

CUMMINS INC  
Form 8-K  
April 30, 2009  
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: April 30, 2009**

**CUMMINS INC.**

(Exact name of registrant as specified in its charter)

**Indiana**

**1-4949**

**35-0257090**

(State or other Jurisdiction of  
Incorporation)

(Commission File Number)

(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**

Edgar Filing: CUMMINS INC - Form 8-K

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)
  - 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.**

**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 April 30, 2009, Cummins Inc. ("Cummins," "the Company," "the registrant," "we," "our," or "us") issued the attached press release reporting its financial results for the first quarter of 2009. 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 April 30, 2009

**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: April 30, 2009

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 |                         |                      |
|---|--------------------|-------------------------|----------------------|
|   | March 29,<br>2009  | December<br>31,<br>2008 | March<br>30,<br>2008 |
| <b>NET SALES</b>  | \$ 2,439           | \$ 3,288                | \$3,474              |
| Cost of sales   | 1,994              | 2,754                   | 2,767                |
| <b>GROSS MARGIN</b>   | 445                | 534                     | 707                  |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                    |                         |                      |
| Selling, general and administrative expenses                  | 300                | 341                     | 351                  |
| Research, development and engineering expenses                | 85                 | 102                     | 103                  |
| Equity, royalty and interest income from investees            | 33                 | 51                      | 67                   |
| Restructuring charges (Note 1)                                | 66                 | 37                      |                      |
| Other operating income (expense), net                         | 2                  | (3                      | ) (1 )               |
| <b>OPERATING INCOME</b>                                       | 29                 | 102                     | 319                  |
| Interest income   | 2                  | 4                       | 6                    |
| Interest expense  | 7                  | 9                       | 11                   |
| Other (expense) income, net                                   | (3                 | ) (50                   | ) (10 )              |
| <b>INCOME BEFORE INCOME TAXES</b>                             | 21                 | 47                      | 304                  |
| Income tax expense (benefit)                                  | 7                  | (12                     | ) 102                |
| <b>NET INCOME</b>   | 14                 | 59                      | 202                  |
| Less: net income attributable to noncontrolling interests     | 7                  | 16                      | 12                   |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | \$ 7               | \$ 43                   | \$190                |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                    |                         |                      |
| Basic   | \$ 0.04            | \$ 0.22                 | \$0.97               |
| Diluted   | \$ 0.04            | \$ 0.22                 | \$0.97               |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                    |                         |                      |
| Basic   | 196.8              | 194.7                   | 195.1                |
| Diluted   | 197.0              | 196.6                   | 196.4                |
| <b>CASH DIVIDENDS DECLARED PER SHARE</b>                      | \$ 0.175           | \$ 0.175                | \$0.125              |

