

REFINITIV

# DELTA REPORT

## 10-Q

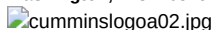
CMI - CUMMINS INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1786
CHANGES	272
DELETIONS	930
ADDITIONS	584

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 **September 30, 2023** **March 31, 2024**

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$2.50 par value	CMI	New York Stock Exchange

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit such files). Yes x No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of **September 30, 2023** **March 31, 2024**, there were **141,744,863** **136,779,875** shares of common stock outstanding with a par value of \$2.50 per share.

CUMMINS INC. AND SUBSIDIARIES  
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## PART I. FINANCIAL INFORMATION

### ITEM 1. Condensed Consolidated Financial Statements

#### CUMMINS INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (Unaudited)

		Three months ended			
		Three months ended			
		Three months ended		Nine months ended	
		September 30,		September 30,	
In millions, except per share amounts	In millions, except per share amounts	2023	2022	2023	2022
In millions, except per share amounts					
In millions, except per share amounts					
NET SALES (Notes 1 and 2)					
NET SALES (Notes 1 and 2)					
NET SALES (Notes 1 and 2)	NET SALES (Notes 1 and 2)	\$8,431	\$7,333	\$25,522	\$20,304
Cost of sales	Cost of sales	6,360	5,691	19,274	15,404

Cost of sales					
Cost of sales					
<b>GROSS MARGIN</b>					
<b>GROSS MARGIN</b>					
<b>GROSS MARGIN</b>	<b>GROSS MARGIN</b>	2,071	1,642	6,248	4,900
<b>OPERATING EXPENSES AND INCOME</b>					
<b>OPERATING EXPENSES AND INCOME</b>					
Selling, general and administrative expenses					
Selling, general and administrative expenses					
Selling, general and administrative expenses	Selling, general and administrative expenses	831	708	2,457	1,945
Research, development and engineering expenses					
Research, development and engineering expenses					
Research, development and engineering expenses	Research, development and engineering expenses	376	348	1,110	945
Research, development and engineering expenses					
Research, development and engineering expenses					
Equity, royalty and interest income from investees (Note 4)					
Equity, royalty and interest income from investees (Note 4)					
Equity, royalty and interest income from investees (Note 4)	Equity, royalty and interest income from investees (Note 4)	118	70	370	261
Other operating expense, net					
Other operating expense, net					
Other operating expense, net	Other operating expense, net	32	30	78	144
Other operating expense, net					
Other operating expense, net					
<b>OPERATING INCOME</b>					
<b>OPERATING INCOME</b>					
<b>OPERATING INCOME</b>	<b>OPERATING INCOME</b>	950	626	2,973	2,127
Interest expense					
Interest expense					
Interest expense	Interest expense	97	61	283	112
Other income, net					
Other income, net					
Other income, net	Other income, net	25	43	166	26
Interest expense					
Interest expense					
Other income, net (Note 14)					
Other income, net (Note 14)					
Other income, net (Note 14)					

INCOME BEFORE INCOME TAXES					
INCOME BEFORE INCOME TAXES					
INCOME BEFORE INCOME TAXES	INCOME BEFORE INCOME TAXES	878	608	2,856	2,041
Income tax expense (Note 5)	Income tax expense (Note 5)	188	199	623	502
Income tax expense (Note 5)					
Income tax expense (Note 5)					
CONSOLIDATED NET INCOME					
CONSOLIDATED NET INCOME					
CONSOLIDATED NET INCOME	CONSOLIDATED NET INCOME	690	409	2,233	1,539
Less: Net income attributable to noncontrolling interests	Less: Net income attributable to noncontrolling interests	34	9	67	19
Less: Net income attributable to noncontrolling interests					
Less: Net income attributable to noncontrolling interests					
NET INCOME ATTRIBUTABLE TO CUMMINS INC.					
NET INCOME ATTRIBUTABLE TO CUMMINS INC.					
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	NET INCOME ATTRIBUTABLE TO CUMMINS INC.	\$ 656	\$ 400	\$ 2,166	\$ 1,520
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.					
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.					
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.	EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.				
Basic	Basic	\$ 4.63	\$ 2.83	\$ 15.29	\$ 10.74
Basic					
Basic					
Diluted					
Diluted					
Diluted	Diluted	\$ 4.59	\$ 2.82	\$ 15.19	\$ 10.68
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING					
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING					



WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
Basic	Basic	141.8	141.1	141.7	141.5
Basic					
Basic					
Dilutive effect of stock compensation awards	Dilutive effect of stock compensation awards	1.0	0.9	0.9	0.8
Dilutive effect of stock compensation awards					
Dilutive effect of stock compensation awards					
Diluted					
Diluted					
Diluted	Diluted	142.8	142.0	142.6	142.3

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

In millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 690</b>	<b>\$ 409</b>	<b>\$ 2,233</b>	<b>\$ 1,539</b>
Other comprehensive income (loss), net of tax (Note 12)				
Change in pension and other postretirement defined benefit plans	3	6	(4)	28
Foreign currency translation adjustments	(163)	(379)	(191)	(620)
Unrealized gain on derivatives	19	41	28	112
Total other comprehensive loss, net of tax	(141)	(332)	(167)	(480)
<b>COMPREHENSIVE INCOME</b>	<b>549</b>	<b>77</b>	<b>2,066</b>	<b>1,059</b>
Less: Comprehensive income (loss) attributable to noncontrolling interests	27	(6)	61	(19)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 522</b>	<b>\$ 83</b>	<b>\$ 2,005</b>	<b>\$ 1,078</b>

In millions	Three months ended	
	March 31,	
	2024	2023
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 2,028</b>	<b>\$ 806</b>
Other comprehensive (loss) income, net of tax (Note 12)		
Change in pension and other postretirement defined benefit plans	(13)	(9)
Foreign currency translation adjustments	(60)	82
Unrealized gain (loss) on derivatives	12	(3)
Total other comprehensive (loss) income, net of tax	(61)	70
<b>COMPREHENSIVE INCOME</b>	<b>1,967</b>	<b>876</b>
Less: Comprehensive income attributable to noncontrolling interests	32	19
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 1,935</b>	<b>\$ 857</b>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

In millions, except par value	In millions, except par value	September 30, 2023	December 31, 2022	In millions, except par value	March 31, 2024	December 31, 2023
<b>ASSETS</b>	<b>ASSETS</b>			<b>ASSETS</b>		
Current assets	Current assets			Current assets		
Cash and cash equivalents	Cash and cash equivalents	\$ 2,387	\$ 2,020			
Restricted cash		225	81			
Marketable securities (Note 6)	Marketable securities (Note 6)	452	472			
Total cash, cash equivalents, restricted cash and marketable securities		3,064	2,573			
Marketable securities (Note 6)						
Marketable securities (Note 6)						
Total cash, cash equivalents and marketable securities						
Accounts and notes receivable, net	Accounts and notes receivable, net	5,662	5,202			
Inventories (Note 7)						
Inventories (Note 7)						
Inventories (Note 7)	Inventories (Note 7)	5,906	5,603			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	1,280	1,073			
Total current assets	Total current assets	15,912	14,451			
Long-term assets	Long-term assets			Long-term assets		
Property, plant and equipment	Property, plant and equipment	11,098	10,507			
Accumulated depreciation	Accumulated depreciation	(5,297)	(4,986)			
Property, plant and equipment, net	Property, plant and equipment, net	5,801	5,521			
Investments and advances related to equity method investees	Investments and advances related to equity method investees	1,785	1,759			
Goodwill	Goodwill	2,379	2,343			
Other intangible assets, net	Other intangible assets, net	2,518	2,687			
Pension assets (Note 3)	Pension assets (Note 3)	1,500	1,398			

Other assets (Note 8)	Other assets (Note 8)	2,202	2,140
Total assets	Total assets	\$ 32,097	\$ 30,299

## LIABILITIES

### LIABILITIES

Current liabilities	Current liabilities		
Accounts payable (principally trade)	Accounts payable (principally trade)	\$ 4,262	\$ 4,252
Loans payable (Note 9)	Loans payable (Note 9)	231	210
Commercial paper (Note 9)	Commercial paper (Note 9)	1,710	2,574
Current maturities of long-term debt (Note 9)	Current maturities of long-term debt (Note 9)	573	573
Accrued compensation, benefits and retirement costs	Accrued compensation, benefits and retirement costs	884	617
Current portion of accrued product warranty (Note 10)	Current portion of accrued product warranty (Note 10)	731	726
Current portion of deferred revenue (Note 2)	Current portion of deferred revenue (Note 2)	1,029	1,004
Other accrued expenses (Note 8)	Other accrued expenses (Note 8)	1,706	1,465

Other accrued expenses (Note 8)

Other accrued expenses (Note 8)

Total current liabilities	Total current liabilities	11,126	11,421
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Long-term liabilities	Long-term liabilities		
Long-term debt (Note 9)	Long-term debt (Note 9)	4,950	4,498
Deferred revenue (Note 2)	Deferred revenue (Note 2)	1,011	844

Deferred revenue (Note 2)

Deferred revenue (Note 2)

Other liabilities (Note 8)	Other liabilities (Note 8)	3,332	3,311
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Total liabilities	Total liabilities	\$ 20,419	\$ 20,074
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Commitments and contingencies (Note 11)	Commitments and contingencies (Note 11)		
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Commitments and contingencies (Note 11)

Commitments and contingencies (Note 11)

Redeemable noncontrolling interests (Note 16)		\$ —	\$ 258
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## EQUITY

### EQUITY

## EQUITY



Cummins Inc. shareholders' equity	Cummins Inc. shareholders' equity		
Cummins Inc. shareholders' equity			
Cummins Inc. shareholders' equity			
Common stock, \$2.50 par value, 500 shares authorized, 222.5 and 222.5 shares issued	Common stock, \$2.50 par value, 500 shares authorized, 222.5 and 222.5 shares issued	\$ 2,558	\$ 2,243
Retained earnings	Retained earnings	19,520	18,037
Treasury stock, at cost, 80.8 and 81.2 shares		(9,369)	(9,415)
Treasury stock, at cost, 85.7 and 80.7 shares			
Accumulated other comprehensive loss (Note 12)			
Accumulated other comprehensive loss (Note 12)			
Accumulated other comprehensive loss (Note 12)	Accumulated other comprehensive loss (Note 12)	(2,051)	(1,890)
Total Cummins Inc. shareholders' equity	Total Cummins Inc. shareholders' equity	10,658	8,975
Total Cummins Inc. shareholders' equity			
Total Cummins Inc. shareholders' equity			
Noncontrolling interests	Noncontrolling interests	1,020	992
Total equity	Total equity	\$ 11,678	\$ 9,967
Total liabilities, redeemable noncontrolling interests and equity		\$ 32,097	\$ 30,299
Total liabilities and equity			

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

Nine months ended							
Three months ended				Three months ended			
	September 30,				March 31,		
In millions	In millions	2023	2022	In millions		2024	2023

CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES	CASH FLOWS FROM OPERATING ACTIVITIES	
Consolidated net income	Consolidated net income	\$2,233	\$1,539
Adjustments to reconcile consolidated net income to net cash provided by operating activities	Adjustments to reconcile consolidated net income to net cash provided by operating activities	Adjustments to reconcile consolidated net income to net cash provided by operating activities	
Gain related to divestiture of Atmus (Note 14)			
Depreciation and amortization	Depreciation and amortization	760	544
Deferred income taxes			
Deferred income taxes			
Deferred income taxes	Deferred income taxes	(238)	(194)
Equity in income of investees, net of dividends	Equity in income of investees, net of dividends	(100)	(30)
Pension and OPEB expense (Note 3)	Pension and OPEB expense (Note 3)	4	23
Pension contributions and OPEB payments (Note 3)	Pension contributions and OPEB payments (Note 3)	(115)	(71)
Russian suspension costs, net of recoveries (Note 14)		—	112
Changes in current assets and liabilities, net of acquisitions			
Changes in current assets and liabilities, net of acquisitions and divestitures			
Changes in current assets and liabilities, net of acquisitions and divestitures			
Changes in current assets and liabilities, net of acquisitions and divestitures			
Accounts and notes receivable	Accounts and notes receivable	(447)	(333)
Inventories	Inventories	(318)	(597)

Other current assets	Other current assets	(191)	(18)
Accounts payable	Accounts payable	43	353
Accrued expenses	Accrued expenses	543	(124)
Other, net	Other, net	333	(59)

Other, net			
Other, net			

Net cash provided by operating activities	Net cash provided by operating activities	2,507	1,145
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#### CASH FLOWS FROM INVESTING ACTIVITIES

