

CUMMINS INC  
Form 8-K  
February 02, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

**Date of Report:** February 2, 2012

**CUMMINS INC.**

(Exact name of registrant as specified in its charter)

**Indiana**

(State or other Jurisdiction of  
Incorporation)

**1-4949**

(Commission File Number)

**35-0257090**

(I.R.S. Employer Identification  
No.)

**500 Jackson Street**

**P. O. Box 3005**

**Columbus, IN 47202-3005**

**(Principal Executive Office) (Zip Code)**

Registrant's telephone number, including area code: **(812) 377-5000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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- [ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
- [ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On February 2, 2012, Cummins Inc. issued a press release regarding its release of fourth quarter and full year 2011 results.

**Item 7.01. Regulation FD Disclosure**

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

On February 2, 2012, Cummins Inc. ( Cummins, the Company, the registrant, we, our, or, us ) issued the attached release reporting its financial results for the fourth quarter and full year of 2011. A copy of Cummins' press release is attached hereto as Exhibit 99 and hereby incorporated by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) The following exhibit is furnished herewith:

99-Press Release dated February 2, 2012

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 2, 2012

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

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



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

	Three months ended		
	December 31, 2011	September 25, 2011	December 31, 2010
<b>In millions, except per share amounts</b>			
<b>NET SALES</b>	<b>\$ 4,921</b>	<b>\$ 4,626</b>	<b>\$ 4,139</b>
Cost of sales	<b>3,680</b>	3,438	3,155
<b>GROSS MARGIN</b>	<b>1,241</b>	<b>1,188</b>	<b>984</b>
<b>OPERATING EXPENSES AND INCOME</b>			
Selling, general and administrative expenses	<b>496</b>	489	423
Research, development and engineering expenses	<b>179</b>	164	123
Equity, royalty and interest income from investees (Note 1)	<b>101</b>	102	90
Gain on sale of businesses (Note 2)	<b>53</b>	-	-
Other operating (expense) income, net (Note 3)	<b>25</b>	2	(3)
<b>OPERATING INCOME</b>	<b>745</b>	<b>639</b>	<b>525</b>
Interest income	<b>9</b>	9	7
Interest expense	<b>10</b>	11	11
Other income (expense), net	<b>14</b>	(8)	9
<b>INCOME BEFORE INCOME TAXES</b>	<b>758</b>	<b>629</b>	<b>530</b>
Income tax expense (Note 4)	<b>186</b>	157	139
<b>CONSOLIDATED NET INCOME</b>	<b>572</b>	<b>472</b>	<b>391</b>
Less: Net income attributable to noncontrolling interests	<b>24</b>	20	29
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 548</b>	<b>\$ 452</b>	<b>\$ 362</b>
<b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b>			
Basic	<b>\$ 2.87</b>	\$ 2.35	\$ 1.85
Diluted	<b>\$ 2.86</b>	\$ 2.35	\$ 1.84
<b>WEIGHTED AVERAGE SHARES OUTSANDING</b>			
Basic	<b>190.9</b>	192.1	195.8
Diluted	<b>191.5</b>	192.7	196.4
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.40</b>	\$ 0.40	\$ 0.2625

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

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

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

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

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

<b>In millions, except par value</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,484	\$ 1,023
Marketable securities	277	339
Total cash, cash equivalents and marketable securities	1,761	1,362
Accounts and notes receivable, net	2,526	2,243
Inventories	2,141	1,977
Deferred income taxes	268	314
Prepaid expenses and other current assets	395	393
Total current assets	7,091	6,289
Long-term assets		
Property, plant and equipment, net	2,288	2,041
Investments and advances related to equity method investees	838	734
Goodwill and other intangibles, net	566	589
Other assets	885	749
Total assets	\$ 11,668	\$ 10,402
<b>LIABILITIES</b>		
Current liabilities		
Loans payable	\$ 28	\$ 82
Accounts payable (principally trade)	1,546	1,362
Accrued expenses	2,083	1,816
Total current liabilities	3,657	3,260
Long-term liabilities		
Long-term debt	658	709
Other liabilities	1,522	1,437
Total liabilities	5,837	5,406
<b>EQUITY</b>		
Cummins Inc. shareholders' equity		
Common stock, \$2.50 par value, 500 shares authorized, 222.2 and 221.8 shares issued	2,001	1,934
Retained earnings	6,038	4,445
Treasury stock, at cost, 30.2 and 24.0 shares	(1,587)	(964)
Common stock held by employee benefits trust, at cost, 1.8 and 2.1 shares	(22)	(25)
Accumulated other comprehensive loss	(938)	(720)
Total Cummins Inc. shareholders' equity	5,492	4,670
Noncontrolling interests	339	326
Total equity	5,831	4,996
Total liabilities and equity	\$ 11,668	\$ 10,402