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

---

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

| <b>In millions (except par value)</b>  | <b>March 29,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS</b>  |                           |                              |
| Current assets   |                           |                              |
| Cash and cash equivalents  | \$ 353                    | \$ 426                       |
| Marketable securities  | 65                        | 77                           |
| Accounts and notes receivable, net   | 1,729                     | 1,782                        |
| Inventories  | 1,738                     | 1,783                        |
| Deferred income taxes  | 353                       | 347                          |
| Prepaid expenses and other current assets  | 196                       | 298                          |
| Total current assets   | 4,434                     | 4,713                        |
| Long-term assets   |                           |                              |
| Property, plant and equipment  | 4,574                     | 4,539                        |
| Accumulated depreciation   | (2,741 )                  | (2,698 )                     |
| Property, plant and equipment, net   | 1,833                     | 1,841                        |
| Investments and advances related to equity method investees                          | 526                       | 588                          |
| Goodwill and other intangible assets, net  | 607                       | 585                          |
| Deferred income taxes  | 507                       | 491                          |
| Other assets   | 271                       | 301                          |
| Total assets   | \$ 8,178                  | \$ 8,519                     |
| <b>LIABILITIES</b>   |                           |                              |
| Current liabilities  |                           |                              |
| Current portion of long-term debt and loans payable                                  | \$ 76                     | \$ 69                        |
| Accounts payable (principally trade)   | 912                       | 1,009                        |
| Current portion of accrued product warranty  | 382                       | 434                          |
| Accrued compensation, benefits and retirement costs                                  | 251                       | 364                          |
| Other accrued expenses   | 660                       | 763                          |
| Total current liabilities  | 2,281                     | 2,639                        |
| Long-term liabilities  |                           |                              |
| Long-term debt   | 651                       | 629                          |
| Pensions   | 590                       | 574                          |
| Postretirement benefits other than pensions  | 448                       | 452                          |
| Other liabilities and deferred revenue   | 781                       | 745                          |
| Total liabilities  | 4,751                     | 5,039                        |
| <b>EQUITY</b>  |                           |                              |
| Cummins Inc. shareholders' equity  |                           |                              |
| Common stock, \$2.50 par value, 500 shares authorized, 222.1 and 221.7 shares issued | 1,790                     | 1,793                        |
| Retained earnings  | 3,260                     | 3,288                        |
| Treasury stock, at cost, 20.3 and 20.4 shares  | (714 )                    | (715 )                       |
| Common stock held by employee benefits trust, at cost, 4.8 and 5.1 shares            | (58 )                     | (61 )                        |
| Unearned compensation  | (3 )                      | (5 )                         |
| Accumulated other comprehensive loss   |                           |                              |
| Defined benefit postretirement plans   | (801 )                    | (798 )                       |
| Other  | (251 )                    | (268 )                       |
| Total accumulated other comprehensive loss   | (1,052 )                  | (1,066 )                     |
| Total Cummins Inc. shareholders' equity  | 3,223                     | 3,234                        |
| Noncontrolling interests   | 204                       | 246                          |
| Total equity   | 3,427                     | 3,480                        |
| Total liabilities and equity   | \$ 8,178                  | \$ 8,519                     |

(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>Three months ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>March 29,<br/>2009</b> | <b>March 30,<br/>2008</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                           |                           |
| Net income  | \$ 14                     | \$ 202                    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                           |
| Restructuring charges, net  | 48                        |                           |
| Depreciation and amortization   | 76                        | 75                        |
| Deferred income taxes   | (21)                      | (7)                       |
| Equity in income of investees, net of dividends                                   | 52                        | (39)                      |
| Pension expense, net of pension contributions                                     | 15                        | 1                         |
| Other post-retirement benefits expense, net of cash payments                      | (8)                       | (6)                       |
| Stock-based compensation expense  | 6                         | 8                         |
| Excess tax (benefits) deficiencies on stock-based awards                          | 3                         | (10)                      |
| Translation and hedging activities  | 19                        | 6                         |
| Changes in current assets and liabilities, net of acquisitions and dispositions:  |                           |                           |
| Accounts and notes receivable   | 49                        | (193)                     |
| Inventories   | 44                        | (165)                     |
| Other current assets  | 9                         | (5)                       |
| Accounts payable  | (103)                     | 164                       |
| Accrued expenses  | (173)                     | (23)                      |
| Changes in long-term liabilities  | 36                        | 25                        |
| Other, net  | 10                        | 4                         |
| Net cash provided by operating activities   | 76                        | 37                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                           |                           |
| Capital expenditures  | (64)                      | (90)                      |
| Investments in internal use software  | (11)                      | (14)                      |
| Proceeds from disposals of property, plant and equipment                          | 6                         | 1                         |
| Investments in and advances (to) from equity investees                            | 5                         | (20)                      |
| Acquisition of businesses, net of cash acquired                                   | (2)                       | (29)                      |
| Investments in marketable securities acquisitions                                 | (69)                      | (60)                      |
| Investments in marketable securities liquidations                                 | 78                        | 69                        |
| Cash flows from derivatives not designated as hedges                              | (33)                      | (12)                      |
| Other, net  |                           | 3                         |
| Net cash used in investing activities   | (90)                      | (152)                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                           |                           |
| Proceeds from borrowings  | 7                         | 42                        |
| Payments on borrowings and capital lease obligations                              | (19)                      | (47)                      |
| Net borrowings under short-term credit agreements                                 | 4                         | 14                        |
| Distributions to noncontrolling interests   | (9)                       | (6)                       |
| Dividend payments on common stock   | (35)                      | (25)                      |
| Repurchases of common stock   |                           | (11)                      |
| Excess tax benefits (deficiencies) on stock-based awards                          | (3)                       | 10                        |
| Other, net  | 2                         | 1                         |
| Net cash used in financing activities   | (53)                      | (22)                      |