#### CASH FLOWS FROM INVESTING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES	CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	Capital expenditures	(694)	(453)
Acquisitions of businesses, net of cash acquired (Note 16)		(127)	(3,008)

Acquisition of business, net of cash acquired			
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Acquisition of business, net of cash acquired			
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Acquisition of business, net of cash acquired			
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Investments in marketable securities—acquisitions	Investments in marketable securities—acquisitions	(976)	(738)
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Investments in marketable securities—acquisitions			
Investments in marketable securities—acquisitions			

Investments in marketable securities—liquidations (Note 6)	Investments in marketable securities—liquidations (Note 6)	1,002	819
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Cash associated with Atmus divestiture			
Cash associated with Atmus divestiture			
Cash associated with Atmus divestiture			

Other, net			
Other, net			
Other, net			

Net cash used in investing activities			
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<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings			
Net payments of commercial paper			
Payments on borrowings and finance lease obligations			
Dividend payments on common stock			
Dividend payments on common stock			
Dividend payments on common stock			
Other, net	Other, net	(65)	(116)
Net cash used in investing activities		(860)	(3,496)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		779	2,076
Net (payments) borrowings of commercial paper		(566)	2,080
Payments on borrowings and finance lease obligations		(391)	(1,070)
Dividend payments on common stock		(683)	(633)
Repurchases of common stock		—	(370)
Payments for purchase of redeemable noncontrolling interests (Note 16)		(175)	—
Other, net	Other, net	(33)	28
Net cash (used in) provided by financing activities		(1,069)	2,111
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>			
		(67)	147
Net increase (decrease) in cash, cash equivalents and restricted cash		511	(93)
Cash, cash equivalents and restricted cash at beginning of year		2,101	2,592
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</b>			
		\$2,612	\$2,499
Other, net			
Net cash provided by (used in) financing activities			

EFFECT OF  
EXCHANGE  
RATE CHANGES  
ON CASH AND  
CASH  
EQUIVALENTS  
Net increase  
(decrease) in cash  
and cash  
equivalents  
Cash and cash  
equivalents at  
beginning of year  
CASH AND CASH  
EQUIVALENTS  
AT END OF  
PERIOD

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

CUMMINS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY  
(Unaudited)

In millions, except per share amounts	Three months ended									
	Three months ended									
	Three months ended									
	In millions, except per share amounts	Redeemable Noncontrolling Interests	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT DECEMBER 31, 2023										
Net income										
Net income										
Net income										
Other comprehensive loss, net of tax (Note 12)										

In millions, except per share amounts	Redeemable Noncontrolling Interests	Three months ended									
		Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity		
BALANCE AT JUNE 30, 2023	\$ —	\$ 556	\$ 1,976	\$ 19,102	\$ (9,380)	\$ (1,917)	\$ 10,337	\$ 1,019	\$ 11,356		
Net income				656			656	34	690		
Other comprehensive loss, net of tax (Note 12)						(134)	(134)	(7)	(141)		
Issuance of common stock			1				1	—	1		
Cash dividends on common stock, \$1.68 per share											

Cash dividends on common stock, \$1.68 per share																				
Cash dividends on common stock, \$1.68 per share	Cash dividends on common stock, \$1.68 per share																			
		(238)				(238)				— (238)										
Distributions to noncontrolling interests	Distributions to noncontrolling interests																			
						—				(26) (26)										
Share-based awards	Share-based awards	3		10		13		—		13										
Divestiture of Atmus (Note 14)																				
Divestiture of Atmus (Note 14)																				
Divestiture of Atmus (Note 14)																				
Other shareholder transactions	Other shareholder transactions																			
		22		1		23		—		23										
BALANCE AT SEPTEMBER 30, 2023		\$	—	\$	556	\$	2,002	\$	19,520	\$	(9,369)	\$	(2,051)	\$	10,658	\$	1,020	\$	11,678	
BALANCE AT MARCH 31, 2024																				
BALANCE AT JUNE 30, 2022		\$	226	\$	556	\$	1,668	\$	17,450	\$	(9,439)	\$	(1,696)	\$	8,539	\$	890	\$	9,429	
BALANCE AT DECEMBER 31, 2022																				
BALANCE AT DECEMBER 31, 2022																				
BALANCE AT DECEMBER 31, 2022																				
Net income	Net income	(7)	400				400				16		416							
Other comprehensive loss, net of tax (Note 12)							(317)				(317)		(15) (332)							
Issuance of common stock			7				7				—		7							
Net income																				
Net income																				
Other comprehensive income, net of tax (Note 12)																				
Repurchases of common stock																				
		(23)				(23)				—		(23)								
Cash dividends on common stock, \$1.57 per share																				
Cash dividends on common stock, \$1.57 per share																				
Cash dividends on common stock, \$1.57 per share	Cash dividends on common stock, \$1.57 per share																			
		(222)				(222)				—		(222)								

Distributions to noncontrolling interests	Distributions to noncontrolling interests							—	(24)	(24)
Share-based awards	Share-based awards		4		13			17	—	17
Acquisition of business								—	111	111
Fair value adjustment of redeemable noncontrolling interests										
Fair value adjustment of redeemable noncontrolling interests										
Fair value adjustment of redeemable noncontrolling interests	Fair value adjustment of redeemable noncontrolling interests	33		(33)				(33)	—	(33)
Other shareholder transactions	Other shareholder transactions			12				12	—	12
BALANCE AT SEPTEMBER 30, 2022		\$ 252	\$ 556	\$ 1,658	\$17,628	\$ (9,449)	\$ (2,013)	\$ 8,380	\$ 978	\$ 9,358
BALANCE AT MARCH 31, 2023										

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

In millions, except per share amounts	Redeemable Noncontrolling Interests	Nine months ended							
		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>\$ 258</b>	<b>\$ 556</b>	<b>\$ 1,687</b>	<b>\$ 18,037</b>	<b>\$ (9,415)</b>	<b>\$ (1,890)</b>	<b>\$ 8,975</b>	<b>\$ 992</b>	<b>\$ 9,967</b>
Net income	(20)			2,166			2,166	87	2,253
Other comprehensive loss, net of tax (Note 12)						(161)	(161)	(6)	(167)
Issuance of common stock			3				3	—	3
Cash dividends on common stock, \$4.82 per share				(683)			(683)	—	(683)
Distributions to noncontrolling interests							—	(50)	(50)
Share-based awards			(1)		42		41	—	41
Fair value adjustment of redeemable noncontrolling interests	33		(33)				(33)	—	(33)
Acquisition of redeemable noncontrolling interests (Note 16)	(271)						—	—	—
Sale of Atmus stock (Note 15)			285				285	(3)	282
Other shareholder transactions			61		4		65	—	65
<b>BALANCE AT SEPTEMBER 30, 2023</b>	<b>\$ —</b>	<b>\$ 556</b>	<b>\$ 2,002</b>	<b>\$ 19,520</b>	<b>\$ (9,369)</b>	<b>\$ (2,051)</b>	<b>\$ 10,658</b>	<b>\$ 1,020</b>	<b>\$ 11,678</b>
<b>BALANCE AT DECEMBER 31, 2021</b>	<b>\$ 366</b>	<b>\$ 556</b>	<b>\$ 1,543</b>	<b>\$ 16,741</b>	<b>\$ (9,123)</b>	<b>\$ (1,571)</b>	<b>\$ 8,146</b>	<b>\$ 889</b>	<b>\$ 9,035</b>
Net income	(18)			1,520			1,520	37	1,557
Other comprehensive loss, net of tax (Note 12)						(442)	(442)	(38)	(480)
Issuance of common stock			8				8	—	8
Repurchases of common stock					(370)		(370)	—	(370)
Cash dividends on common stock, \$4.47 per share				(633)			(633)	—	(633)
Distributions to noncontrolling interests							—	(38)	(38)
Share-based awards			(3)		39		36	—	36
Acquisition of business							—	111	111

Fair value adjustment of redeemable noncontrolling interests	(96)		96				96	—	96
Other shareholder transactions			14		5		19	17	36
<b>BALANCE AT SEPTEMBER 30, 2022</b>	<b>\$ 252</b>	<b>\$ 556</b>	<b>\$ 1,658</b>	<b>\$ 17,628</b>	<b>\$ (9,449)</b>	<b>\$ (2,013)</b>	<b>\$ 8,380</b>	<b>\$ 978</b>	<b>\$ 9,358</b>

*The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.*

## CUMMINS INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

#### NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

##### Overview

Cummins Inc. ("Cummins," "we," "our" or "us") was founded in 1919 as Cummins Engine Company, a corporation in Columbus, Indiana, and one of the first diesel engine manufacturers. In 2001, we changed our name to Cummins Inc. We are a global power solutions leader that designs, manufactures, distributes comprised of five business segments - Components, Engine, Distribution, Power Systems and Services Accelera - supported by our global manufacturing and extensive service and support network, skilled workforce and vast technical expertise. Our products range from advanced diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, valvetrain technologies, controls systems, air handling systems, automated transmissions, axles, drivelines, brakes, suspension systems, electric power generation systems, batteries, electrified power systems, electric powertrains, hydrogen production technologies and fuel cell products. We sell our products to original equipment manufacturers (OEMs), distributors, dealers and other customers worldwide. We serve our customers through a service network of approximately 460 450 wholly-owned, joint venture and independent distributor locations and more than 10,000 19,000 Cummins certified dealer locations in approximately 190 countries and territories.

##### Divestiture of Atmus

On March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus Filtration Technologies Inc. (Atmus) common stock through a tax-free split-off. See NOTE 14, "ATMUS DIVESTITURE," for additional information.

##### Settlement Agreements

In December 2023, we announced that we reached an agreement in principle with the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). See NOTE 11, "COMMITMENTS AND CONTINGENCIES," for additional information.

##### Interim Condensed Financial Statements

The unaudited *Condensed Consolidated Financial Statements* reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of operations, financial position and cash flows. All such adjustments are of a normal recurring nature. The *Condensed Consolidated Financial Statements* were prepared in accordance with accounting principles in the United States of America (GAAP) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Certain information and footnote disclosures normally included in annual financial statements were condensed or omitted as permitted by such rules and regulations.

These interim condensed consolidated financial statements should be read in conjunction with the *Consolidated Financial Statements* included in our [Annual Report on Form 10-K for the year ended December 31, 2022](#) [December 31, 2023](#). Our interim period financial results for the three and nine month periods presented are not necessarily indicative of results to be expected for any other interim period or for the entire year. The year-end *Condensed Consolidated Balance Sheet* data was derived from audited financial statements but does not include all required annual disclosures.

##### Reclassifications

Certain amounts for prior year periods were reclassified to conform to the current year presentation.

##### Use of Estimates in Preparation of Financial Statements

Preparation of financial statements requires management to make estimates and assumptions that affect reported amounts presented and disclosed in our *Condensed Consolidated Financial Statements*. Significant estimates and assumptions in these *Condensed Consolidated Financial Statements* require the exercise of judgment. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates.

##### Weighted-Average Diluted Shares Outstanding

The weighted-average diluted common shares outstanding exclude the anti-dilutive effect of certain stock options. The options excluded from diluted earnings per share were as follows:



	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Options excluded	7,267	22,307	8,770	25,290

	Three months ended	
	March 31,	
	2024	2023
Options excluded	3,600	4,833

#### Related Party Transactions

In accordance with the provisions of various joint venture agreements, we may purchase products and components from our joint ventures, sell products and components to our joint ventures and our joint ventures may sell products and components to unrelated parties.

The following is a summary of sales to and purchases from nonconsolidated equity investees:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
In millions	In millions			
In millions				
In millions				
Sales to nonconsolidated equity investees				
Sales to nonconsolidated equity investees				
Sales to nonconsolidated equity investees	\$ 315	\$ 295	\$ 1,011	\$ 920
Purchases from nonconsolidated equity investees	602	515	1,993	1,270
Purchases from nonconsolidated equity investees				
Purchases from nonconsolidated equity investees				

The following is a summary of accounts receivable from and accounts payable to nonconsolidated equity investees:

		September 30,	December 31,	Balance Sheet		March 31,	December 31,		Balance Sheet
		2023	2022	Location		2024	2023		Location
Accounts receivable from nonconsolidated equity investees	Accounts receivable from nonconsolidated equity investees	\$ 458	\$ 376	Accounts and notes receivable, net	Accounts receivable from nonconsolidated equity investees	\$ 425	\$ 530	Accounts and notes receivable, net	Accounts and notes receivable, net
Accounts payable to nonconsolidated equity investees	Accounts payable to nonconsolidated equity investees	296	292	Accounts payable (principally trade)	Accounts payable to nonconsolidated equity investees	325	324	Accounts payable (principally trade)	Accounts payable (principally trade)

#### Supply Chain Financing

We currently have supply chain financing programs with financial intermediaries, which provide certain vendors the option to be paid by financial intermediaries earlier than the due date on the applicable invoice. When a vendor utilizes the program and receives an early payment from a financial intermediary, they take a discount on the invoice. We then pay the financial intermediary the face amount of the invoice on the original due date, which generally have 60 to 90 day payment terms. The maximum amount that we could have outstanding under the program was \$482 million \$512 million at September 30, 2023 March 31, 2024. We do not reimburse vendors for any costs they incur for participation in the program, their participation is completely voluntary and there are no assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary. As a result, all amounts owed to the financial intermediaries are presented as accounts payable in our *Condensed Consolidated Balance Sheets*. Amounts

due to the financial intermediaries reflected in accounts payable at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, were \$220 million \$193 million and \$331 million \$199 million, respectively.

