

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 27, 2010

**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)
- 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))

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

On April 27, 2010, Cummins Inc. issued a press release regarding its release of first quarter 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 April 27, 2010, Cummins Inc. ("Cummins," "the Company," "our," or "we") issued the attached press release reporting its financial results for the first quarter of 2010. 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 27, 2010

**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 27, 2010

CUMMINS INC.

/s/ **Marsha L. Hunt**

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

| In millions, except per share amounts                         | Three months ended |                      |                   |
|---|--------------------|----------------------|-------------------|
|   | March 28,<br>2010  | December 31,<br>2009 | March 29,<br>2009 |
| <b>NET SALES</b>  | \$ 2,478           | \$ 3,400             | \$ 2,439          |
| Cost of sales   | 1,877              | 2,627                | 1,994             |
| <b>GROSS MARGIN</b>   | <b>601</b>         | 773                  | 445               |
| <b>OPERATING EXPENSES AND INCOME</b>                          |                    |                      |                   |
| Selling, general and administrative expenses                  | 335                | 348                  | 300               |
| Research, development and engineering expenses                | 92                 | 108                  | 85                |
| Equity, royalty and interest income from investees (Note 1)   | 76                 | 67                   | 33                |
| Restructuring and other charges                               | —                  | 4                    | 66                |
| Other operating (expense) income, net                         | (4)                | 5                    | 2                 |
| <b>OPERATING INCOME</b>                                       | <b>246</b>         | 385                  | 29                |
| Interest income   | 3                  | 3                    | 2                 |
| Interest expense  | 9                  | 9                    | 7                 |
| Other income (expense), net (Note 2)                          | 17                 | (5)                  | (3)               |
| <b>INCOME BEFORE INCOME TAXES</b>                             | <b>257</b>         | 374                  | 21                |
| Income tax expense (Note 3)                                   | 87                 | 84                   | 7                 |
| <b>CONSOLIDATED NET INCOME</b>                                | <b>170</b>         | 290                  | 14                |
| Less: net income attributable to noncontrolling interests     | 21                 | 20                   | 7                 |
| <b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>                | <b>\$ 149</b>      | \$ 270               | \$ 7              |
| <b>EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.</b> |                    |                      |                   |
| Basic   | \$ 0.75            | \$ 1.36              | \$ 0.04           |
| Diluted   | \$ 0.75            | \$ 1.36              | \$ 0.04           |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    |                    |                      |                   |
| Basic   | 198.4              | 198.4                | 196.8             |
| Diluted   | 198.7              | 198.7                | 197.0             |
| <b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b>               | <b>\$ 0.175</b>    | \$ 0.175             | \$ 0.175          |

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)

| In millions, except par value                               | March 28,<br>2010 | December 31,<br>2009 |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| Current assets  |                   |                      |
| Cash and cash equivalents                                   | \$ 885            | \$ 930               |
| Marketable securities                                       | 217               | 190                  |
| Accounts and notes receivable, net                          | 1,727             | 2,004                |
| Inventories   | 1,549             | 1,341                |
| Deferred income taxes                                       | 302               | 295                  |
| Prepaid expenses and other current assets                   | 240               | 243                  |
| Total current assets  | <u>4,920</u>      | <u>5,003</u>         |
| Long-term assets  |                   |                      |
| Property, plant and equipment                               | 4,696             | 4,765                |
| Accumulated depreciation                                    | (2,834)           | (2,879)              |
| Property, plant and equipment, net                          | <u>1,862</u>      | <u>1,886</u>         |
| Investments and advances related to equity method investees | 638               | 574                  |
| Goodwill  | 365               | 364                  |
| Other intangible assets, net                                | 239               | 228                  |
| Deferred income taxes                                       | 413               | 436                  |
| Other assets  | 332               | 325                  |
| Total assets  | <u>\$ 8,769</u>   | <u>\$ 8,816</u>      |
| <b>LIABILITIES</b>  |                   |                      |
| Current liabilities   |                   |                      |
| Loans payable   | \$ 95             | \$ 37                |
| Accounts payable (principally trade)                        | 1,030             | 957                  |
| Current portion of accrued product warranty                 | 387               | 426                  |
| Accrued compensation, benefits and retirement costs         | 308               | 366                  |
| Deferred revenue  | 144               | 128                  |
| Other accrued expenses                                      | 522               | 518                  |
| Total current liabilities                                   | <u>2,486</u>      | <u>2,432</u>         |
| Long-term liabilities                                       |                   |                      |
| Long-term debt  | 640               | 637                  |
| Pensions  | 406               | 514                  |
| Postretirement benefits other than pensions                 | 466               | 453                  |
| Other liabilities and deferred revenue                      | 719               | 760                  |