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



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

<b>In millions</b>	<b>For the years ended</b>	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,073</b>	<b>\$ 1,006</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(622)	(364)
Investments in internal use software	(60)	(43)
Proceeds from disposals of property, plant and equipment	8	55
Investments in and advances to equity investees	(81)	(2)
Proceeds from sale of businesses, net of cash sold	199	-
Acquisition of business, net of cash acquired	-	(104)
Investments in marketable securities-acquisitions	(729)	(823)
Investments in marketable securities-liquidations	750	690
Purchases of other investments	-	(62)
Cash flows from derivatives not designated as hedges	(18)	2
Other, net	1	-
Net cash used in investing activities	(552)	(651)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	127	214
Payments on borrowings and capital lease obligations	(237)	(143)
Net borrowings (payments) under short-term credit agreements	6	9
Distributions to noncontrolling interests	(56)	(28)
Dividend payments on common stock	(255)	(172)
Proceeds from sale of common stock held by employee benefit trust	-	58
Repurchases of common stock	(629)	(241)
Excess tax benefits (deficiencies) on stock-based awards	5	10
Other, net	14	26
Net cash used in financing activities	(1,025)	(267)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(35)</b>	<b>5</b>
Net increase (decrease) in cash and cash equivalents	<b>461</b>	<b>93</b>
Cash and cash equivalents at beginning of year	<b>1,023</b>	<b>930</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 1,484</b>	<b>\$ 1,023</b>

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

## CUMMINS INC. AND SUBSIDIARIES

## SEGMENT INFORMATION

(Unaudited)

In millions	Engine	Components	Power Generation	Distribution	Non-segment Items <sup>(1)</sup>	Total
<b>Three months ended</b>						
<b>December 31, 2011</b>						
External sales	\$ 2,628	\$ 781	\$ 682	\$ 830	\$ -	\$ 4,921
Intersegment sales	433	311	238	4	(986)	-
Total sales	3,061	1,092	920	834	(986)	4,921
Depreciation and amortization <sup>(2)</sup>	46	18	10	8	-	82
Research, development and engineering expenses	112	49	17	1	-	179
Equity, royalty and interest income from investees	40	7	10	44	-	101
Interest income	4	2	2	1	-	9
Segment EBIT	368	132	87	87	94	768
<b>Three months ended</b>						
<b>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
<b>Three months ended</b>						
<b>December 31, 2010</b>						
External sales	\$ 2,099	\$ 656	\$ 690	\$ 694	\$ -	\$ 4,139
Intersegment sales	398	262	213	5	(878)	-
Total sales	2,497	918	903	699	(878)	4,139
Depreciation and amortization <sup>(2)</sup>	46	18	10	6	-	80
Research, development and engineering expenses	76	33	13	1	-	123
	37	6	8	39	-	90

Equity, royalty and interest  
income from investees

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

**For the year ended**

**December 31, 2011**

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

**For the year ended**

**December 31, 2010**

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

(1) Includes intersegment sales and profit in inventory eliminations and unallocated corporate expenses. For the three months ended December 31, 2011 unallocated corporate expenses includes a \$53 million gain (\$33 after-tax) recorded for the sale of certain assets and liabilities of our light-duty filtration business from the Components segment, and a \$38 million gain (\$24 million after-tax) related to flood damage recoveries from the insurance settlement regarding a June 2008 flood in Southern Indiana. There were no significant unallocated corporate expenses for the three months ended September 25, 2011 and the three months ended December 31, 2010. The year ended December 31, 2011, includes a \$121 million gain (\$70 million after-tax) related to the sale of certain assets and liabilities of our exhaust and light-duty filtration business, both from the Components segment, and a \$38 million gain (\$24 million after-tax) related to flood damage recoveries from the insurance settlement regarding a June 2008 flood in Southern Indiana. The gains have been excluded from segment results as they were not considered by management in its evaluation of operating results for the year ended December 31, 2011. For the year ended December 31, 2010 unallocated corporate expenses included \$32 million in Brazil tax recoveries (\$21 million after-tax) and \$2 million in flood damage expenses. This tax recovery has been excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2010.