NOTE 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Long-term Contracts

We have certain arrangements, primarily long-term maintenance agreements, construction contracts, product sales with associated performance obligations extending beyond a year, product sales with lead times extending beyond one year that are non-cancellable or for which the customer incurs a penalty for cancellation and extended warranty coverage arrangements that span a period in excess of one year. The aggregate amount of the transaction price for long-term maintenance agreements and construction these contracts, allocated to performance obligations that were not satisfied excluding extended warranty coverage arrangements, as of September 30, 2023 March 31, 2024, was \$795 million \$3.1 billion. We expect to recognize the related revenue of \$334 million \$1.4 billion over the next 12 months and \$461 million \$1.7 billion over periods up to 10 years. See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional disclosures on extended warranty coverage arrangements. Our other contracts generally are for a duration of less than one year, include payment terms that correspond to the timing of costs incurred when providing goods and services to our customers or represent sales-based royalties.

Deferred and Unbilled Revenue

The following is a summary of our unbilled and deferred revenue and related activity:

In millions	In millions	September 30, 2023	December 31, 2022	In millions	March 31, 2024	December 31, 2023
		2023	2022			
Unbilled revenue	Unbilled revenue	\$ 296	\$ 257			
Deferred revenue	Deferred revenue	2,040	1,848			

We recognized revenue of \$126 million and \$510 million \$248 million for the three and nine months ended September 30, 2023 March 31, 2024, compared with \$123 million and \$539 million \$206 million for the comparable periods period in 2022, 2023, that was included in the deferred revenue balance at the beginning of each year. We did not record any impairment losses on our unbilled revenues during the three and nine months ended September 30, 2023 March 31, 2024 or 2022, 2023.

Disaggregation of Revenue

Consolidated Revenue

The table below presents our consolidated sales by geographic area. Net sales attributed to geographic areas were based on the location of the customer.

		Three months ended		Three months ended		Three months ended	
		September 30, 2023		September 30, 2022		September 30, 2023	
In millions	In millions	2023	2022	2023	2022	2023	2022
United States (1)		\$4,886	\$4,226	\$14,625	\$11,471		
In millions							
In millions							
United States							
United States							
United States							
China							
China							
China	China	721	601	2,273	1,774		
India	India	374	358	1,198	978		
Other international (1)							
		2,450	2,148	7,426	6,081		

India					
India					
Other international					
Other international					
Other international					
Total net sales					
Total net sales					
Total net sales	Total net sales	\$8,431	\$7,333	\$25,522	\$20,304

(1) We revised \$110 million from other international to United States for both the three and nine months ended September 30, 2022.

### Segment Revenue

As previously announced, our Components segment reorganized its reporting structure to carve out the electronics business into the newly formed software and electronics business and combined the turbo technologies and fuel systems businesses into the newly formed engine components business. We started reporting results for the reorganized business in the first quarter of 2023 and reflected these changes for prior periods. On May 26, 2023, with the Atmus Filtration Technologies Inc. (Atmus) initial public offering (IPO), we changed the name of our Components' filtration business to Atmus. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our *Condensed Consolidated Financial Statements* for additional information.

Components segment external sales by business were as follows:

		Three months ended September 30,		Nine months ended September 30,	
		Three months ended Three months ended Three months ended March 31, March 31, March 31,			
In millions					
In millions					
In millions	In millions	2023	2022	2023	2022
Axles and brakes	Axles and brakes	\$ 1,177	\$ 732	\$ 3,698	\$ 732
Axles and brakes					
Axles and brakes					
Emission solutions					
Emission solutions					
Emission solutions	Emission solutions	803	748	2,584	2,323
Atmus	Atmus	324	322	1,007	949
Atmus					
Atmus					
Engine components					
Engine components					
Engine components	Engine components	263	239	838	702
Automated transmissions	Automated transmissions	187	159	545	436
Automated transmissions					
Automated transmissions					
Software and electronics					

Software and electronics				
Software and electronics	Software and electronics	26	20	75
Total sales	Total sales	\$ 2,780	\$ 2,220	\$ 8,747
Total sales	Total sales			72
(1) Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," for additional information.				
(2) Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," for additional information.				
(3) Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," for additional information.				

Engine segment external sales by market were as follows:

In millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Heavy-duty truck	\$ 885	\$ 751	\$ 2,601	\$ 2,232
Medium-duty truck and bus	656	583	1,960	1,794
Light-duty automotive	451	465	1,336	1,377
Total on-highway	1,992	1,799	5,897	5,403
Off-highway	244	264	854	801
Total sales	\$ 2,236	\$ 2,063	\$ 6,751	\$ 6,204

As previously announced, due to the indefinite suspension of operations in Russia, we reorganized the regional management structure of our Distribution segment and moved all Commonwealth of Independent States (CIS) sales into the Europe and Africa and Middle East regions. The Russian portion of prior period CIS sales moved to the Europe region. We started to report results for our new regional management structure in the first quarter of 2023 and reflected these changes for historical periods.

In millions	Three months ended	
	March 31,	
	2024	2023
Heavy-duty truck	\$ 811	\$ 860
Medium-duty truck and bus	738	617
Light-duty automotive	438	441
Total on-highway	1,987	1,918
Off-highway	253	334
Total sales	\$ 2,240	\$ 2,252

Distribution segment external sales by region were as follows:

In millions	Three months ended	Nine months ended
	September 30,	September 30,
	Three months ended	Three months ended
	Three months ended	Three months ended
	Three months ended	Three months ended
	March 31,	March 31,
	March 31,	March 31,
	March 31,	March 31,

In millions					
In millions	In millions	2023	2022	2023	2022
North America	North America	\$ 1,719	\$ 1,512	\$ 5,195	\$ 4,374
North America					
North America					
Asia Pacific					
Asia Pacific					
Asia Pacific	Asia Pacific	292	258	796	744
Europe	Europe	200	181	607	702
Europe					
Europe					
China	China	110	89	323	270
Africa and Middle East		77	79	219	190
China					
China					
India					
India					
India	India	66	55	186	155
Latin America	Latin America	55	58	168	155
Latin America					
Latin America					
Africa and Middle East					
Africa and Middle East					
Africa and Middle East					
Total sales					
Total sales					
Total sales	Total sales	\$ 2,519	\$ 2,232	\$ 7,494	\$ 6,590

Distribution segment external sales by product line were as follows:

		Three months ended		Nine months ended	
		September 30,		September 30,	
		Three months ended			
		Three months ended			
		Three months ended			
		March 31,			
		March 31,			
		March 31,			
In millions					
In millions					
In millions	In millions	2023	2022	2023	2022
Parts	Parts	\$ 991	\$ 942	\$ 3,054	\$ 2,855
Parts					
Parts					
Power generation					
Power generation					
Power generation	Power generation	601	428	1,701	1,266
Engines	Engines	507	449	1,490	1,315
Engines					
Engines					
Service					

Power Systems segment external sales by product line were as follows:

**NOTE 3. PENSIONS AND OTHER POSTRETIREMENT BENEFITS**

We sponsor funded and unfunded domestic and foreign defined benefit pension and other postretirement benefit (OPEB) plans. Contributions to these plans were as follows:

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In millions					
Defined benefit pension contributions					
Defined benefit pension contributions					
Defined benefit pension contributions	Defined benefit pension contributions	\$ 8	\$ 7	\$102	\$46
OPEB payments, net	OPEB payments, net	4	9	13	25
OPEB payments, net					
OPEB payments, net					
Defined contribution pension plans	Defined contribution pension plans	29	26	102	82
Defined contribution pension plans					
Defined contribution pension plans					

We anticipate making additional defined benefit pension contributions during the remainder of 2023 2024 of \$13 million \$29 million for our U.S. and U.K. qualified and non-qualified pension plans. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2023 2024 annual net periodic pension cost to be near zero. approximate \$34 million.

The components of net periodic pension and OPEB expense (income) under our plans were as follows:

In millions	Pension					
	U.S. Plans		U.K. Plans		OPEB	
	Three months ended September 30,					
	2023	2022	2023	2022	2023	2022
Service cost	\$ 29	\$ 35	\$ 4	\$ 7	\$ —	\$ —
Interest cost	42	27	18	10	2	2
Expected return on plan assets	(69)	(60)	(27)	(22)	—	—
Amortization of prior service cost	—	1	1	—	—	—
Recognized net actuarial loss (gain)	2	5	—	1	(1)	—
Net periodic benefit expense (income)	\$ 4	\$ 8	\$ (4)	\$ (4)	\$ 1	\$ 2

In millions	In millions	Pension						In millions	Pension								OPEB						
		U.S. Plans		U.K. Plans		OPEB			U.S. Plans				U.K. Plans										
		Nine months ended September 30,							Three months ended March 31,														
		2023	2022	2023	2022	2023	2022		2024		2023		2024						2023		2024		2023
Service cost	Service cost	\$ 87	\$103	\$ 12	\$23	\$—	\$—																
Interest cost	Interest cost	126	71	53	28	6	4																
Expected return on plan assets	Expected return on plan assets	(207)	(164)	(79)	(62)	—	—																
Amortization of prior service cost		1	1	1	—	—	—																
Recognized net actuarial loss (gain)																							



Recognized net actuarial loss (gain)							
Recognized net actuarial loss (gain)	Recognized net actuarial loss (gain)	6	17	—	2	(2)	—
Net periodic benefit expense (income)	Net periodic benefit expense (income)	\$ 13	\$ 28	\$(13)	\$(9)	\$ 4	\$ 4

#### NOTE 4. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEEES

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

		Three months ended		Three months ended		Three months ended	
		Three months ended		Three months ended		Nine months ended	
		September 30,		September 30,		September 30,	
In millions	In millions	2023	2022	2023	2022	2023	2022
In millions							
In millions							
Manufacturing entities							
Manufacturing entities							
Manufacturing entities	Manufacturing entities						
Dongfeng Cummins Engine Company, Ltd.	Dongfeng Cummins Engine Company, Ltd.	\$ 15	\$ 8	\$ 52	\$ 35		
Dongfeng Cummins Engine Company, Ltd.							
Chongqing Cummins Engine Company, Ltd.							
Chongqing Cummins Engine Company, Ltd.							
Chongqing Cummins Engine Company, Ltd.							
Beijing Foton Cummins Engine Co., Ltd.	Beijing Foton Cummins Engine Co., Ltd.	8	6	33	34		
Chongqing Cummins Engine Company, Ltd.		7	7	29	23		
Beijing Foton Cummins Engine Co., Ltd.							
Beijing Foton Cummins Engine Co., Ltd.							
Tata Cummins, Ltd.	Tata Cummins, Ltd.	6	5	21	19		
Tata Cummins, Ltd.							
Tata Cummins, Ltd.							
All other manufacturers							
All other manufacturers							
All other manufacturers	All other manufacturers	18	11	69	14		(1)
Distribution entities	Distribution entities						
Distribution entities							
Distribution entities							
Komatsu Cummins Chile, Ltda.	Komatsu Cummins Chile, Ltda.	13	13	40	32		
Komatsu Cummins Chile, Ltda.							



Komatsu Cummins Chile, Ltda.					
All other distributors					
All other distributors					
All other distributors	All other distributors	3	3	10	8
Cummins share of net income	Cummins share of net income	70	53	254	165
Cummins share of net income					
Cummins share of net income					
Royalty and interest income	Royalty and interest income	48	17	116	96
Royalty and interest income					
Royalty and interest income					
Equity, royalty and interest income from investees					
Equity, royalty and interest income from investees					
Equity, royalty and interest income from investees	Equity, royalty and interest income from investees	\$ 118	\$ 70	\$ 370	\$ 261

(3) Includes a \$28 million impairment of our joint venture with KAMAZ and \$3 million of royalty charges as part of our costs associated with the indefinite suspension of our Russian operations. See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.