|  |                 |                 |
|--|-----------------|-----------------|
| Total liabilities  | <u>4,717</u>    | <u>4,796</u>    |
| <b>EQUITY</b>  |                 |                 |
| Cummins Inc. shareholders' equity  |                 |                 |
| Common stock, \$2.50 par value, 500 shares authorized, 221.9 and 222.0 shares issued | 1,862           | 1,860           |
| Retained earnings  | 3,689           | 3,575           |
| Treasury stock, at cost, 21.3 and 20.7 shares  | (769)           | (731)           |
| Common stock held by employee benefits trust, at cost, 3.0 and 3.0 shares            | (36)            | (36)            |
| Accumulated other comprehensive loss   |                 |                 |
| Defined benefit postretirement plans   | (794)           | (788)           |
| Other  | (161)           | (107)           |
| Total accumulated other comprehensive loss   | (955)           | (895)           |
| Total Cummins Inc. shareholders' equity  | 3,791           | 3,773           |
| Noncontrolling interests   | 261             | 247             |
| Total equity   | 4,052           | 4,020           |
| Total liabilities and equity   | <u>\$ 8,769</u> | <u>\$ 8,816</u> |

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  | <u>Three months ended</u>       |                                 |
|--|---------------------------------|---------------------------------|
|  | <u>March 28,</u><br><u>2010</u> | <u>March 29,</u><br><u>2009</u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |                                 |
| Consolidated net income  | \$ 170                          | \$ 14                           |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: |                                 |                                 |
| Restructuring charges, net of cash payments  | —                               | 48                              |
| Depreciation and amortization  | 79                              | 76                              |
| Gain on fair value adjustment for consolidated investee  | (12)                            | —                               |
| Deferred income tax provision (benefit)  | 13                              | (21)                            |
| Equity in income of investees, net of dividends  | (53)                            | 52                              |
| Pension expense, net of pension contributions  | (93)                            | 15                              |
| Other post-retirement benefits expense, net of cash payments                                   | (1)                             | (8)                             |
| Stock-based compensation expense   | 6                               | 6                               |
| Translation and hedging activities   | (9)                             | 19                              |
| Changes in current assets and liabilities, net of acquisitions and divestitures:               |                                 |                                 |
| Accounts and notes receivable  | 275                             | 49                              |
| Inventories  | (189)                           | 44                              |
| Other current assets   | 3                               | 9                               |
| Accounts payable   | 54                              | (103)                           |
| Accrued expenses   | (154)                           | (173)                           |
| Changes in long-term liabilities   | 29                              | 36                              |
| Other, net   | 8                               | 13                              |
| Net cash provided by operating activities  | <u>126</u>                      | <u>76</u>                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |                                 |
| Capital expenditures   | (47)                            | (64)                            |
| Investments in internal use software   | (17)                            | (11)                            |
| Proceeds from disposals of property, plant and equipment                                       | 38                              | 6                               |
| Investments in and advances (to) from equity investees   | (11)                            | 5                               |
| Acquisition of businesses, net of cash acquired  | (71)                            | (2)                             |
| Investments in marketable securities—acquisitions  | (133)                           | (69)                            |
| Investments in marketable securities—liquidations  | 108                             | 78                              |
| Cash flows from derivatives not designated as hedges   | (11)                            | (33)                            |
| Net cash used in investing activities  | <u>(144)</u>                    | <u>(90)</u>                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                 |                                 |
| Proceeds from borrowings   | 70                              | 7                               |
| Payments on borrowings and capital lease obligations   | (20)                            | (19)                            |
| Net borrowings under short-term credit agreements  | 5                               | 4                               |
| Distributions to noncontrolling interests  | (1)                             | (9)                             |
| Dividend payments on common stock  | (35)                            | (35)                            |
| Repurchases of common stock  | (39)                            | —                               |
| Other, net   | 13                              | (1)                             |
| Net cash used in financing activities  | <u>(7)</u>                      | <u>(53)</u>                     |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                            |                                 |                                 |
|  | <u>(20)</u>                     | <u>(6)</u>                      |
| Net decrease in cash and cash equivalents  | (45)                            | (73)                            |
| Cash and cash equivalents at beginning of year   | 930                             | 426                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>  | <u>\$ 885</u>                   | <u>\$ 353</u>                   |