(2) Depreciation and amortization as shown on a segment basis excludes the amortization of debt discount that is included in the *Condensed Consolidated Statements of Income* as Interest expense.



**CUMMINS INC. AND SUBSIDIARIES**

**RECONCILIATION OF SEGMENT INFORMATION**

**(Unaudited)**

A reconciliation of our segment information to the corresponding amounts in the *Condensed Consolidated Statements of Income* is shown in the table below:

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

**CUMMINS INC. AND SUBSIDIARIES****SELECTED FOOTNOTE DATA****(Unaudited)****NOTE 1. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES**

Equity, royalty and interest income from investees included in our *Condensed Consolidated Statements of Income* for the interim reporting periods was as follows:

<b>In millions</b>	<b>Three months ended</b>			<b>For the years ended</b>	
	<b>December</b>	<b>September</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>31,</b>	<b>25,</b>	<b>31,</b>	<b>31,</b>	<b>31,</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Distribution Entities</b>					
North American distributors	\$ 34	\$ 35	\$ 29	\$ 134	\$ 101
Komatsu Cummins Chile, Ltda	6	6	5	22	16
All other distributors	1	1	1	4	3
<b>Manufacturing Entities</b>					
Chongqing Cummins Engine Company, Ltd.	17	20	11	68	46
Dongfeng Cummins Engine Company, Ltd.	16	15	23	80	99
Cummins Westport, Inc.	6	4	3	14	10
Tata Cummins, Ltd.	5	2	3	14	14
Shanghai Fleetguard Filter Co., Ltd.	3	4	3	15	12
Komatsu manufacturing alliances	2	-	4	3	11
Valvoline Cummins, Ltd.	1	2	1	7	8
Beijing Foton Cummins Engine Co., Ltd.	(2)	(2)	(4)	(7)	(16)
Cummins MerCruiser Diesel Marine, LLC	(3)	-	(2)	(3)	(3)
All other manufacturers	5	7	5	24	20
Cummins share of net income	91	94	82	375	321
Royalty and interest income	10	8	8	41	30
Equity, royalty and interest income from investees	\$ 101	\$ 102	\$ 90	\$ 416	\$ 351

**NOTE 2. SALE OF BUSINESSES**

In the second quarter of 2011, we sold certain assets and liabilities of our exhaust business which manufactures exhaust products and select components for emission systems for a variety of applications not core to our other product offerings. This business was historically included in our Components segment. The sales price was \$123 million. We recognized a gain on the sale of \$68 million (\$37 million after-tax), which included an allocation of goodwill of \$19 million. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2011.

Sales for this business were \$62 million, \$171 million and \$126 million in 2011 (through closing), 2010 and 2009, respectively. EBIT for this business was approximately \$9 million, \$22 million and \$11 million in 2011 (through closing), 2010 and 2009, respectively.

During the fourth quarter of 2011, we sold certain assets and liabilities of our light-duty filtration business which manufactures light-duty automotive and industrial filtration solutions. The sales price was \$90 million and included a note receivable from the buyer of approximately \$1 million. There are no earnouts or other contingencies associated with the sales price. We recognized a gain on the sale of \$53 million (\$33 million after-tax), which included an allocation of goodwill of \$6 million. The gain was excluded from segment results as it was not considered by management in its evaluation of operating results for the year ended December 31, 2011.

Sales for this business were \$64 million, \$74 million and \$54 million in 2011 (through closing), 2010 and 2009, respectively. EBIT for this business was approximately \$13 million, \$9 million and \$2 million in 2011 (through closing), 2010 and 2009, respectively.