In September 2023, our Accelerera business signed an agreement to form a joint venture with Daimler Trucks and Buses US Holding LLC (Daimler Truck), PACCAR Inc. (PACCAR) and EVE Energy to accelerate and localize battery cell production and the battery supply chain in the U.S., including building a 21-gigawatt hour battery production facility, facility in Marshall County, Mississippi. The joint venture will manufacture battery cells for electric commercial vehicles and industrial applications. Accelerera, Daimler Truck and PACCAR will each own 30 percent of the joint venture, while EVE Energy will own 10 percent. Total investment by the partners is expected to be in the range of \$2 billion to \$3 billion for the 21-gigawatt hour facility. The transaction is subject to closing conditions and receipt of received all applicable merger control and regulatory approvals including submission of a voluntary notice during or prior to April 2024, and the Committee on Foreign Investment joint venture formation and initial funding are expected to be finalized in the U.S., which is currently expected in late 2023 or early second quarter of 2024.

## NOTE 5. INCOME TAXES

Our effective tax rates for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, were 21.4 8.7 percent and 21.8 percent, respectively. Our effective tax rates for the three and nine months ended September 30, 2022, were 32.7 percent and 24.6 21.7 percent, respectively.

The three months ended September 30, 2023 March 31, 2024, contained net favorable discrete tax items primarily due to the \$1.3 billion non-taxable gain on the Atmus split-off. Other discrete tax items were \$21 million favorable primarily due to adjustments related to audit settlements.

The three months ended March 31, 2023, contained favorable discrete tax items of \$5 million, primarily due to \$13 million of favorable return to provision adjustments and \$1 million of favorable share-based compensation tax benefits, partially offset by \$9 million of unfavorable adjustments for uncertain tax positions.

The nine months ended September 30, 2023, contained net favorable discrete tax items of \$5 \$3 million, primarily due to \$15 million of favorable return to provision adjustments and \$5 million of favorable share-based compensation tax benefit, partially offset by \$11 million of unfavorable adjustments for uncertain tax positions and \$4 million of other unfavorable adjustments.

The three months ended September 30, 2022, contained unfavorable discrete tax items of \$57 million, primarily due to \$51 million of unfavorable tax costs associated with internal restructuring ahead of the planned separation of Atmus and \$10 million of unfavorable return to provision adjustments, partially offset by \$4 million of net favorable other discrete tax items.

The nine months ended September 30, 2022, contained unfavorable net discrete tax items of \$52 million, primarily due to \$69 million of unfavorable tax costs associated with internal restructuring ahead of the planned separation of Atmus and \$10 million of unfavorable return to provision adjustments, partially offset by \$27 million of favorable changes in tax reserves.

benefits.

## NOTE 6. MARKETABLE SECURITIES

A summary of marketable securities, all of which were classified as current, was as follows:

In millions	In millions	September 30, 2023			December 31, 2022			In millions	March 31, 2024			December 31, 2023		
		Cost	Gross unrealized gains/(losses) <sup>(1)</sup>	Estimated fair value	Cost	Gross unrealized gains/(losses) <sup>(1)</sup>	Estimated fair value		Cost	Gross unrealized gains/(losses) <sup>(1)</sup>	Estimated fair value	Cost	Gross unrealized gains/(losses) <sup>(1)</sup>	Estimated fair value
Equity securities	Equity securities													
Equity securities	Equity securities													
Equity securities	Equity securities													
Certificates of deposit	Certificates of deposit													
Certificates of deposit	Certificates of deposit													
Certificates of deposit	Certificates of deposit													
Debt mutual funds	Debt mutual funds	\$236	\$ (7)	\$ 229	\$238	\$ (5)	\$ 233							
Certificates of deposit	Certificates of deposit	191	—	191	209	—	209							
Equity mutual funds	Equity mutual funds	24	4	28	25	3	28							
Equity mutual funds	Equity mutual funds													
Equity mutual funds	Equity mutual funds													
Debt securities	Debt securities													
Debt securities	Debt securities													
Debt securities	Debt securities	4	—	4	2	—	2							
Marketable securities	Marketable securities	\$455	\$ (3)	\$ 452	\$474	\$ (2)	\$ 472							
Marketable securities	Marketable securities													
Marketable securities	Marketable securities													

<sup>(1)</sup> Unrealized gains and losses for debt securities are recorded in other comprehensive income while unrealized gains and losses for equity securities are recorded in our *Condensed Consolidated Statements of Net Income*.

<sup>(1)</sup> Unrealized gains and losses for debt securities are recorded in other comprehensive income while unrealized gains and losses for equity securities are recorded in our *Condensed Consolidated Statements of Net Income*.

<sup>(1)</sup> Unrealized gains and losses for debt securities are recorded in other comprehensive income while unrealized gains and losses for equity securities are recorded in our *Condensed Consolidated Statements of Net Income*.

All debt securities are classified as available-for-sale. All marketable securities presented use a Level 2 fair value measure. The fair value of Level 2 securities is estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 securities, and there were no transfers between Level 2 or 3 during the nine months ended September 30, 2023 March 31, 2024, or the year ended December 31, 2022 December 31, 2023.

A description of the valuation techniques and inputs used for our Level 2 fair value measures is as follows:

• **Debt mutual funds** — The fair value measures for the vast majority of these investments are the daily net asset values published on a regulated governmental website. Daily quoted prices are available from the issuing brokerage and are used on a test basis to corroborate this Level 2 input measure.

- **Certificates of deposit** — These investments provide us with a contractual rate of return and generally range in maturity from three months to five years. The counterparties to these investments are reputable financial institutions with investment grade credit ratings. Since these instruments are not tradable and must be settled directly by us with the respective financial institution, our fair value measure is the financial institution's month-end statement.

- **Debt mutual funds** — The fair value measures for the vast majority of these investments are the daily net asset values published on a regulated governmental website. Daily quoted prices are available from the issuing brokerage and are used on a test basis to corroborate this Level 2 input measure.

- **Equity mutual funds** — The fair value measures for these investments are the net asset values published by the issuing brokerage. Daily quoted prices are available from reputable third-party pricing services and are used on a test basis to corroborate this Level 2 input measure.

- **Debt securities** — The fair value measures for these securities are broker quotes received from reputable firms. These securities are infrequently traded on a national exchange and these values are used on a test basis to corroborate our Level 2 input measure.

The proceeds from sales and maturities of marketable securities were as follows:

		Nine months ended September 30,					
		Three months ended					
		Three months ended					
		Three months ended					
				March 31,		March 31,	
In millions	In millions	2023	2022	In millions	2024	2023	
Proceeds from sales of marketable securities	Proceeds from sales of marketable securities	\$ 812	\$576				
Proceeds from maturities of marketable securities	Proceeds from maturities of marketable securities	190	243				
Investments in marketable securities - liquidations	Investments in marketable securities - liquidations	\$1,002	\$819				

#### NOTE 7. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventories included the following:

		September 30, 2023					
		December 31, 2022					
In millions	In millions	2023	2022	In millions	March 31, 2024	December 31, 2023	
Finished products	Finished products	\$ 3,168	\$ 2,917				
Work-in-process and raw materials	Work-in-process and raw materials	2,988	2,926				
Inventories at FIFO cost	Inventories at FIFO cost	6,156	5,843				
Excess of FIFO over LIFO	Excess of FIFO over LIFO	(250)	(240)				
Inventories	Inventories	\$ 5,906	\$ 5,603				

#### NOTE 8. SUPPLEMENTAL BALANCE SHEET DATA

Other assets included the following:

		September 30, 2023		December 31, 2022	
In millions					
Deferred income taxes	\$	865	\$	625	
Operating lease assets		500		492	
Corporate owned life insurance		383		390	
Other		454		633	
Other assets	\$	2,202	\$	2,140	



Accrued product warranty <sup>(1)</sup>	Accrued product warranty <sup>(1)</sup>	\$ 806	\$ 744
Accrued product warranty <sup>(1)</sup>			
Accrued product warranty <sup>(1)</sup>			
Pensions			
Deferred income taxes	Deferred income taxes	607	649
Pensions		438	445
Operating lease liabilities	Operating lease liabilities	373	368
Accrued compensation	Accrued compensation	192	184
Mark-to-market valuation on interest rate derivatives	Mark-to-market valuation on interest rate derivatives	155	151
Other postretirement benefits	Other postretirement benefits	135	141
Long-term income taxes	Long-term income taxes	120	192
Other long-term liabilities		506	437
Other			
Other liabilities	Other liabilities	\$ 3,332	\$ 3,311

<sup>(1)</sup> See NOTE 10, "PRODUCT WARRANTY LIABILITY," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(1)</sup> See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional information.

<sup>(1)</sup> See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional information.

<sup>(1)</sup> See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional information.

## NOTE 9. DEBT

### Loans Payable and Commercial Paper

Loans payable, commercial paper and the related weighted-average interest rates were as follows:

In millions			
In millions			
In millions	In millions	September 30, 2023	December 31, 2022
Loans payable <sup>(1)</sup>	Loans payable <sup>(1)</sup>	\$ 231	\$ 210
Loans payable <sup>(1)</sup>			
Loans payable <sup>(1)</sup>			
Commercial paper <sup>(2)</sup>			
Commercial paper <sup>(2)</sup>			
Commercial paper <sup>(2)</sup>	Commercial paper <sup>(2)</sup>	1,710	2,574

(1) Loans payable consist primarily of notes payable to various domestic and international financial institutions. It is not practicable to aggregate these notes and calculate a quarterly weighted-average interest rate.	(1) Loans payable consist primarily of notes payable to various domestic and international financial institutions. It is not practicable to aggregate these notes and calculate a quarterly weighted-average interest rate.
(2) The weighted-average interest rate, inclusive of all brokerage fees, was 5.48 percent and 4.27 percent at September 30, 2023 and December 31, 2022, respectively.	

(1) Loans payable consist primarily of notes payable to various domestic and international financial institutions. It is not practicable to aggregate these notes and calculate a quarterly weighted-average interest rate.	
(1) Loans payable consist primarily of notes payable to various domestic and international financial institutions. It is not practicable to aggregate these notes and calculate a quarterly weighted-average interest rate.	
(2) The weighted-average interest rate, inclusive of all brokerage fees, was 5.23 percent and 5.43 percent at March 31, 2024, and December 31, 2023, respectively.	
(2) The weighted-average interest rate, inclusive of all brokerage fees, was 5.23 percent and 5.43 percent at March 31, 2024, and December 31, 2023, respectively.	
(2) The weighted-average interest rate, inclusive of all brokerage fees, was 5.23 percent and 5.43 percent at March 31, 2024, and December 31, 2023, respectively.	

We can issue up to \$4.0 billion of unsecured, short-term promissory notes (commercial paper) pursuant to the Board of Directors (the Board) authorized commercial paper programs. These programs facilitate the private placement of unsecured short-term debt through third-party brokers. We intend to use the net proceeds from the commercial paper borrowings for acquisitions and general corporate purposes.

#### Revolving Credit Facilities

On June 5, 2023, we entered into an amended and restated 364-day credit agreement that allows us to borrow up to \$2.0 billion of unsecured funds at any time prior to June 3, 2024. This credit agreement amended and restated the prior \$1.5 billion 364-day credit facility that matured on August 16, 2023. In connection with the 364-day credit agreement, effective June 5, 2023, we terminated our \$500 million incremental 364-day credit agreement dated August 17, 2022.

We have access to Our committed credit facilities totaling provide access up to \$4.0 billion, including our \$2.0 billion 364-day facility that expires June 3, 2024, and our \$2.0 billion five-year facility that expires August 18, 2026. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities at or before expiration. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. There were no outstanding borrowings under these facilities at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023. At September 30, 2023 March 31, 2024, the \$1.7 billion \$609 million of outstanding commercial paper effectively reduced the \$4.0 billion of revolving credit capacity to \$2.3 billion \$3.4 billion.

At September 30, 2023 March 31, 2024, we also had an additional \$356 million \$396 million available for borrowings under our international and other domestic credit facilities.

At September 30, 2023, Atmus had no outstanding borrowings under its \$400 million revolving credit facility. See "Atmus Credit Agreement" section below for additional details.