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  | Power    |            |            |              | Non-segment<br>items (1) | Total    |
|--|----------|------------|------------|--------------|--------------------------|----------|
|  | Engine   | Generation | Components | Distribution |                          |          |
| <b>Three months ended March 28, 2010</b>           |          |            |            |              |                          |          |
| External sales                                     | \$ 1,173 | \$ 378     | \$ 453     | \$ 474       | \$ —                     | \$ 2,478 |
| Intersegment sales                                 | 250      | 139        | 177        | 2            | (568)                    | —        |
| Total sales  | 1,423    | 517        | 630        | 476          | (568)                    | 2,478    |
| Depreciation and amortization (2)                  | 41       | 10         | 20         | 7            | —                        | 78       |
| Research, development and engineering expenses     | 60       | 7          | 25         | —            | —                        | 92       |
| Equity, royalty and interest income from investees | 35       | 6          | 5          | 30           | —                        | 76       |
| Interest income                                    | 2        | 1          | —          | —            | —                        | 3        |
| Segment EBIT                                       | 133      | 34         | 57         | 72           | (30)                     | 266      |
| <b>Three months ended December 31, 2009</b>        |          |            |            |              |                          |          |
| External sales                                     | \$ 1,974 | \$ 477     | \$ 466     | \$ 483       | \$ —                     | \$ 3,400 |
| Intersegment sales                                 | 194      | 124        | 266        | 3            | (587)                    | —        |
| Total sales  | 2,168    | 601        | 732        | 486          | (587)                    | 3,400    |
| Depreciation and amortization (2)                  | 50       | 14         | 20         | 3            | —                        | 87       |
| Research, development and engineering expenses     | 73       | 8          | 27         | —            | —                        | 108      |
| Equity, royalty and interest income from investees | 24       | 6          | 4          | 33           | —                        | 67       |
| Restructuring and other charges                    | —        | —          | —          | —            | 4                        | 4        |
| Interest income                                    | 1        | 2          | —          | —            | —                        | 3        |
| Segment EBIT                                       | 211      | 34         | 73         | 67           | (2)                      | 383      |
| <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 expenses     | 58       | 8          | 19         | —            | —                        | 85       |
| Equity, royalty and interest income from investees | (3)      | 5          | 1          | 30           | —                        | 33       |
| Restructuring and other charges                    | —        | —          | —          | —            | 66                       | 66       |
| Interest income                                    | 1        | 1          | —          | —            | —                        | 2        |
| Segment EBIT                                       | (16)     | 69         | 1          | 58           | (84)                     | 28       |

(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 March 28, 2010. For the three months ended December 31, 2009, unallocated corporate expenses included \$4 million of restructuring and other charges and a gain of \$7 million related to flood damage recoveries. For the three months ended March 29, 2009, unallocated corporate expenses included \$66 million of restructuring charges and a \$6 million gain related to flood damage recoveries.

(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 28,<br>2010  | December 31,<br>2009 | March 29,<br>2009 |
| Segment EBIT               | \$ 266             | \$ 383               | \$ 28             |
| Less:                      |                    |                      |                   |
| Interest expense           | 9                  | 9                    | 7                 |
| Income before income taxes | \$ 257             | \$ 374               | \$ 21             |

**FINANCIAL MEASURES THAT SUPPLEMENT GAAP**  
(Unaudited)

**Earnings before interest, taxes, noncontrolling interests and restructuring and other charges**

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 |                      |                   |
|--|--------------------|----------------------|-------------------|
|  | March 28,<br>2010  | December 31,<br>2009 | March 29,<br>2009 |
| Earnings before interest expense, income taxes and restructuring and other charges                                 | \$ 266             | \$ 387               | \$ 94             |
| <i>Earnings before interest expense, income taxes and restructuring and other charges as a percentage of sales</i> | <i>10.7%</i>       | <i>11.4%</i>         | <i>3.9%</i>       |
| Less:  |                    |                      |                   |