Edgar Filing: CUMMINS INC - Form 8-K

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

**EQUIVALENTS**

|   |           |            |           |            |
|---|-----------|------------|-----------|------------|
| Net decrease in cash and cash equivalents         | (6        | )          | 6         |            |
| Cash and cash equivalents at beginning of year    | (73       | )          | (131      | )          |
|   | 426       |            | 577       |            |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b> | <b>\$</b> | <b>353</b> | <b>\$</b> | <b>446</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>Generation | Components | Distribution | Non-segment<br>items (1) | Total    |
|---|----------|---------------------|------------|--------------|--------------------------|----------|
| <b>Three months ended March 29, 2009</b>                  |          |                     |            |              |                          |          |
| External sales  | \$ 1,205 | \$ 477              | \$ 346     | \$ 411       | \$                       | \$ 2,439 |
| Intersegment sales  | 287      | 180                 | 184        | 2            | (653 )                   |          |
| Total sales   | 1,492    | 657                 | 530        | 413          | (653 )                   | 2,439    |
| Depreciation and amortization(2)                          | 41       | 11                  | 18         | 5            |                          | 75       |
| Research, development and engineering expense             | 58       | 8                   | 19         |              |                          | 85       |
| Equity, royalty and interest (loss) income from investees | (3 )     | 5                   | 1          | 30           |                          | 33       |
| Restructuring charges                                     |          |                     |            |              | 66                       | 66       |
| Interest income   | 1        | 1                   |            |              |                          | 2        |
| Segment EBIT  | (16 )    | 69                  | 1          | 58           | (84 )                    | 28       |
| <b>Three months ended December 31, 2008</b>               |          |                     |            |              |                          |          |
| External sales  | \$ 1,590 | \$ 675              | \$ 468     | \$ 555       | \$                       | \$ 3,288 |
| Intersegment sales  | 346      | 212                 | 208        | 2            | (768 )                   |          |
| Total sales   | 1,936    | 887                 | 676        | 557          | (768 )                   | 3,288    |
| Depreciation and amortization(2)                          | 47       | 10                  | 16         | 8            |                          | 81       |
| Research, development and engineering expense             | 71       | 10                  | 21         |              |                          | 102      |
| Equity, royalty and interest income from investees        | 8        | 6                   | 4          | 33           |                          | 51       |
| Restructuring charges                                     |          |                     |            |              | 37                       | 37       |
| Interest income   | 3        |                     |            | 1            |                          | 4        |
| Segment EBIT  | (40 )    | 75                  | (6 )       | 64           | (37 )                    | 56       |
| <b>Three months ended March 30, 2008</b>                  |          |                     |            |              |                          |          |
| External sales  | \$ 1,885 | \$ 581              | \$ 567     | \$ 441       | \$                       | \$ 3,474 |
| Intersegment sales  | 324      | 206                 | 253        | 4            | (787 )                   |          |
| Total sales   | 2,209    | 787                 | 820        | 445          | (787 )                   | 3,474    |
| Depreciation and amortization(2)                          | 44       | 11                  | 15         | 4            |                          | 74       |
| Research, development and engineering expense             | 70       | 10                  | 23         |              |                          | 103      |
| Equity, royalty and interest income from investees        | 33       | 5                   | 4          | 25           |                          | 67       |
| Interest income   | 3        | 1                   | 1          | 1            |                          | 6        |
| Segment EBIT  | 194      | 78                  | 37         | 49           | (43 )                    | 315      |

## Edgar Filing: CUMMINS INC - Form 8-K

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three months ended March 29, 2009, unallocated corporate expenses include restructuring charges of \$66 million and a \$6 million gain related to flood damage insurance recoveries. For the three months ended December 31, 2008, unallocated corporate expenses include restructuring charges of \$37 million and a \$36 million decrease in cash surrender value in corporate owned life insurance. There were no significant unallocated corporate expenses for the three months ended March 30, 2008.