#### Long-term Debt

A summary of long-term debt was as follows:

In millions	In millions	Interest Rate	September 30,	December 31,	In millions	Interest Rate	March 31,	December 31,
			2023	2022			2024	2023
Long-term debt	Long-term debt				Long-term debt			
Senior notes, due 2023 <sup>(1)</sup>		3.65%	\$ 500	\$ 500				
Hydrogenics promissory notes, due 2024 and 2025 <sup>(2)</sup>		—%	160	—				
Term loan, due 2025 <sup>(3) (4)</sup>		Variable	1,350	1,550				
Senior notes, due 2025 <sup>(5)</sup>		0.75%	500	500				
Atmus term loan, due 2027 <sup>(6)</sup>		Variable	600	—				

Hydrogenics promissory notes, due 2024 and 2025				
Hydrogenics promissory notes, due 2024 and 2025				
Hydrogenics promissory notes, due 2024 and 2025				
Term loan, due 2025 <sup>(1)</sup>				
<sup>(2)</sup>				
Senior notes, due 2025 <sup>(3)</sup>				
Atmus term loan, due 2027 <sup>(4)</sup>				
Atmus term loan, due 2027 <sup>(4)</sup>				
Atmus term loan, due 2027 <sup>(4)</sup>				
Debentures, due 2027	Debentures, due 2027	6.75%	58	58
Debentures, due 2028	Debentures, due 2028	7.125%	250	250
Senior notes, due 2030 <sup>(5)</sup>		1.50%	850	850
Senior notes, due 2029				
Senior notes, due 2030 <sup>(3)</sup>				
Senior notes, due 2034				
Senior notes, due 2043	Senior notes, due 2043	4.875%	500	500
Senior notes, due 2050	Senior notes, due 2050	2.60%	650	650
Senior notes, due 2054				
Debentures, due 2098 <sup>(7)</sup>	Debentures, due 2098 <sup>(7)</sup>			
<sup>(5)</sup>	<sup>(5)</sup>	5.65%	165	165
Other debt	Other debt		56	121
Other debt				
Other debt				
Unamortized discount and deferred issuance costs				
Unamortized discount and deferred issuance costs				
Unamortized discount and deferred issuance costs	Unamortized discount and deferred issuance costs		(75)	(64)
Fair value adjustments due to hedge on indebtedness	Fair value adjustments due to hedge on indebtedness		(141)	(122)
Finance leases	Finance leases		100	113

<p>(1) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(2) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(3) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(2) In 2023, we entered into a series of interest rate swaps in order to trade a portion of the floating rate debt into fixed rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>	<p>(2) In 2023, we entered into a series of interest rate swaps in order to trade a portion of the floating rate debt into fixed rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>
<p>(3) In 2021, we entered into a series of interest rate swaps to effectively convert debt from a fixed rate to floating rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>	<p>(3) In 2021, we entered into a series of interest rate swaps to effectively convert debt from a fixed rate to floating rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>

<p>(1) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(2) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(3) During the first three months of 2024, we paid down \$650 million of the term loan.</p>	
<p>(2) In 2023, we entered into a series of interest rate swaps in order to trade a portion of the floating rate debt into fixed rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>	<p>(2) In 2023, we entered into a series of interest rate swaps in order to trade a portion of the floating rate debt into fixed rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>
<p>(3) In 2021, we entered into a series of interest rate swaps to effectively convert debt from a fixed rate to floating rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>	<p>(3) In 2021, we entered into a series of interest rate swaps to effectively convert debt from a fixed rate to floating rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.</p>



(4) See NOTE 14, "ATMUS DIVESTITURE," for additional information.	(4) See NOTE 14, "ATMUS DIVESTITURE," for additional information.
(5) The effective interest rate is 7.48 percent.	(5) The effective interest rate is 7.48 percent.

On February 20, 2024, we issued \$2.25 billion aggregate principal amount of senior unsecured notes consisting of \$500 million aggregate principal amount of 4.90 percent senior unsecured notes due in 2029, \$750 million aggregate principal amount of 5.15 percent senior unsecured notes due in 2034 and \$1.0 billion aggregate principal amount of 5.45 percent senior unsecured notes due in 2054. We received net proceeds of \$2.2 billion. The senior unsecured notes pay interest semi-annually on February 20 and August 20, commencing on August 20, 2024. The indenture governing the senior unsecured notes contains covenants that, among other matters, limit (i) our ability to consolidate or merge into, or sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our and our subsidiaries' assets to another person, (ii) our and certain of our subsidiaries' ability to create or assume liens and (iii) our and certain of our subsidiaries' ability to engage in sale and leaseback transactions.

Principal payments required on long-term debt during the next five years are as follows:

In millions	In millions	2023	2024	2025	2026	2027
In millions						
In millions			2024	2025	2026	2027 2028
Principal payments	Principal payments	(1)	\$523	\$106	\$1,989	\$50 \$604

(1) On October 2, 2023, we repaid our \$500 million senior notes, due 2023. See NOTE 19, "SUBSEQUENT EVENTS," to our *Condensed Consolidated Financial Statements* for additional information.

## Fair Value of Debt

Based on borrowing rates currently available to us for bank loans with similar terms and average maturities, considering our risk premium, the fair values and carrying values of total debt, including current maturities, were as follows:

In millions	September 30, 2023	December 31, 2022
Fair value of total debt (1)	\$ 6,939	\$ 7,400
Carrying value of total debt	7,464	7,855

(1) The fair value of debt is derived from Level 2 input measures.

## Atmus Credit Agreement

On February 15, 2023, certain of our subsidiaries entered into an amendment to the \$1.0 billion credit agreement (Credit Agreement), consisting of a \$400 million revolving credit facility and a \$600 million term loan facility, in anticipation of the separation of Atmus, which extended the date on which the Credit Agreement terminated from March 30, 2023, to June 30, 2023. On May 26, 2023, Atmus drew down the entire \$600 million term loan facility and borrowed \$50 million under the revolving credit facility. Borrowings under the Credit Agreement mature in September 2027 (with quarterly payments on the term loan beginning in September 2024) and bear interest at varying rates, depending on the type of loan and, in some cases, the rates of designated benchmarks and the applicable borrower's election. Generally, U.S. dollar-denominated loans bear interest at adjusted term Secured Overnight Financing Rate (SOFR) (which includes a 0.10 percent credit spread adjustment to term SOFR) for the applicable interest period plus a rate ranging from 1.125 percent to 1.75 percent. The Credit Agreement contains customary events of default and financial and other covenants, including maintaining a net leverage ratio of 4.0 to 1.0 and a minimum interest coverage ratio of 3.0 to 1.0. At September 30, 2023, they had no outstanding borrowings under the revolving credit facility and \$600 million outstanding under the term loan facility. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our *Condensed Consolidated Financial Statements* for additional information.

In millions	March 31, 2024	December 31, 2023
Fair value of total debt (1)	\$ 6,491	\$ 6,375
Carrying value of total debt	6,835	6,696

(3) The fair value of debt is derived from Level 2 input measures.

#### NOTE 10. PRODUCT WARRANTY LIABILITY

A tabular reconciliation of the product warranty liability, including the deferred revenue related to our extended warranty coverage and accrued product campaigns, was as follows:

		Nine months ended September 30,		Three months ended March 31,		Three months ended March 31,	
In millions	In millions	2023	2022	In millions	2024	2023	
Balance, beginning of year		\$2,477	\$2,425				
Balance at beginning of year							
Provision for base warranties issued	Provision for base warranties issued	458	395				
Deferred revenue on extended warranty contracts sold	Deferred revenue on extended warranty contracts sold	244	215				
Provision for product campaigns issued	Provision for product campaigns issued	17	132				
Payments made during period	Payments made during period	(429)	(476)				
Amortization of deferred revenue on extended warranty contracts	Amortization of deferred revenue on extended warranty contracts	(226)	(220)				
Amortization of deferred revenue on extended warranty contracts							
Amortization of deferred revenue on extended warranty contracts							
Changes in estimates for pre-existing product warranties and campaigns	Changes in estimates for pre-existing product warranties and campaigns	19	(80)				
Acquisitions		—	144				
Foreign currency translation adjustments and other							

Foreign currency translation adjustments and other			
Foreign currency translation adjustments and other	Foreign currency translation adjustments and other	(2)	19
Balance, end of period		\$2,558	\$2,554
Balance at end of period			
Balance at end of period			
Balance at end of period			

We recognized supplier recoveries of \$7 million and \$19 million \$22 million for the three and nine months ended September 30, 2023 March 31, 2024, compared with \$10 million and \$33 million for the comparable periods period in 2022, 2023.

Warranty related deferred revenues and warranty liabilities on our *Condensed Consolidated Balance Sheets* were as follows:

In millions	September December				In millions	March		December		Balance Sheet Location
	In millions	30, 2023	31, 2022	Balance Sheet Location		31, 2024		31, 2023		
Deferred revenue related to extended coverage programs	Deferred revenue related to extended coverage programs				Deferred revenue related to extended coverage programs					
Current portion	Current portion	\$ 282	\$ 290	Current portion of deferred revenue	Current portion	\$ 274	\$	\$ 279		Current portion of deferred revenue
Long-term portion	Long-term portion	739	717	Deferred revenue	Long-term portion	797	774	774		Deferred revenue
Total	Total	\$ 1,021	\$ 1,007		Total	\$1,071	\$	\$ 1,053		
Product warranty	Product warranty									
Product warranty										
Current portion	Current portion	\$ 731	\$ 726	Current portion of accrued product warranty	Current portion	\$ 652	\$	\$ 667		Current portion of accrued product warranty
Long-term portion	Long-term portion	806	744	Other liabilities	Long-term portion	816	777	777		Other liabilities
Total	Total	\$ 1,537	\$ 1,470		Total	\$1,468	\$	\$ 1,444		
Total warranty accrual										
Total warranty accrual										
Total warranty accrual	Total warranty accrual	\$ 2,558	\$ 2,477							

## NOTE 11. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

We are subject to numerous lawsuits and claims arising out of the ordinary course of our business, including actions related to product liability; personal injury; the use and performance of our products; warranty matters; product recalls; patent, trademark or other intellectual property infringement; contractual liability; the conduct of our business; tax

reporting in foreign jurisdictions; distributor termination; workplace safety; environmental matters; and regulatory matters, including the enforcement of environmental and emissions standards; and asbestos claims. We also have been identified as a potentially responsible party at multiple waste disposal sites under U.S. federal and related state environmental statutes and regulations and may have joint and several liability for any investigation and remediation costs incurred with respect to such sites. We have denied liability with respect to many of these lawsuits, claims and proceedings and are vigorously defending such lawsuits, claims and proceedings. We carry various forms of commercial, property and casualty, product liability and other forms of insurance; however, such insurance may not be applicable or adequate to cover the costs associated with a judgment against us with respect to these lawsuits, claims and proceedings. We do not believe that these lawsuits are material individually or in the aggregate. While we believe we have also established adequate accruals for our expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based upon then presently available information, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

We conduct significant business operations in Brazil that are subject to the Brazilian federal, state and local labor, social security, tax and customs laws. While we believe we comply with such laws, they are complex, subject to varying interpretations and we are often engaged in litigation regarding the application of these laws to particular circumstances.

On June 28, 2022, KAMAZ Publicly Traded Company (KAMAZ) was designated to In December 2023, we announced that we reached an agreement in principle with the List EPA, CARB, the Environmental and Natural Resources Division of Specially Designated Nationals and Blocked Persons by the U.S. Department of Justice and the Treasury's California Attorney General's Office of Foreign Assets Control (OFAC). We filed blocked property reports for relevant assets and sought relevant authorizations to extricate ourselves from our relationship with KAMAZ and its subsidiaries, including our unconsolidated joint venture with KAMAZ, in compliance with U.S. and other applicable laws. We received OFAC authorization on May 26, 2023, and from the U.K. Office of Financial Sanctions Implementation on September 15, 2023, which will allow us to finalize the exit of our unconsolidated joint venture with KAMAZ.