|   |               |               |             |
|---|---------------|---------------|-------------|
| Restructuring and other charges   | —             | 4             | 66          |
| Earnings before interest and income taxes                                   | \$ 266        | \$ 383        | \$ 28       |
| <i>EBIT as a percentage of net sales</i>                                    | <i>10.7%</i>  | <i>11.3%</i>  | <i>1.1%</i> |
| Less:   |               |               |             |
| Interest expense  | 9             | 9             | 7           |
| Income tax expense  | 87            | 84            | 7           |
| Consolidated net income   | <u>170</u>    | <u>290</u>    | <u>14</u>   |
| Less:   |               |               |             |
| Net income attributable to noncontrolling interests                         | 21            | 20            | 7           |
| Net income attributable to Cummins Inc.                                     | <u>\$ 149</u> | <u>\$ 270</u> | <u>\$ 7</u> |
| <i>Net income attributable to Cummins Inc. as a percentage of net sales</i> | <i>6.0%</i>   | <i>7.9%</i>   | <i>0.3%</i> |

**CUMMINS INC. AND SUBSIDIARIES**  
**FINANCIAL MEASURES THAT SUPPLEMENT GAAP**  
(Unaudited)

**Net income and diluted earnings per share (EPS) attributable to Cummins Inc. excluding restructuring and other charges**

We believe this is a useful measure of our operating performance for the periods presented as it illustrates our operating performance without regard to restructuring. 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. excluding restructuring and other charges to "Net income attributable to Cummins Inc." for the three months ended December 31, 2009, and the three months ended March 29, 2009. There were no restructuring actions taken in the three months ended March 28, 2010.

| <b>In millions</b>                        | <b>Three months ended</b> |                        |                       |                        |
|---|---------------------------|------------------------|-----------------------|------------------------|
|   | <b>December 31, 2009</b>  |                        | <b>March 29, 2009</b> |                        |
|   | <b>Net<br/>Income</b>     | <b>Diluted<br/>EPS</b> | <b>Net<br/>Income</b> | <b>Diluted<br/>EPS</b> |
| Net income attributable to Cummins Inc.   |                           |                        |                       |                        |
| excluding restructuring and other charges | \$ 272                    | \$ 1.37                | \$ 51                 | \$ 0.26                |
| Less:                                     |                           |                        |                       |                        |
| Restructuring and other charges, net (1)  | <u>2</u>                  | <u>0.01</u>            | <u>44</u>             | <u>0.22</u>            |
| Net income attributable to Cummins Inc.   | <u>\$ 270</u>             | <u>\$ 1.36</u>         | <u>\$ 7</u>           | <u>\$ 0.04</u>         |

(1) During the three months ended December 31, 2009, and March 29, 2009, management approved and committed to undertake restructuring actions, which resulted in pretax charges of \$4 million and \$66 million, respectively. These charges included employee-related liabilities for severance and benefits, exit costs and pension and other postretirement benefit curtailment charges.

**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>March 28,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>March 29,<br/>2009</b> |
| <b>Distribution Entities</b>                       |                           |                              |                           |
| North American distributors                        | \$ 23                     | \$ 26                        | \$ 26                     |
| Komatsu Cummins Chile, Ltda.                       | 3                         | 3                            | 2                         |
| All other distributors                             | 1                         | 1                            | 1                         |
| <b>Manufacturing Entities</b>                      |                           |                              |                           |
| Dongfeng Cummins Engine Company, Ltd.              | 18                        | 15                           | —                         |
| Chongqing Cummins Engine Company, Ltd.             | 10                        | 8                            | 8                         |
| Tata Cummins Ltd.                                  | 4                         | 3                            | (2)                       |
| All other manufacturers                            | <u>10</u>                 | <u>4</u>                     | <u>(5)</u>                |
| Cummins share of net income                        | 69                        | 60                           | 30                        |
| Royalty and interest income                        | 7                         | 7                            | 3                         |
| Equity, royalty and interest income from investees | <u>\$ 76</u>              | <u>\$ 67</u>                 | <u>\$ 33</u>              |

**NOTE 2. OTHER INCOME (EXPENSE)**

Other income (expense) included the following:

|   | <b>Three months ended</b> |                              |                           |
|---|---------------------------|------------------------------|---------------------------|
|   | <b>March 28,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>March 29,<br/>2009</b> |
| <b>In millions</b>                            |                           |                              |                           |
| Gain on acquisition of Cummins Western Canada | \$ 12                     | \$ —                         | \$ —                      |
| Foreign currency gains (losses)               | 7                         | (2)                          | (8)                       |
| Other, net                                    | (2)                       | (3)                          | 5                         |
| Total other income (expense), net             | <u>\$ 17</u>              | <u>\$ (5)</u>                | <u>\$ (3)</u>             |

### NOTE 3. INCOME TAXES

Our effective tax rate for the year is expected to approximate 31 percent, absent 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 rate for the three month period ended March 28, 2010, was 34 percent and includes a discrete tax charge of \$7 million (3 percent) related to the enactment of the "Patient Protection and Affordable Care Act."