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

**CUMMINS INC. AND SUBSIDIARIES****SELECTED FOOTNOTE DATA****(Unaudited)****NOTE 3. FLOOD INSURANCE RECOVERY**

In June 2008, four of our sites in Southern Indiana, including our Technical Center, experienced extensive flood damage. In October 2011, we received \$40 million from our insurance carriers to settle all outstanding 2008 flood claims. As a result, we recognized a gain of approximately \$38 million (\$24 million after-tax), net of any remaining flood related expenses, in Other operating (expense) income, net in our *Condensed Consolidated Statements of Income*.

**NOTE 4. INCOME TAXES**

Our income tax rates are generally less than the 35 percent U.S. income tax rate primarily because of lower taxes on foreign earnings and research tax credits. Our effective tax rate for the fourth quarter and full year of 2011 was 24.5 percent and 27.1 percent, respectively. Excluding the gain on sale of certain assets and liabilities of the businesses and the flood insurance recovery, our effective tax rate for the fourth quarter and full year of 2011 was 22.8 percent and 26.3 percent, respectively. The tax rate for the fourth quarter and full year includes discrete tax items that total a benefit of \$56 million (\$0.29 per share) and \$85 million (\$0.44 per share), respectively. The discrete tax items for the fourth quarter and full year related primarily to additional research credits claimed on amended tax returns for prior periods, the settlement of uncertain tax positions and restructuring of our foreign operations. Our effective tax rate for the fourth quarter and full year of 2010 was 26.2 percent and 29.5 percent, respectively.

A reconciliation of the U.S. federal income tax rate of 35 percent to the actual effective tax rate is as follows:

	<b>Years ended December 31,</b>			
	<b>2011</b>		<b>2010</b>	
U.S. federal statutory rate	<b>35.0</b>	<b>%</b>	35.0	<b>%</b>
State income tax, net of federal effect	<b>0.4</b>		0.6	
Research tax credits	<b>(4.7)</b>		(1.3)	
Differences in rates and taxability of foreign subsidiaries and joint ventures	<b>(4.6)</b>		(4.7)	
Other, net	<b>1.0</b>		(0.1)	



Effective tax rate	<b>27.1</b>	%	29.5	%
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We expect our 2012 effective tax rate to be 29 percent excluding any discrete items that may arise. The research tax credit expired December 31, 2011 and has not yet been renewed by Congress. If the research credit is reinstated, we would anticipate the 2012 effective tax rate to be 28 percent.

#### **NOTE 5. DEPRECIATION AND AMORTIZATION**

Depreciation and amortization expense included in operating activities of the *Condensed Consolidated Statements of Cash Flows* for the years ended December 31, 2011 and 2010, was \$325 million and \$320 million, respectively.

**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 period presented as it illustrates our operating performance without regard to special items including the gains related to the sale of certain assets and liabilities of our exhaust business and our filtration business and flood insurance recovery. This measure is not in accordance with, or an alternative for, accounting principles generally accepted in the United States of America and may not be consistent with measures used by other companies. It should be considered supplemental data. The following table reconciles net income attributable to Cummins Inc. to net income attributable to Cummins Inc. excluding special items for the quarter and year ended December 31, 2011.

<b>In millions</b>	<b>Three months ended December 31, 2011</b>		<b>Year ended December 31, 2011</b>	
	<b>Net Income</b>	<b>Diluted EPS</b>	<b>Net Income</b>	<b>Diluted EPS</b>
Net income attributable to Cummins Inc.	\$ 548	\$ 2.86	\$ 1,848	\$ 9.55
Subtract:				
Gain on sale of businesses <sup>(1)</sup>	33	0.17	70	0.36
Flood insurance recovery <sup>(1)</sup>	24	0.13	24	0.12
Net income attributable to Cummins Inc. excluding special items	\$ 491	\$ 2.56	\$ 1,754	\$ 9.07

(1) The gains have been excluded from operating results as they were not considered by management in its evaluation of performance for the year ended December 31, 2011.

## CUMMINS INC. AND SUBSIDIARIES

## FINANCIAL MEASURES THAT SUPPLEMENT GAAP

(Unaudited)

## Earnings before interest expense, income taxes and noncontrolling interests.

We define EBIT as earnings or loss 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.