On April 29, 2019, we announced that we were conducting a formal internal review of resolve certain regulatory civil claims regarding our emissions certification process and compliance with emission standards process for our certain engines primarily used in pick-up truck applications following conversations in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). As part of the Settlement Agreements, among other things, we agreed to pay civil penalties, complete recall requirements, undertake mitigation projects, provide extended warranties, undertake certain testing, take certain corporate compliance measures and make other payments. Failure to comply with the Environmental Protection Agency (EPA) and California Air Resources Board (CARB) regarding certification Settlement Agreements will subject us to stipulated penalties. We recorded a charge of our engines \$2.0 billion in model year 2019 RAM 2500 and 3500 trucks. This review is being conducted with external advisors as we strive the fourth quarter of 2023 to ensure resolve the certification and compliance processes for all matters addressed by the Settlement Agreements involving approximately one million of our pick-up truck applications are consistent with our internal policies, engineering standards and applicable laws. During conversations with in the EPA and CARB about U.S. This charge was in addition to the effectiveness previously announced charges of our pick-up truck applications, the regulators raised concerns that certain aspects of our emissions systems may reduce the effectiveness of our emissions control systems and thereby act as defeat devices. As a result, our internal review focuses, in part, on the regulators' concerns. We are working closely with the regulators to enhance our emissions systems to improve the effectiveness of all of our pick-up truck applications and to fully address the regulators' requirements. Based on discussions with the regulators, we have developed a new calibration \$59 million for the engines in model year 2019 RAM 2500 and 3500 trucks that has been included in all engines shipped since September 2019. During our ongoing discussions, the regulators turned their attention to other model years and other engines, most notably our pick-up truck applications for RAM 2500 and 3500 trucks for model years 2013 through 2018 and Titan trucks for model years 2016 through 2019. Most recently, the regulators have also raised concerns regarding the completeness recalls of our disclosures in our certification applications for RAM 2500 and 3500 trucks for model years 2013 through 2023. We have also been in communication with Environmental and Climate Change Canada regarding similar issues relating to some of these very same platforms. In connection with these and other ongoing discussions with the EPA and CARB, we are developing a new software calibration and will recall model years 2013 through 2018 RAM 2500 and 3500 trucks. We accrued \$30 million for the RAM recall during the first quarter of 2022, an amount that reflected our current estimate of the cost of that recall. We are also developing a new software calibration trucks and hardware fix and will recall model years 2016 through 2019 Titan trucks. We accrued \$29 million for the Titan recall during the third quarter of 2022, an amount that reflected our current estimate began making payments on certain of the cost Settlement Agreements in April 2024; however, the majority of that recall. the Settlement Agreement payments will be made in May 2024.

We will continue have also been in communication with other non-U.S. regulators regarding matters related to work together closely the emission systems in our engines and may also become subject to additional regulatory review in connection with the relevant regulators to develop and implement recommendations for improvements and seek to reach further resolutions as part these matters.

In connection with our announcement of our ongoing commitment entry into the agreement in principle, we became subject to compliance. Based upon our discussions shareholder, consumer and third-party litigation regarding the matters covered by the Settlement Agreements, and we may become subject to date additional litigation in connection with the regulators which are continuing, such resolutions may involve our agreeing to one or more consent decrees and paying civil penalties. Due to the presence of many unknown facts and circumstances, we are not yet able to estimate any further financial impact of these matters.

The consequences resulting from our formal review the resolution of the foregoing matters are uncertain and these regulatory processes likely will the related expenses and reputational damage could have a material adverse impact on our results of operations, financial condition and cash flows, however we cannot yet reasonably estimate a loss or range of loss.

flows.

## Guarantees and Commitments

Periodically, we enter into guarantee arrangements, including guarantees of non-U.S. distributor financings, residual value guarantees on equipment under operating leases and other miscellaneous guarantees of joint ventures or third-party obligations. At September 30, 2023 March 31, 2024, the maximum potential loss related to these guarantees was \$47 million \$39 million.

We have arrangements with certain suppliers that require us to purchase minimum volumes or be subject to monetary penalties. At September 30, 2023 March 31, 2024, if we were to stop purchasing from each of these suppliers, the aggregate amount of the penalty would be approximately \$252 million \$584 million. These arrangements enable us to secure supplies of critical components and IT services. We do not currently anticipate paying any penalties under these contracts.

We enter into physical forward contracts with suppliers of platinum, palladium and palladium iridium to purchase certain volumes of the commodities at contractually stated prices for various periods, which generally fall within two years. At September 30, 2023 March 31, 2024, the total commitments under these contracts were \$38 million \$64 million. These

arrangements enable us to guarantee the prices of these commodities, which otherwise are subject to market volatility.

We have guarantees with certain customers that require us to satisfactorily honor contractual or regulatory obligations, or compensate for monetary losses related to nonperformance. These performance bonds and other performance-related guarantees were **\$154 million** **\$192 million** at **September 30, 2023** **March 31, 2024**.

#### Indemnifications

Periodically, we enter into various contractual arrangements where we agree to indemnify a third-party against certain types of losses. Common types of indemnities include:

- product liability and license, patent or trademark indemnifications;
- asset sale agreements where we agree to indemnify the purchaser against future environmental exposures related to the asset sold; and
- any contractual agreement where we agree to indemnify the counterparty for losses suffered as a result of a misrepresentation in the contract.

We regularly evaluate the probability of having to incur costs associated with these indemnities and accrue for expected losses that are probable. Because the indemnifications are not related to specified known liabilities and due to their uncertain nature, we are unable to estimate the maximum amount of the potential loss associated with these indemnifications.

#### NOTE 12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Following are the changes in accumulated other comprehensive income (loss) by component for the three months ended:

In millions	In millions	Change in pension and OPEB plans	Foreign currency translation adjustment	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at June 30, 2023		\$ (434)	\$ (1,581)	\$ 98	\$ (1,917)		

In millions	In millions	Change in pension and OPEB plans	Foreign currency translation adjustment	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at December 31, 2023		\$ (848)	\$ (1,457)	\$ 99	\$ (2,206)		
Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications						
Before-tax amount	Before-tax amount	1	(154)	34	(119)	\$ (7)	\$(126)
Tax expense	Tax expense	—	(2)	(9)	(11)	—	(11)
After-tax amount	After-tax amount	1	(156)	25	(130)	(7)	(137)
Amounts reclassified from accumulated other comprehensive income (loss) <sup>(1)</sup>	Amounts reclassified from accumulated other comprehensive income (loss) <sup>(1)</sup>	2	—	(6)	(4)	—	(4)



(2) Primarily related to the divestiture of Atmus. See NOTE 14, "ATMUS DIVESTITURE," for additional information.

(2) Primarily related to the divestiture of Atmus. See NOTE 14, "ATMUS DIVESTITURE," for additional information.

Following are the changes in accumulated other comprehensive income (loss) by component for the nine months ended:

In millions	Change in pension and OPEB plans	Foreign currency translation adjustment	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
<b>Balance at December 31, 2022</b>	\$ (427)	\$ (1,552)	\$ 89	\$ (1,890)		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	(12)	(190)	49	(153)	\$ (6)	\$ (159)
Tax benefit (expense)	2	5	(10)	(3)	—	(3)
After-tax amount	(10)	(185)	39	(156)	(6)	(162)
Amounts reclassified from accumulated other comprehensive income (loss) (1)	6	—	(11)	(5)	—	(5)
Net current period other comprehensive (loss) income	(4)	(185)	28	(161)	\$ (6)	\$ (167)
<b>Balance at September 30, 2023</b>	<u>\$ (431)</u>	<u>\$ (1,737)</u>	<u>\$ 117</u>	<u>\$ (2,051)</u>		
<b>Balance at December 31, 2021</b>	\$ (346)	\$ (1,208)	\$ (17)	\$ (1,571)		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	14	(589)	146	(429)	\$ (38)	\$ (467)
Tax (expense) benefit	(3)	7	(35)	(31)	—	(31)
After-tax amount	11	(582)	111	(460)	(38)	(498)
Amounts reclassified from accumulated other comprehensive income (1)	17	—	1	18	—	18
Net current period other comprehensive income (loss)	28	(582)	112	(442)	\$ (38)	\$ (480)
<b>Balance at September 30, 2022</b>	<u>\$ (318)</u>	<u>\$ (1,790)</u>	<u>\$ 95</u>	<u>\$ (2,013)</u>		

(1) Amounts are net of tax. Reclassifications out of accumulated other comprehensive income (loss) and the related tax effects are immaterial for separate disclosure.

### NOTE 13. DERIVATIVES

We are exposed to financial risk resulting from volatility in foreign exchange rates, interest rates and commodity prices. This risk is closely monitored and managed through the use of physical forward contracts (which are not considered derivatives) and financial derivative instruments including foreign currency forward contracts, commodity swap contracts and interest rate swaps and locks. swaps. Financial derivatives are used expressly for hedging purposes and under no circumstances are they used for speculative purposes. When material, we adjust the estimated fair value of our derivative contracts for counterparty or our credit risk. None of our derivative instruments are subject to collateral requirements. Substantially all of our derivative contracts are subject to master netting arrangements, which provide us with the option to settle certain contracts on a net basis when they settle on the same day with the same currency. In addition, these arrangements provide for a net settlement of all contracts with a given counterparty in the event that the arrangement is terminated due to the occurrence of default or a termination event.

#### Foreign Currency Exchange Rate Risk

We had foreign currency forward contracts with notional amounts of \$4.7 billion and \$3.6 billion \$5.0 billion at September 30, 2023 March 31, 2024, and December 31, 2022, respectively. The with the following currencies comprise 87 percent and 88 comprising 86 percent of outstanding foreign currency forward contracts at September 30, 2023, and December 31, 2022, respectively; contracts: British pound, Chinese renminbi, Canadian dollar, Euro Australian dollar and Euro. We had foreign currency forward contracts with notional amounts of \$4.5 billion at December 31, 2023, with the following currencies comprising 85 percent of outstanding foreign currency forward contracts: British pound, Chinese renminbi, Canadian dollar, Australian dollar, dollar and Swedish kronor.

We are further exposed to foreign currency exchange risk as many of our subsidiaries are subject to fluctuations as the functional currencies of the underlying entities are not our U.S. dollar reporting currency. To help minimize movements for certain investments, reduce volatility in the third quarter equity value of 2022 our subsidiaries, we began entering enter into foreign exchange forwards designated as net investment hedges for certain of our investments. Under the current terms of our foreign exchange forwards, we

agreed with third parties to sell British pound pounds and Chinese renminbi in exchange for U.S. dollar currency at a specified rate at the maturity of the contract. The notional amount of these hedges at September 30, 2023 March 31, 2024, was \$776 million \$1.0 billion.

The following table summarizes the net investment hedge activity in accumulated other comprehensive loss (AOCL):

		Three months ended				Nine months ended			
		September 30,				September 30,			
		Three months ended							
		Three months ended							
		Three months ended							
		March 31,							
		March 31,							
		March 31,							
In millions	In millions	2023		2022		2023		2022	
In millions									
In millions									
Type of Derivative									
Type of Derivative									
		Gain (Loss)		Gain (Loss)		Gain (Loss)		Gain (Loss)	
Type of Derivative	Type of Derivative	Gain (Loss)	Reclassified from	Gain (Loss)	Reclassified from	Gain (Loss)	Reclassified from	Gain (Loss)	Reclassified from
		Recognized in	AOCL into	Recognized in	AOCL into	Recognized in	AOCL into	Recognized in	AOCL into
		AOCL	Earnings	AOCL	Earnings	AOCL	Earnings	AOCL	Earnings
Foreign exchange forwards	Foreign exchange forwards	\$ 22	\$ —	\$ 29	\$ —	\$ (6)	\$ —	\$ 29	\$ —
Foreign exchange forwards									
Foreign exchange forwards									

Interest Rate Risk

In September 2023, we entered into a series of interest rate swaps with a total notional value of \$500 million in order to trade a portion of the floating rate into a fixed rate on our term loan, due in 2025. The maturity date of the interest rate swaps is August 1, 2025. The weighted-average interest rate of the interest rate swaps is 5.72 percent. We designated the swaps as cash flow hedges. The gains and losses on these derivative instruments are initially recorded in other comprehensive income and reclassified into earnings as interest expense in the Condensed Consolidated Financial Statements as each interest payment is accrued.

The following table summarizes the interest rate swap activity in AOCL was immaterial for the three and nine AOCL:

		Three months ended September 30, 2023.	
		March 31,	
		2024	
		Gain (Loss) Recognized in AOCL	
		Gain (Loss) from AOCL into Interest Expense	
Type of Swap		Recognized in AOCL	Expense
Interest rate swaps		\$ 3	\$ —

In 2021, we entered into a series of interest rate swaps to effectively convert our \$500 million senior notes, due in 2025, from a fixed rate of 0.75 percent to a floating rate equal to the three-month LIBOR London Interbank Offered Rate (LIBOR) plus a spread. spread (subsequently adjusted to Secured Overnight Financing Rate (SOFR) under a fallback protocol in our derivative agreements in the third quarter of 2023), and \$400 million of the notional amount remained unsettled at March 31, 2024. We also entered into a series of interest rate swaps to effectively convert \$765 million of our \$850 million senior notes, due in 2030, from a fixed rate of 1.50 percent to a floating rate equal to the three-month LIBOR plus a spread. The fallback protocol in our derivative agreements allowed for a transition from LIBOR spread (also similarly adjusted to SOFR in the third quarter of 2023, SOFR). We designated the swaps as fair value hedges. The gain or loss on these derivative instruments, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current income as interest expense. The net swap settlements that accrue each period are also reported in the Condensed Consolidated



Financial Statements as interest expense. In March 2023, we settled a portion of our 2021 interest rate swaps with a notional amount of \$100 million. The \$7 million loss on settlement will be amortized over the remaining term of the related debt.