Our effective tax rate for March 29, 2009 was 33 percent. This rate is less than the 35 percent U.S. income tax rate primarily due to lower tax rates on foreign income.



Contact:

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**April 27, 2010**

## **Cummins Reports Strong First Quarter Profits; Increases Financial Guidance for 2010**

- **Strength in emerging markets, operational improvements more than offset weakness in U.S. on-highway engine markets**
- **Company expects to earn 10 percent EBIT margin on \$12 billion in sales in 2010**

COLUMBUS, IN -- Cummins Inc. (NYSE: CMI) today reported higher sales and significantly improved profits in the first quarter compared to the same period in 2009. The gains came on the strength of the Company's performance in key international markets, and cost reductions and productivity gains in manufacturing facilities across the Company.

Sales of \$2.48 billion rose 2 percent from \$2.44 billion in the first quarter in 2009, as growth in the Company's Components and Distribution segments slightly more than offset declines in the Engine and Power Generation segments.

Net income attributable to Cummins Inc. increased to \$149 million, or \$0.75 a share, from \$7 million, or \$0.04 a share, during the same period in 2009. Earnings Before Interest and Taxes (EBIT) rose to \$266 million, or 10.7 percent of sales, compared to the \$94 million, or 3.9 percent of sales a year ago, which excluded restructuring charges.

Compared to the fourth quarter of 2009, sales were down 27 percent due to lower demand in North America, but EBIT remained strong at 10.7 percent of sales, compared to the 11.4 percent reported last quarter, which excluded restructuring charges.

Three of the Company's four business segments reported improved profits compared to the first quarter of 2009, with only the later-cycle Power Generation business reporting a decline.

The Company's operational improvements were most evident in the Engine and Components segments, where gross margins and EBIT improved significantly, while the Distribution segment continued its strong performance.

"Our strength in large developing markets such as China, India and Brazil has given us a significant boost as those economies have continued to recover from the recession more quickly than other regions," said Cummins Chairman and Chief Executive Officer Tim Solso.

"In addition, while demand in the North American on-highway truck markets was very low as we expected due to the implementation of new emissions standards in the U.S. in January 2010, our work during the downturn to reduce costs and improve productivity, largely through our well-established Six Sigma quality program, has allowed us to be much more efficient and to respond quickly to the volatility in demand," Solso added.

Based on the first quarter results and its forecast for the remainder of the year, the Company today increased its sales and EBIT guidance for 2010. The Company now expects sales to be \$12 billion and to earn an EBIT margin of 10 percent of sales.

The Company benefitted from stronger demand in China, India and Brazil as those countries continue their recovery from the recession in 2009. Demand for trucks, construction, mining and distributed power generation equipment strengthened in all three countries – as well as with European OEM customers that export to China, India and the Middle East, and is expected to continue through 2010.

The Company reported weaker demand in North America with medium-duty truck and bus, and heavy-duty engine shipments declining 80 percent from the same period a year ago – and by approximately 90 percent from the fourth quarter of last year. Demand in the North American on-highway engine markets is expected to remain weak through the end of the second quarter, before gradually improving in the second half of the year.

Joint venture income more than doubled year-over-year to \$76 million in the first quarter, largely on increased volume at the Company's engine joint ventures in China and India.

The Company also expects to generate positive cash flow in 2010 and is forecasting capital spending of approximately \$400 million for the year, an increase of nearly 30 percent from 2009, to fund projects critical to the Company's long-term growth.

“Our employees worldwide have done outstanding work, which is reflected in our strong first quarter results, but our priorities for the year have not changed,” said Tom Linebarger, Cummins President and Chief Operating Officer.

“We remain focused on managing the business conservatively so that we can earn a solid profit for the duration of the global downturn and position the Company for strong profitable growth in all markets as the economy recovers,” Linebarger said.

