ 35                    | \$ 115                   | \$ 100                   |
| Komatsu Cummins Chile, Ltda.                          | 9                        | 6               | 6                        | 20                       | 16                       |
| All other distributors                                | -                        | 2               | 1                        | 3                        | 3                        |
| <b>Manufacturing Entities</b>                         |                          |                 |                          |                          |                          |
| Chongqing Cummins Engine Company, Ltd.                | 14                       | 17              | 20                       | 49                       | 51                       |
| Dongfeng Cummins Engine Company, Ltd.                 | 9                        | 17              | 15                       | 42                       | 64                       |
| Shanghai Fleetguard Filter Co., Ltd.                  | 3                        | 4               | 4                        | 10                       | 12                       |
| Beijing Foton Cummins Engine Co., Ltd.                | 3                        | 2               | (2)                      | 3                        | (5)                      |
| Cummins Westport, Inc.                                | 2                        | 4               | 4                        | 11                       | 8                        |
| Valvoline Cummins, Ltd.                               | 2                        | 2               | 2                        | 6                        | 6                        |
| Tata Cummins, Ltd.                                    | -                        | 3               | 2                        | 7                        | 9                        |
| Komatsu manufacturing alliances                       | (1)                      | 1               | -                        | (1)                      | 1                        |
| All other manufacturers                               | 7                        | (1)             | 7                        | 7                        | 19                       |
| Cummins share of net income                           | 85                       | 95              | 94                       | 272                      | 284                      |
| Royalty and interest income                           | 9                        | 9               | 8                        | 30                       | 31                       |
| Equity, royalty and interest income<br>from investees | \$ 94                    | \$ 104          | \$ 102                   | \$ 302                   | \$ 315                   |

## NOTE 2. INCOME TAXES

Our effective tax rate for the year is expected to approximate 26.5 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 tax rates on foreign income. The tax rates for the three and nine month periods ended September 30, 2012, were 24.1 percent and 25.5 percent, respectively. These tax rates include a \$16 million tax benefit for third quarter discrete tax adjustments, \$6 million of which related to a dividend distribution of accumulated foreign income earned in prior years. These discrete tax adjustments also included a discrete tax benefit of \$13 million for prior year tax return true-up adjustments and a discrete tax charge of \$3 million related to the third quarter enactment of U.K. tax law changes.

The effective tax rate for the three month period ended July 1, 2012, was 25.1 percent and with less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income.

The tax rates for the three and nine month periods ended September 25, 2011, were 25.0 percent and 28.2 percent, respectively, and included a net discrete income tax benefit of \$29 million (net of additional reserves for uncertain tax positions of \$39 million) related to prior year refund claims filed for additional research tax credits, additional foreign income and foreign tax credits, as well as other adjustments. This benefit also included discrete income tax charges of \$2 million for prior year tax return true-up adjustments and \$3 million related to the third quarter enactment of U.K. tax law changes in the three and nine month periods ended September 25, 2011. Additionally, the tax rate for the nine month period included a second quarter discrete income tax charge of \$4 million related to the enactment of state tax law changes in Indiana. The decrease in the 2012 effective tax rates versus the comparable periods in 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****SELECTED FOOTNOTE DATA****(Unaudited)****NOTE 3. ACQUISITIONS**

In April 2012, we reached an agreement to acquire the doser technology and business assets from Hilite Germany GmbH (Hilite) in a cash transaction. Dosers are products that enable compliance with emission standards in certain aftertreatment systems and complement our current product offerings. The transaction was approved by German regulators in June and closed on July 18, 2012. The purchase price was \$176 million and is summarized below. There was no contingent consideration associated with this transaction. During the first nine months of 2012 we expensed approximately \$4 million of acquisition related costs.

The acquisition of Hilite was accounted for as a business combination, with the results of the acquired entity and the goodwill included in the Components operating segment in the third quarter of 2012. The majority of the purchase price was allocated to technology and customer related intangible assets and goodwill, most of which is expected to be fully deductible for tax purposes. We expect the Hilite acquisition to strengthen our aftertreatment product offerings. This acquisition enhances our technical capabilities and keeps us in a strong position to meet the needs of current customers and grow into new markets, especially as an increasing number of regions around the world adopt tougher emission standards.