The following table summarizes the gains and losses:

In millions	Three months ended				Nine months ended			
	September 30,				September 30,			
	2023		2022		2023		2022	
Type of Swap	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings
Interest rate swaps <sup>(1)</sup>	\$ (17)	\$ 19	\$ (47)	\$ 45	\$ (10)	\$ 13	\$ (158)	\$ 159

<sup>(1)</sup> The difference between the gain (loss) on swaps and borrowings represents hedge ineffectiveness.

In 2019, we entered into \$350 million of interest rate lock agreements, and in 2020 we entered into an additional \$150 million of lock agreements to reduce the variability of the cash flows of the interest payments on a total of \$500 million of fixed rate debt forecast to be issued in 2023 to replace our senior notes at maturity. The terms of the rate locks mirror the time period of the expected fixed rate debt issuance and the expected timing of interest payments on that debt. The gains and losses on these derivative instruments are initially recorded in other comprehensive income and will be released to earnings in interest expense in future periods to reflect the difference in (1) the fixed rates economically locked in at the inception of the hedge and (2) the actual fixed rates established in the debt instrument at issuance. In December 2022, we settled certain rate lock agreements with notional amounts totaling \$150 million for \$49 million. In February 2023, we settled certain rate lock agreements with notional amounts totaling \$100 million for \$34 million. In August 2023, we settled all remaining rate lock agreements with notional amounts totaling \$250 million for \$67 million. The \$150 million of gains on settlements will remain in other comprehensive income and will be amortized over the term of the anticipated new debt.

The following table summarizes the interest rate lock activity in AOCL:

In millions	Three months ended				Nine months ended			
	September 30,				September 30,			
	2023		2022		2023		2022	
Type of Swap	Gain (Loss) Recognized in AOCL	Gain (Loss) Reclassified from AOCL into Interest Expense	Gain (Loss) Recognized in AOCL	Gain (Loss) Reclassified from AOCL into Interest Expense	Gain (Loss) Recognized in AOCL	Gain (Loss) Reclassified from AOCL into Interest Expense	Gain (Loss) Recognized in AOCL	Gain (Loss) Reclassified from AOCL into Interest Expense
Interest rate locks	\$ 15	\$ —	\$ 21	\$ —	\$ 16	\$ —	\$ 103	\$ —

#### Cash Flow Hedging

The following table summarizes the effect on our *Condensed Consolidated Statements of Net Income* for derivative instruments classified as cash flow hedges. The table does not include amounts related to ineffectiveness as it was not material for the periods presented.

In millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Gain (loss) reclassified from AOCL into income - Net sales <sup>(1)</sup>	\$ 7	\$ (4)	\$ 12	\$ (2)
Gain reclassified from AOCL into income - Cost of sales <sup>(1)(2)</sup>	1	1	2	—

<sup>(1)</sup> Includes foreign currency forward contracts.

<sup>(2)</sup> Includes commodity swap contracts.

In millions	Three months ended			
	March 31,			
	2024		2023	
Type of Swap	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings
Interest rate swaps <sup>(1)</sup>	\$ (10)	\$ 14	\$ 27	\$ (22)

<sup>(1)</sup> The difference between the gain (loss) on swaps and borrowings represents hedge ineffectiveness.

Derivatives Not Designated as Hedging Instruments

The following table summarizes the effect on our *Condensed Consolidated Statements of Net Income* for derivative instruments not designated as hedging instruments:

	Three months ended September 30,	Nine months ended September 30,			
	Three months ended				
	Three months ended				
	Three months ended				
	March 31,				
	March 31,				
	March 31,				
In millions	In millions	2023	2022	2023	2022
Gain (loss) recognized in income - Cost of sales <sup>(1)</sup>	\$ 1	\$ 5	\$(2)	\$ 7	
Loss recognized in income - Other income (expense), net <sup>(1)</sup>	(60)	(84)	(77)	(107)	
In millions					
In millions					
Loss recognized in income - Cost of sales <sup>(1)</sup>					
Loss recognized in income - Cost of sales <sup>(1)</sup>					
Loss recognized in income - Cost of sales <sup>(1)</sup>					
(Loss) gain recognized in income - Other income (expense), net <sup>(1)</sup>					
(Loss) gain recognized in income - Other income (expense), net <sup>(1)</sup>					

(Loss) gain recognized in income - Other income (expense), net <sup>(1)</sup>	
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<sup>(1)</sup> Includes foreign currency forward contracts.

<sup>(1)</sup> Includes foreign currency forward contracts.	
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<sup>(1)</sup> Includes foreign currency forward contracts.	
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#### Fair Value Amount and Location of Derivative Instruments

The following table summarizes the location and fair value of derivative instruments on our *Condensed Consolidated Balance Sheets*:

		Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments								Derivatives Not Designated as Hedging Instruments
		Derivatives Designated as Hedging Instruments						Derivatives Designated as Hedging Instruments				Derivatives Not Designated as Hedging Instruments
In millions	In millions	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	In millions	March 31, 2024	December 31, 2023		March 31, 2024	December 31, 2023	
Notional amount	Notional amount	\$ 2,824	\$ 3,051	\$ 3,968	\$ 2,900							
Derivative assets	Derivative assets											
Prepaid expenses and other current assets		\$ 42	\$ 18	\$ 5	\$ 27							
Derivative assets												
Derivative assets												
Prepaid expenses and other current assets <sup>(1)</sup>												
Prepaid expenses and other current assets <sup>(1)</sup>												
Prepaid expenses and other current assets <sup>(1)</sup>												
Other assets		—	80	—	—							
Total derivative assets <sup>(1)</sup>		\$ 42	\$ 98	\$ 5	\$ 27							
Derivative liabilities	Derivative liabilities											
Derivative liabilities												
Derivative liabilities												
Other accrued expenses												
Other accrued expenses												
Other accrued expenses	Other accrued expenses	\$ 5	\$ 19	\$ 21	\$ 3							
Other liabilities	Other liabilities	155	151	—	—							

Total derivative liabilities	Total derivative liabilities				
(1)	(1)	\$ 160	\$ 170	\$ 21	\$ 3

(1) Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the nine months ended September 30, 2023, or the year ended December 31, 2022.

(1) Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the three months ended March 31, 2024, or the year ended December 31, 2023.

(1) Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the three months ended March 31, 2024, or the year ended December 31, 2023.

(1) Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the three months ended March 31, 2024, or the year ended December 31, 2023.

We elected to present our derivative contracts on a gross basis in our *Condensed Consolidated Balance Sheets*. Had we chosen to present on a net basis, we would have derivatives in a net asset position of \$9 million \$13 million and \$52 million \$4 million and derivatives in a net liability position of \$143 million \$130 million and \$100 million \$148 million at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively.

#### NOTE 14. RUSSIAN OPERATIONS ATMUS DIVESTITURE

On March 17, 2022 March 18, 2024, we completed the Board indefinitely suspended our operations in Russia due to the ongoing conflict in Ukraine. At the time of suspension, our Russian operations included a wholly-owned distributor in Russia, an unconsolidated joint venture with KAMAZ (a Russian truck manufacturer) and direct sales into Russia from our other business segments. As a result of the indefinite suspension of operations, we evaluated the recoverability of assets in Russia and assessed other potential liabilities. We experienced an inability to collect customer receivables and may be the subject of litigation as a consequence divestiture of our indefinite suspension of commercial operations in Russia. The following summarizes the costs (recoveries) associated with the suspension of our Russian operations in our *Condensed Consolidated Statements of Net Income*:

	Three months ended	Nine months ended	
	September 30,	September 30,	
In millions	2022	2022	Statement of Net Income Location
Inventory write-downs	\$ (2)	\$ 17	Cost of sales
Accounts receivable reserves	(1)	42	Other operating expense, net
Impairment and other joint venture costs	—	31	Equity, royalty and interest income from investees
Other	4	22	Other operating expense, net
Total	\$ 1	\$ 112	

For the three and nine months ended September 30, 2023, there were no material additional costs. We will continue to evaluate the situation as conditions evolve and may take additional actions as deemed necessary in future periods.

## NOTE 15. FORMATION OF ATMUS AND IPO

On May 23, 2023, in connection with the Atmus IPO, Cummins issued approximately \$350 million of commercial paper with certain lenders. On May 26, 2023, Atmus shares began trading on the New York Stock Exchange under the symbol "ATMU." The IPO was completed on May 30, 2023, whereby Cummins exchanged 19.5 remaining 80.5 percent (approximately 16 million shares) of its ownership in Atmus, at \$19.50 per share, to retire \$299 million of the commercial paper as proceeds from the offering through a non-cash transaction.

In connection with the completion of the IPO, through a series of asset and equity contributions, we transferred the filtration business to Atmus. In exchange, Atmus transferred consideration of \$650 million to Cummins, which consisted primarily of the net proceeds from a term loan facility and revolver executed by Atmus during May 2023. The commercial paper issued and retired through the IPO proceeds, coupled with the \$650 million received, is intended to be used for the retirement of our historical debt, dividends and share repurchases. The difference between the commercial paper retired from the IPO, other IPO related fees and the net book value of our divested interest was \$285 million and was recorded as an offset to additional paid-in capital. Of our consolidated cash and cash equivalents at September 30, 2023, \$130 million is retained by Atmus for its working capital purposes. See NOTE 9, "DEBT," to our *Condensed Consolidated Financial Statements* for additional information.

We will continue to consolidate the financial position and results of Atmus, so long as we retain control. The earnings attributable to the divested, noncontrolling interest for the three and nine months ended September 30, 2023, were \$7 million and \$10 million, respectively. At September 30, 2023, the noncontrolling interest associated with Atmus is reflected in noncontrolling interests in our *Condensed Consolidated Balance Sheets*.

Subject to market conditions, we intend to make a tax-free split-off of Atmus, pursuant to which Cummins will offer its stockholders the option to exchange their shares of Cummins common stock for shares of Atmus common stock through a tax-free split-off. The transaction involved the exchange of our shares in an exchange offer.

## NOTE 16. ACQUISITIONS

Acquisitions Atmus for the nine months ended September 30, 2023 and 2022, were as follows:

Entity Acquired (Dollars in millions)	Date of Acquisition	Additional Percent Interest Acquired	Payments to Former Owners	Acquisition Related Debt Retirements	Total Purchase Consideration	Type of Acquisition <sup>(1)</sup>	Goodwill Acquired	Intangibles Recognized <sup>(2)</sup>
<b>2023</b>								
Hydrogenics Corporation (Hydrogenics)	06/29/23	19%	\$ 287	\$ 48	\$ 335 <sup>(3)</sup>	EQUITY	\$ —	\$ —
Teksid Hierro de Mexico, S.A. de C.V. (Teksid MX)	04/03/23	100%	143	—	143 <sup>(4)</sup>	COMB	18	—
<b>2022<sup>(5)</sup></b>								
Meritor, Inc. (Meritor)	08/03/22	100%	\$ 2,613	\$ 248	\$ 2,861	COMB	\$ 926	\$ 1,610
Jacobs Vehicle Systems (Jacobs)	04/08/22	100%	345	—	345	COMB	108	164
Cummins Westport, Inc. (Westport JV)	02/07/22	50%	42	—	42	COMB	—	20

<sup>(1)</sup> All results from acquired entities were included in segment results subsequent to the acquisition date. Previously consolidated entities were accounted for as equity transactions (EQUITY). Newly consolidated entities were accounted for as business combinations (COMB).

<sup>(2)</sup> Intangible assets acquired in the business combination were mostly customer, technology and trade name related.

<sup>(3)</sup> Hydrogenics entered into three non-interest-bearing promissory notes with \$175 million paid on July 31, 2023, and the remaining \$160 million due in three installments through 2025.

<sup>(4)</sup> Total purchase consideration included \$32 million for the settlement of accounts payable.

<sup>(5)</sup> See NOTE 2, "ACQUISITIONS," of the *Notes to the Consolidated Financial Statements of our 2022 Form 10-K* for additional information on prior year acquisitions.

### Hydrogenics Corporation - Redeemable Noncontrolling Interest

On June 29, 2023, a share purchase agreement was executed shares of Cummins stock with a 19 7.0 percent minority shareholder in one discount on the exchange ratio for Atmus shares. The exchange ratio was determined based on each entity's respective stock price using the daily volume weighted-average stock price for three days preceding the final exchange offer date. Based on the final exchange ratio, we exchanged all 67 million of our businesses, Hydrogenics Corporation (Hydrogenics), whereby we agreed to pay Atmus shares for 5.6 million shares of Cummins stock, which was recorded as treasury stock based on the minority shareholder \$335 million for their 19 percent ownership, including the settlement of shareholder loans of \$48 million. As part of the share purchase agreement, Hydrogenics entered into three non-interest-bearing promissory notes with \$175 million paid on July 31, 2023, and the remaining \$160 million due in three installments through 2025. We recorded the non-interest-bearing promissory notes at their present value in our *Condensed Consolidated Financial Statements*. The long-term amount, net of unamortized debt discount, was \$145 million and reflected in long-term debt at September 30, 2023.