(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 |                         |                      |
|----------------------------|--------------------|-------------------------|----------------------|
|                            | March 29,<br>2009  | December<br>31,<br>2008 | March<br>30,<br>2008 |
| Segment EBIT               | \$ 28              | \$ 56                   | \$ 315               |
| Less:                      |                    |                         |                      |
| Interest expense           | 7                  | 9                       | 11                   |
| Income before income taxes | \$ 21              | \$ 47                   | \$ 304               |

**FINANCIAL MEASURES THAT SUPPLEMENT GAAP****(Unaudited)****Earnings before interest, taxes and noncontrolling interests (EBIT)**

We define EBIT as earnings or loss before interest expense, income tax expense and noncontrolling interests. 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 consolidated net income attributable to Cummins Inc., for each of the applicable periods:

| In millions                                     | Three Months Ended |                         |                      |
|---|--------------------|-------------------------|----------------------|
|   | March 29,<br>2009  | December<br>31,<br>2008 | March<br>30,<br>2008 |
| Earnings before interest and income taxes       | \$ 28              | \$ 56                   | \$315                |
| <i>EBIT as a percentage of net sales</i>        | <i>1.1</i>         | <i>% 1.7</i>            | <i>%9.1 %</i>        |
| Less:   |                    |                         |                      |
| Interest expense                                | 7                  | 9                       | 11                   |
| Income tax expense (benefit)                    | 7                  | (12)                    | ) 102                |
| Net income                                      | 14                 | 59                      | 202                  |
| Less:   |                    |                         |                      |
| Income attributable to noncontrolling interests | 7                  | 16                      | 12                   |
| Net income attributable to Cummins Inc.         | \$ 7               | \$ 43                   | \$ 190               |

Edgar Filing: CUMMINS INC - Form 8-K

*Net income attributable to Cummins Inc.*      0.3                      % 1.3      %5.5 %  
*as a percentage of net sales*

We believe EBIT is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to financing methods, capital structure or income taxes. 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.

---

**CUMMINS INC. AND SUBSIDIARIES****SUPPLEMENTAL INFORMATION**

In 2009, the Power Generation segment reorganized and its reporting structure to include the following businesses: Commercial Products, Alternators, Commercial Projects, Power Electronics and Consumer. Sales by quarter for our Power Generation segment by business for the years 2008 and 2007 were as follows:

| <b>2008</b>         | <b>Three months ended</b> |                      |                           | <b>December 31,</b> | <b>Year ended</b>        |
|---------------------|---------------------------|----------------------|---------------------------|---------------------|--------------------------|
| <b>In millions</b>  | <b>March 30,</b>          | <b>June 29, 2008</b> | <b>September 28, 2008</b> | <b>2008</b>         | <b>December 31, 2008</b> |
| Commercial Products | \$ 444                    | \$ 555               | \$ 559                    | \$ 558              | \$ 2,116                 |
| Alternator          | 156                       | 178                  | 174                       | 178                 | 686                      |
| Commercial Projects | 86                        | 111                  | 63                        | 68                  | 328                      |
| Power Electronics   | 27                        | 31                   | 35                        | 39                  | 132                      |
| Consumer            | 74                        | 63                   | 57                        | 44                  | 238                      |
| Total sales         | \$ 787                    | \$ 938               | \$ 888                    | \$ 887              | \$ 3,500                 |

| <b>2007</b>         | <b>Three months ended</b> |                     |                           | <b>December 31,</b> | <b>Year ended</b>        |
|---------------------|---------------------------|---------------------|---------------------------|---------------------|--------------------------|
| <b>In millions</b>  | <b>April 1, 2007</b>      | <b>July 1, 2007</b> | <b>September 30, 2007</b> | <b>2007</b>         | <b>December 31, 2007</b> |
| Commercial Products | \$ 383                    | \$ 448              | \$ 449                    | \$ 481              | \$ 1,761                 |
| Alternator          | 132                       | 156                 | 163                       | 172                 | 623                      |
| Commercial Projects | 45                        | 44                  | 49                        | 81                  | 219                      |
| Power Electronics   | 26                        | 26                  | 28                        | 28                  | 108                      |
| Consumer            | 89                        | 95                  | 87                        | 78                  | 349                      |
| Total sales         | \$ 675                    | \$ 769              | \$ 776                    | \$ 840              | \$ 3,060                 |