Intangible assets by asset class, including weighted average amortization life, are as follows:

| <b>Dollars in millions</b> | <b>Purchase price allocation</b> | <b>Weighted average amortization life in years</b> |
|----------------------------|----------------------------------|--|
| Technology                 | \$ 52                            | 10.6   |
| Customer                   | 23                               | 4.5  |
| License arrangements       | 8                                | 6.0  |
| Total intangible assets    | \$ 83                            | 8.5  |

The purchase price was allocated as follows:

| <b>In millions</b>   |        |
|----------------------|--------|
| Inventory            | \$ 5   |
| Fixed assets         | 5      |
| Intangible assets    | 83     |
| Goodwill             | 91     |
| Liabilities          | (8)    |
| Total purchase price | \$ 176 |

Net sales for Hilite were \$77 million for the 12 months ended December 31, 2011.

In July 2012, we acquired an additional 45 percent interest in Cummins Central Power from the former principal for consideration of approximately \$20 million. The acquisition was accounted for as a business combination, with the results of the acquired entity included in the Distribution operating segment in the third quarter of 2012. Distribution segment results also included a \$7 million gain, as we were required to re-measure our pre-existing 35 percent ownership interest in Cummins Central Power to fair value in accordance with GAAP. Net sales for Cummins Central Power were \$209 million for the 12 months ended December 31, 2011.



**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 periods presented as it illustrates our operating performance without regard to special items including the gain related to the sale of certain assets and liabilities and discrete income tax items. This measure is not in accordance with, or an alternative for, GAAP 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 three month periods ended September 30, 2012, July 1, 2012 and September 25, 2011.

| <b>In millions</b>  | <b>Three months ended</b> |                | <b>July 1, 2012</b> |                | <b>September 25, 2011</b> |                |
|---|---------------------------|----------------|---------------------|----------------|---------------------------|----------------|
|   | <b>September 30, 2012</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>\$ 352</b>             | <b>\$ 1.86</b> | \$ 469              | \$ 2.47        | \$ 452                    | \$ 2.35        |
| Subtract  |                           |                |                     |                |                           |                |
| Gain on sale of businesses <sup>(1)</sup>                       | -                         | -              | 4                   | 0.02           | -                         | -              |
| Discrete income tax items <sup>(2)</sup>                        | <b>16</b>                 | <b>0.08</b>    | -                   | -              | 29                        | 0.15           |
| Net income attributable to Cummins Inc. excluding special items | <b>\$ 336</b>             | <b>\$ 1.78</b> | \$ 465              | \$ 2.45        | \$ 423                    | \$ 2.20        |

(1) The gain has been excluded from operating results as it was not considered in our evaluation of performance for the three months ended July 1, 2012.

(2) The three month period ended September 30, 2012, includes a \$16 million tax benefit for third quarter 2012 discrete tax adjustments, \$6 million of which related to a dividend distribution of accumulated foreign income earned in prior years. These discrete tax adjustments also included a discrete tax benefit of \$13 million for prior year tax return true-up adjustments and a discrete tax charge of \$3 million related to the third quarter enactment of U.K. tax law changes.

The three month period ended September 25, 2011, includes a net discrete income tax benefit of \$29 million (net of additional reserves for uncertain tax positions of \$39 million) related to prior year refund claims filed for additional research tax credits, additional foreign income and foreign tax credits, as well as other adjustments. This benefit also included discrete income tax charges of \$2 million for prior year tax return true-up adjustments

and \$3 million related to the third quarter enactment of U.K. tax law changes in the three month period ended September 25, 2011.

## 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>July 1,</b> | <b>September</b> | <b>September</b>         | <b>September</b> |
|  | <b>30,</b>                | <b>2012</b>    | <b>25,</b>       | <b>30,</b>               | <b>25,</b>       |
|  | <b>2012</b>               |                | <b>2011</b>      | <b>2012</b>              | <b>2011</b>      |
| Earnings before interest expense, income taxes and special items                                     | <b>\$ 496</b>             | \$ 663         | \$ 640           | <b>\$ 1,817</b>          | \$ 1,879         |
| <i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i> | <b>12.0%</b>              | 14.9%          | 13.8%            | <b>13.9%</b>             | 14.3%            |
| Add  |                           |                |                  |                          |                  |
| Gain on sale of businesses   | -                         | 6              | -                | <b>6</b>                 | 68               |
| Earnings before interest expense and income taxes  | <b>\$ 496</b>             | \$ 669         | \$ 640           | <b>\$ 1,823</b>          | \$ 1,947         |
| <i>EBIT as a percentage of net sales</i>   | <b>12.0%</b>              | 15.0%          | 13.8%            | <b>14.0%</b>             | 14.8%            |
| Less   |                           |                |                  |                          |                  |
| Interest expense   | <b>9</b>                  | 8              | 11               | <b>25</b>                | 34               |
| Income tax expense   | <b>117</b>                | 166            | 157              | <b>458</b>               | 539              |
| Consolidated net income  | <b>370</b>                | 495            | 472              | <b>1,340</b>             | 1,374            |
| Less   |                           |                |                  |                          |                  |

