

CUMMINS INC
Form 10-Q
August 04, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

**For the Quarterly Period Ended June 29, 2008
Commission File Number 1-4949**

CUMMINS INC.

(Exact name of registrant as specified in its charter)

Indiana
(State of Incorporation)

35 0257090
(IRS Employer Identification No.)

**500 Jackson Street
Box 3005
Columbus, Indiana 47202-3005**
(Address of principal executive offices)
Telephone (812) 377-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 29, 2008, there were 202,701,208 shares of common stock outstanding with a par value of \$2.50 per share.

Website Access to Company's Reports

Cummins maintains an internet website at www.cummins.com. Investors can obtain copies of our filings from this website free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to the

CUMMINS INC. AND SUBSIDIARIES

TABLE OF CONTENTS

QUARTERLY REPORT ON FORM 10-Q

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Condensed Financial Statements (Unaudited)	3
Condensed Consolidated Statements of Income for the three and six months ended June 29, 2008 and July 1, 2007	3
Condensed Consolidated Balance Sheets at June 29, 2008 and December 31, 2007	4
Condensed Consolidated Statements of Cash Flows for the six months ended June 29, 2008 and July 1, 2007	5
Condensed Consolidated Statements of Shareholders' Equity for the six months ended June 29, 2008 and July 1, 2007	6
Notes to Condensed Consolidated Financial Statements	7
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	31
ITEM 4. Controls and Procedures	31
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	32
ITEM 1A. Risk Factors	32
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
ITEM 4. Submission of Matters to a Vote of Security Holders	33
ITEM 6. Exhibits	34
Signatures	35

PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

CUMMINS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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Three months ended		Six months ended	
June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007

in millions

(except per share amounts)

NET SALES (a)	\$ 3,887	\$ 3,343	\$ 7,361	\$ 6,160
Cost of sales	3,008	2,673	5,775	4,938
GROSS MARGIN	879	670	1,586	1,222
OPERATING EXPENSES AND INCOME				
Selling, general and administrative expenses	370	314	721	597
Research, development and engineering expenses	104	74	207	154
Equity, royalty and interest income from investees (Note 5)	69	52	136	88
Flood damage expenses (Note 11)	6	--	6	--
Other operating income (expense), net	--	7	(1)	5
OPERATING INCOME	468	341	787	564
Interest income	4	7	10	18
Interest expense	12	14	23	30
Other (expense) income, net	(3)	6	(13)	15
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	457	340	761	567
Income tax expense	147	112	249	187
Minority interests in income of consolidated subsidiaries	17	14	29	23
NET INCOME	\$ 293	\$ 214	\$ 483	\$ 357
EARNINGS PER COMMON SHARE				
Basic	\$ 1.50	\$ 1.07	\$ 2.47	\$ 1.79
Diluted	\$ 1.49	\$ 1.06	\$ 2.46	\$ 1.77
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	195.2	199.9	195.1	200.0
Dilutive effect of stock compensation awards	1.4	1.4	1.4	1.2
Diluted	196.6	201.3	196.5	201.2
CASH DIVIDENDS DECLARED PER SHARE	\$ 0.125	\$ 0.09	\$ 0.25	\$ 0.18

(a) Includes sales to nonconsolidated equity investees of \$570 million and \$1,082 million and \$368 million and \$822 million for the three and six months ended June 29, 2008, and July 1, 2007, respectively.

The accompanying notes are an integral part of the condensed consolidated financial statements.

CUMMINS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 29, 2008	December 31, 2007
	in millions (except par value)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 522	\$ 577
Marketable securities	107	120
Accounts and notes receivable, net		
Trade and other	2,079	1,754
Nonconsolidated equity investees	298	244
Inventories (Note 6)	1,924	1,692
Deferred income taxes	296	276
Prepaid expenses and other current assets	186	152
Total current assets	5,412	4,815
Long-term assets		