### **First quarter details (all comparisons are to same period in 2009)**

#### **Engine Segment**

- Sales - \$1.42 billion, down 5 percent
- Segment EBIT - \$133 million (9.3 percent of sales), compared to a loss of \$16 million
- Total on-highway sales decreased 13 percent
  - Revenues in worldwide heavy-duty truck fell 36 percent; worldwide medium-duty truck and bus revenues decreased 5 percent; sales to the light-duty automotive market increased 33 percent on the launch of 2010 model year Dodge Ram pickup
- Industrial sales increased 24 percent
  - Construction sales increased 62 percent; marine engine sales increased 13 percent; mining sales increased 28 percent; oil and gas sales fell 80 percent

#### **Power Generation**

- Sales - \$517 million, down 21 percent
- Segment EBIT - \$34 million (6.6 percent of sales), down 51 percent from \$69 million (10.5 percent of sales)
- Commercial Product sales down 27 percent; Commercial Projects down 21 percent; Generator Technologies down 21 percent; Power Electronics down 13 percent. Consumer sales rose 43 percent.
- Markets with the largest declines were Western Europe, Middle East, Africa and North America. The segment saw sales gains in India, China and Eastern Europe.

#### **Components**

- Sales - \$630 million, up 19 percent
- Segment EBIT - \$57 million (9.0 percent of sales), up from \$1 million (0.2 percent of sales)
- Emission Solutions sales up 30 percent; Turbo Technologies sales up 28 percent; Filtration up 13 percent; Fuel Systems down 4 percent
- Fuel systems sales decreased mainly as result of demand decline in North American truck and bus engine markets.
- Turbo Technologies sales growth led by large increases in volumes in China and recovery in aftermarket sales.
- Emission Solutions sales gain driven by higher volumes in North America as a result of the transition to the EPA 2010 Emissions Standards.

#### **Distribution**

- Sales - \$476 million, up 15 percent
- Segment EBIT - \$72 million (15.1 percent of sales), up 24 percent from \$58 million (14.0 percent of sales). Gain of \$12 million on the acquisition of the Cummins Western Canada distributor contributed to improved segment EBIT margin.
- Cummins Western Canada consolidation contributed \$54 million in sales. Largest sales declines by region were in Europe and North and Central America, excluding Western Canada. Asia Pacific posted largest revenue gain. Aftermarket growth in most regions more than offset decline in power generation and engine sales.

#### **Joint Ventures**

- Total income - \$76 million, up 130 percent from \$33 million
- Engine JVs accounted for nearly all of the gain from previous year, led by China and India JVs.

#### **Presentation of Non-GAAP Financial Information**

EBIT and EBIT excluding restructuring and other charges are non-GAAP measures used in this release. Each is defined and reconciled to what management believes to be the most comparable GAAP measure in a schedule attached to this release. Cummins presents this information as it believes it is useful to understanding the Company's operating performance, and because EBIT is a measure used internally to assess the performance of the operating units.

#### **Webcast information**

Cummins management will host a teleconference to discuss these results today at 10 a.m. EST. This teleconference will be webcast and available on the Investor Relations section of the Cummins website at [www.cummins.com](http://www.cummins.com). Participants wishing to view the visuals available with the audio are encouraged to sign-in a few minutes prior to the start of the teleconference.

#### **About Cummins**

Cummins Inc., a global power leader, is a corporation of complementary business units that design, manufacture, distribute and service



engines and related technologies, including fuel systems, controls, air handling, filtration, emission solutions and electrical power generation systems. Headquartered in Columbus, Indiana, (USA) Cummins serves customers in approximately 190 countries and territories through a network of more than 500 company-owned and independent distributor locations and approximately 5,200 dealer locations. The Company reported net income attributable to Cummins Inc. of \$428 million on sales of \$10.8 billion in 2009. Press releases can be found on the Web at [www.cummins.com](http://www.cummins.com).

**Forward-looking disclosure statement**

Information provided in this release that is not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the company's expectations, hopes, beliefs and intentions on strategies regarding the future. It is important to note that the company's actual future results could differ materially from those projected in such forward-looking statements because of a number of factors, including, but not limited to, general economic, business and financing conditions, labor relations, governmental action, competitor pricing activity, expense volatility and other risks detailed from time to time in Cummins Securities and Exchange Commission filings.