Edgar Filing: CUMMINS INC - Form 8-K

|   |               |        |        |                 |          |
|---|---------------|--------|--------|-----------------|----------|
| Net income attributable to noncontrolling interests                         | <b>18</b>     | 26     | 20     | <b>64</b>       | 74       |
| Net income attributable to Cummins Inc.                                     | <b>\$ 352</b> | \$ 469 | \$ 452 | <b>\$ 1,276</b> | \$ 1,300 |
| <i>Net income attributable to Cummins Inc. as a percentage of net sales</i> | <b>8.5%</b>   | 10.5%  | 9.8%   | <b>9.8%</b>     | 9.9%     |

**CUMMINS INC. AND SUBSIDIARIES****BUSINESS UNIT SALES DATA****(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    | \$ 807    | \$ <b>656</b>   | \$ -      | \$ 2,355   |
| Medium-duty truck and bus    | 526       | 512       | <b>478</b>      | -         | 1,516      |
| Light-duty automotive and RV | 286       | 297       | <b>353</b>      | -         | 936        |
| Industrial                   | 861       | 859       | <b>766</b>      | -         | 2,486      |
| Stationary power             | 294       | 366       | <b>274</b>      | -         | 934        |
| Total sales                  | \$ 2,859  | \$ 2,841  | \$ <b>2,527</b> | \$ -      | \$ 8,227   |

**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   | 110,000   | <b>113,000</b> | -         | 332,000    |
| Heavy-duty      | 36,000    | 33,000    | <b>26,000</b>  | -         | 95,000     |
| High horsepower | 5,500     | 5,800     | <b>4,600</b>   | -         | 15,900     |
| Total units     | 150,500   | 148,800   | <b>143,600</b> | -         | 442,900    |

**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    |

Edgar Filing: CUMMINS INC - Form 8-K

|                 |         |         |         |         |         |
|-----------------|---------|---------|---------|---------|---------|
| 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****BUSINESS UNIT SALES DATA****(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    | \$ 349    | \$ 325    | \$ -      | \$ 1,078   |
| Filtration         | 270       | 266       | 260       | -         | 796        |
| Turbo technologies | 298       | 297       | 257       | -         | 852        |
| Fuel systems       | 127       | 124       | 96        | -         | 347        |
| Total sales        | \$ 1,099  | \$ 1,036  | \$ 938    | \$ -      | \$ 3,073   |

| <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   |
| Filtration         | 255       | 287       | 288       | 283       | 1,113      |
| Turbo technologies | 297       | 314       | 298       | 314       | 1,223      |
| 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    | \$ 459    | \$ 425    | \$ -      | \$ 1,259   |
| Power systems          | 188       | 217       | 174       | -         | 579        |
| Generator technologies | 141       | 160       | 138       | -         | 439        |
| Power solutions        | 76        | 73        | 77        | -         | 226        |
| Total sales            | \$ 780    | \$ 909    | \$ 814    | \$ -      | \$ 2,503   |

| <b>2011</b>        |           |           |           |           |            |
|--------------------|-----------|-----------|-----------|-----------|------------|
| <b>In millions</b> | <b>Q1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> | <b>YTD</b> |

Edgar Filing: CUMMINS INC - Form 8-K

|                        |        |        |        |        |          |
|------------------------|--------|--------|--------|--------|----------|
| Power products         | \$ 377 | \$ 415 | \$ 433 | \$ 411 | \$ 1,636 |
| Power systems          | 189    | 210    | 188    | 228    | 815      |
| 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**

**YTD**

|                        |          |
|------------------------|----------|
| Power products         | \$ 1,465 |
| Power systems          | 616      |
| Generator technologies | 550      |
| Power solutions        | 288      |
| Total sales            | \$ 2,919 |



**CUMMINS INC. AND SUBSIDIARIES****BUSINESS UNIT SALES DATA****(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    | \$ 302    | \$ <b>326</b> | \$ -      | \$ 916     |
| Power generation     | 186       | 201       | <b>178</b>    | -         | 565        |
| Engines              | 166       | 147       | <b>157</b>    | -         | 470        |
| Service              | 135       | 144       | <b>140</b>    | -         | 419        |
| Total sales          | \$ 775    | \$ 794    | \$ <b>801</b> | \$ -      | \$ 2,370   |

**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   |