In millions	Three months ended		December 31, 2010	For the years ended	
	December 31, 2011	September 25, 2011		December 31, 2011	December 31, 2010
Earnings before interest expense, income taxes and special items	\$ 677	\$ 640	\$ 541	\$ 2,556	\$ 1,657
<i>Earnings before interest expense, income taxes and special items as a percentage of net sales</i>	<i>13.8%</i>	<i>13.8%</i>	<i>13.1%</i>	<i>14.2%</i>	<i>12.5%</i>
Add:					
Gain on sale of businesses	53	-	-	121	-
Flood insurance recovery	38	-	-	38	-
Earnings before interest expense and income taxes	\$ 768	\$ 640	\$ 541	\$ 2,715	\$ 1,657
<i>EBIT as a percentage of net sales</i>	<i>15.6%</i>	<i>13.8%</i>	<i>13.1%</i>	<i>15.0%</i>	<i>12.5%</i>
Less:					
Interest expense	10	11	11	44	40
Income tax expense	186	157	139	725	477
Consolidated net income	572	472	391	1,946	1,140
Less:					
Net income attributable to noncontrolling interests	24	20	29	98	100
Net income attributable to Cummins Inc.	\$ 548	\$ 452	\$ 362	\$ 1,848	\$ 1,040

*Net income attributable to Cummins Inc.  
as a percentage of net sales*

**11.1%**

9.8%

8.7%

**10.2%**

7.9%

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

Engine segment net sales by market

**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	\$ <b>865</b>	\$ 2,791
Medium-duty truck and bus	474	608	640	<b>598</b>	2,320
Light-duty automotive and RV	296	310	271	<b>299</b>	1,176
Industrial	855	988	977	<b>1,030</b>	3,850
Stationary power	281	301	319	<b>269</b>	1,170
Total sales	\$ 2,391	\$ 2,900	\$ 2,955	\$ <b>3,061</b>	\$ 11,307

**2010**

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

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

**2011**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Mid-range	109,400	131,300	130,600	<b>138,100</b>	509,400
Heavy-duty	20,000	29,900	31,100	<b>35,300</b>	116,300
High horsepower	4,900	5,700	5,600	<b>5,400</b>	21,600
Total units	134,300	166,900	167,300	<b>178,800</b>	647,300

**2010**

<b>Units</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Mid-range	69,100	90,500	93,500	115,800	368,900
Heavy-duty	8,700	14,500	15,200	22,800	61,200
High horsepower	3,400	4,800	4,900	5,400	18,500

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Total units	81,200	109,800	113,600	144,000	448,600
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**CUMMINS INC. AND SUBSIDIARIES****BUSINESS UNIT SALES DATA****(Unaudited)**

Component segment sales by business

**2011**

<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
Turbo technologies	297	314	298	314	1,223
Filtration	255	287	288	283	1,113
Fuel systems	99	120	123	123	465
Total sales	\$ 924	\$ 1,032	\$ 1,015	\$ 1,092	\$ 4,063

**2010**

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

Power generation segment sales by business

**2011**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Commercial products	\$ 505	\$ 568	\$ 579	\$ 578	\$ 2,230
Generator technologies	153	190	166	164	673
Commercial projects	55	58	46	84	243
Consumer	50	53	48	49	200
Power electronics	32	40	35	45	152
Total sales	\$ 795	\$ 909	\$ 874	\$ 920	\$ 3,498

**2010**

<b>In millions</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
Commercial products	\$ 307	\$ 436	\$ 519	\$ 569	\$ 1,831
Generator technologies	107	135	140	167	549
Commercial projects	33	57	49	83	222

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Consumer	43	49	49	45	186
Power electronics	27	31	34	39	131
Total sales	\$ 517	\$ 708	\$ 791	\$ 903	\$ 2,919

Distribution segment sales by business

**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	<b>\$ 296</b>	\$ 1,085
Power generation	145	195	191	<b>191</b>	722
Engines	140	186	171	<b>206</b>	703
Service	122	133	138	<b>141</b>	534
Total sales	\$ 642	\$ 785	\$ 783	<b>\$ 834</b>	\$ 3,044

**2010**

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