

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

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

In millions, except par value	September 30, 2012	December 31, 2011
ASSETS		
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
LIABILITIES		
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
EQUITY		
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	(19)	(22)
Accumulated other comprehensive loss		
Defined benefit postretirement plans	(694)	(724)
Other	(114)	(214)
Total accumulated other comprehensive loss	(808)	(938)
Total Cummins Inc. shareholders' equity	6,478	5,492
Noncontrolling interests	356	339
Total equity	6,834	5,831
Total liabilities and equity	\$ 12,414	\$ 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)

In millions	Nine months ended	
	September 30,	September 25,
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 1,340	\$ 1,374
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	262	243
Gain on sale of businesses	(6)	(68)
Gain on fair value adjustment for consolidated investee	(7)	-
Deferred income taxes	91	148
Equity in income of investees, net of dividends	(51)	7
Pension contributions in excess of expense	(74)	(71)
Other post-retirement benefits payments in excess of expense	(16)	(10)
Stock-based compensation expense	29	28
Excess tax benefits on stock-based awards	(12)	(4)
Translation and hedging activities	16	(14)
Changes in current assets and liabilities, net of acquisitions and divestitures:		
Accounts and notes receivable	66	(469)
Inventories	(367)	(367)
Other current assets	(54)	(5)
Accounts payable	(145)	317
Accrued expenses	(398)	173
Changes in other liabilities and deferred revenue	154	93
Other, net	(41)	(7)
Net cash provided by operating activities	787	1,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(424)	(377)
Investments in internal use software	(62)	(31)
Investments in and advances to equity investees	(92)	(104)
Proceeds from sale of business, net of cash sold	10	111
Acquisition of businesses, net of cash acquired	(215)	-
Investments in marketable securities acquisitions	(433)	(538)
Investments in marketable securities liquidations	475	572
Cash flows from derivatives not designated as hedges	13	4
Other, net	9	7
Net cash used in investing activities	(719)	(356)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	64	96
Payments on borrowings and capital lease obligations	(120)	(174)
Net borrowings under short-term credit agreements	5	(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)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	31	(30)
Net increase (decrease) in cash and cash equivalents	(451)	142
Cash and cash equivalents at beginning of year	1,484	1,023
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,033	\$ 1,165

(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)

	Engine	Power Components	Generation	Distribution	Non-segment Items ⁽¹⁾	Total
In millions						
Three months ended September 30, 2012						
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 ⁽²⁾	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
Three months ended July 1, 2012						
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 ⁽²⁾	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
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

**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 ⁽²⁾	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**