Prior to the execution of this transaction, the minority shareholder had, among other rights and subject to related obligations and restrictive covenants, rights that were exercisable between September 2022 and September 2026 to require us to (1) purchase such shareholder's shares (put option) at an amount up to the fair market value (calculated pursuant to a process outlined in the shareholders' agreement) and (2) sell to such shareholder Hydrogenics' electrolyzer business at an amount up to the fair market value of the electrolyzer business (calculated pursuant to a process outlined in the shareholders' agreement). The estimated fair value of the put option Cummins shares obtained.

We evaluated the full divestiture of Atmus and determined the transaction did not qualify for discontinued operation presentation. We recognized a gain related to the divestiture of approximately \$1.3 billion (based on the difference between the fair value of the Cummins shares obtained less the carrying value of our Atmus investment), which was recorded as

redeemable noncontrolling interests **other income** in our *Condensed Consolidated Financial Statements* with an offset to additional paid-in capital, and at December 31, 2022, the balance was \$258 million. The redeemable noncontrolling interest balance was reduced to zero as of the acquisition date.

**Teksid Hierro de Mexico, S.A. de C.V.**

On April 3, 2023, we purchased all of the equity ownership interest of Teksid Hierro de Mexico, S.A. de C.V. (Teksid MX) and Teksid, Inc. from Stellantis N.V. for approximately \$143 million (including \$32 million for the settlement of accounts payable), subject to certain adjustments set forth in the agreement. Teksid MX operates a cast iron foundry located in Monclova, Mexico, which primarily forges blocks and heads used in our and other manufacturers' engines. Teksid, Inc. facilitates the commercialization of Teksid MX products in North America. Since we are the primary customer of the foundry, the acquisition is not expected to result in material incremental sales to our business. Approximately \$90 million of the purchase price was allocated to property, plant and equipment. The remainder was allocated primarily to working capital assets and liabilities (including approximately \$16 million of cash and cash equivalents) and resulted in approximately \$18 million of goodwill, none of which is deductible for tax purposes. In the third quarter we finalized the purchase price and made certain other adjustments, which resulted in a \$7 million decrease in goodwill. The values assigned to individual assets acquired and liabilities assumed are preliminary based on management's current best estimate and subject to change as certain matters are finalized. The primary areas that remain open are related to deferred taxes and other tax contingencies. The results of the business were reported in our Engine segment. Pro forma financial information for the acquisition was not presented as the effects are not material to our *Condensed Consolidated Financial Statements*.

**Meritor, Inc.**

During the second quarter of 2023, we finalized our accounting for the Meritor, Inc. acquisition. The primary components of the change were to increase contingent liabilities by \$62 million offset by finalization of deferred taxes and tax reserves, with a net increase to goodwill of \$26 million. There was no impact to the *Condensed Consolidated Statements of Net Income* for any of the changes.

The following table presents the supplemental consolidated results of the Company for the three and nine months ended September 30, 2022, on an unaudited pro-forma basis as if the acquisition had been consummated on January 1, 2021 March 31, 2024. The primary adjustments reflected Approximately \$114 million of goodwill was included in the pro-forma carrying value of the Atmus investment for purposes of calculating the gain. The operating results of Atmus were reported in the *Condensed Consolidated Financial Statements* through March 18, 2024, the date of divestiture.

As part of the divestiture, the \$600 million term loan remained with Atmus after the split. In addition, a net \$61 million of other comprehensive income and \$19 million of noncontrolling interests related to (1) **increase in interest expense for debt used** Atmus were written-off and netted against the gain recognized upon the split.

We entered into a transitional services agreement (TSA) with Atmus that is designed to fund facilitate the acquisition, (2) removal orderly transfer of acquisition related costs from 2022 various services to Atmus. The TSA relates primarily to administrative services, which are generally to be provided over the next 24 months. This agreement is not material and (3) changes related to purchase accounting primarily related to amortization of intangibles, fixed assets and joint ventures. The unaudited pro forma financial information presented below does not purport confer upon us the ability to represent influence the actual results operating and/or financial policies of operations that Cummins and Meritor would have achieved had the companies been combined during the periods presented and was not intended Atmus subsequent to project the future results of operations that the combined company could achieve after the acquisition. The unaudited pro forma financial information does not reflect any potential cost savings, operating efficiencies, long-term debt pay down estimates, financial synergies or other strategic benefits as a result of the acquisition or any restructuring costs to achieve those benefits.

(Unaudited)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022		2022	
In millions				
Net sales	\$	7,734	\$	23,071
Net income		397		1,565

March 18, 2024.

**NOTE 17. 15. OPERATING SEGMENTS**

Operating segments under GAAP are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance. Our CODM is the Chief Executive Officer.

Our reportable operating segments consist of Components, Engine, Distribution, Power Systems and Accelera. This reporting structure is organized according to the products and markets each segment serves. The Components segment sells filtration products, aftertreatment systems, turbochargers, electronics, fuel systems, automated transmissions, axles, drivelines, brakes and suspension systems. systems for commercial diesel and natural gas applications, aftertreatment systems, turbochargers, fuel systems, valvetrain technologies, automated transmissions and electronics. The Engine segment produces engines (15 liters and smaller) and associated parts for sale to customers in on-highway and various off-highway markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, agriculture, power generation systems and other off-highway applications. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world. The Power Systems segment is an integrated power provider, which designs, manufactures and sells engines (16 liters and larger) for industrial applications (including mining, oil and gas, marine and rail), standby and prime power generator sets, alternators and other power components. The Accelera segment designs, manufactures, sells and supports hydrogen production technologies as well as electrified power systems with innovative components and subsystems, including battery, fuel cell and electric powertrain technologies. The Accelera segment is currently in the early stages of commercializing these technologies with efforts primarily focused on the development of our

electrolyzers for hydrogen production and electrified power systems and related components and subsystems. We continue to serve all our markets as they adopt electrification and alternative power technologies, meeting the needs of our OEM partners and end customers.

We use segment earnings or losses before interest expense, income taxes, depreciation and amortization and noncontrolling interests (EBITDA) as the basis for the CODM to evaluate the performance of each of our reportable operating segments. We believe EBITDA is a useful measure of our operating performance as it assists investors and debt holders in comparing our performance on a consistent basis without regard to financing methods, capital structure, income taxes or depreciation and amortization methods, which can vary significantly depending upon many factors. Segment amounts exclude certain expenses not specifically identifiable to segments.

The accounting policies of our operating segments are the same as those applied in our *Condensed Consolidated Financial Statements*. We prepared the financial results of our operating segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We allocate certain common costs and expenses, primarily corporate functions, among segments differently than we would for stand-alone financial information prepared in accordance

with GAAP. These include certain costs and expenses of shared services, such as information technology, human resources, legal, finance and supply chain management. We do not allocate gains or losses of corporate owned life insurance and the gain and certain Atmus separation costs related to individual segments, the divestiture of Atmus. See NOTE 14, "ATMUS DIVESTITURE," for additional information. EBITDA may not be consistent with measures used by other companies.

As previously announced, in March 2023, we rebranded our New Power segment as "Accelera" to better represent our commitment to zero-emission technologies. In addition, we moved our NPROXX joint venture from the Accelera segment to the Engine segment, which adjusted both the equity, royalty and interest income from investees and segment EBITDA line items for the current and prior year. We started to report results for the changes within our operating segments effective January 1, 2023, and reflected these changes in the historical periods presented.

Summarized financial information regarding our reportable operating segments for the three and nine months ended September 30, 2023 and 2022 is shown in the table below:

In millions	Components	Engine	Distribution	Power Systems	Accelera	Total Segments
<b>Three months ended September 30, 2023</b>						
External sales	\$ 2,780	\$ 2,236	\$ 2,519	\$ 798	\$ 98	\$ 8,431
Intersegment sales	456	695	16	646	5	1,818
Total sales	3,236	2,931	2,535	1,444	103	10,249
Research, development and engineering expenses	93	159	14	60	50	376
Equity, royalty and interest income (loss) from investees	26	62	22	11	(3)	118
Interest income	8	4	9	3	—	24
Segment EBITDA	441 <sup>(1)</sup>	395	306	234	(114)	1,262
Depreciation and amortization <sup>(2)</sup>	120	59	28	30	18	255
<b>Three months ended September 30, 2022</b>						
External sales	\$ 2,220	\$ 2,063	\$ 2,232	\$ 773	\$ 45	\$ 7,333
Intersegment sales	483	716	7	576	5	1,787
Total sales	2,703	2,779	2,239	1,349	50	9,120
Research, development and engineering expenses	87	140	13	62	46	348
Equity, royalty and interest income (loss) from investees	17	27	20	10	(4)	70
Interest income	4	3	4	3	—	14
Russian suspension costs <sup>(3)</sup>	1	—	—	—	—	1
Segment EBITDA	297 <sup>(4)</sup>	362	225	193	(95)	982
Depreciation and amortization <sup>(2)</sup>	95	51	29	30	10	215
<b>Nine months ended September 30, 2023</b>						
External sales	\$ 8,747	\$ 6,751	\$ 7,494	\$ 2,271	\$ 259	\$ 25,522
Intersegment sales	1,471	2,154	42	1,973	14	5,654
Total sales	10,218	8,905	7,536	4,244	273	31,176
Research, development and engineering expenses	287	441	43	189	150	1,110
Equity, royalty and interest income (loss) from investees	71	198	70	42	(11)	370
Interest income	21	14	24	7	1	67

Segment EBITDA	1,434 <sup>(1)</sup>	1,277	940	654	(322)	3,983
Depreciation and amortization <sup>(2)</sup>	368	166	84	91	47	756
<b>Nine months ended September 30, 2022</b>						
External sales	\$ 5,214	\$ 6,204	\$ 6,590	\$ 2,190	\$ 106	\$ 20,304
Intersegment sales	1,427	2,103	19	1,522	17	5,088
Total sales	6,641	8,307	6,609	3,712	123	25,392
Research, development and engineering expenses	236	365	39	184	121	945
Equity, royalty and interest income (loss) from investees	54	127 <sup>(5)</sup>	57	31	(8)	261
Interest income	7	8	9	5	—	29
Russian suspension costs <sup>(3)</sup>	5	33 <sup>(6)</sup>	55	19	—	112
Segment EBITDA	969 <sup>(4)</sup>	1,173	632	411	(239)	2,946
Depreciation and amortization <sup>(2)</sup>	187	151	86	92	25	541

<sup>(1)</sup> Includes \$20 million and \$50 million of costs associated with the IPO and separation of Atmus for the three and nine months ended September 30, 2023, respectively. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(2)</sup> Depreciation and amortization, as shown on a segment basis, excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Net Income* as interest expense. The amortization of debt discount and deferred costs was \$4 million and \$3 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. A portion of depreciation expense is included in research, development and engineering expenses.

<sup>(3)</sup> See NOTE 14, "RUSSIAN OPERATIONS," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(4)</sup> Includes \$45 million and \$56 million of costs related to the acquisition and integration of Meritor and \$10 million and \$15 million of costs associated with the separation of Atmus for three and nine months ended September 30, 2022, respectively. See NOTE 15, "FORMATION OF ATMUS AND IPO," and NOTE 16 "ACQUISITIONS," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(5)</sup> Includes a \$28 million impairment of our joint venture with KAMAZ and \$3 million of royalty charges as part of our costs associated with the indefinite suspension of our Russian operations. See NOTE 14, "RUSSIAN OPERATIONS," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(6)</sup> Includes \$31 million of Russian suspension costs reflected in the equity, royalty and interest income (loss) from investees line above.

In millions	Components	Engine	Distribution	Power Systems	Accelera	Total Segments
<b>Three months ended March 31, 2024</b>						
External sales	\$ 2,842	\$ 2,240	\$ 2,529	\$ 708	\$ 84	\$ 8,403
Intersegment sales	490	688	6	681	9	1,874
Total sales	3,332	2,928	2,535	1,389	93	10,277
Research, development and engineering expenses	84	154	14	60	55	367
Equity, royalty and interest income (loss) from investees	26	57	24	19	(3)	123
Interest income	8	7	11	3	—	29
Segment EBITDA	473 <sup>(1)</sup>	414	294	237	(101)	1,317
Depreciation and amortization <sup>(2)</sup>	125	58	31	34	14	262
<b>Three months ended March 31, 2023</b>						
External sales	\$ 3,043	\$ 2,252	\$ 2,399	\$ 679	\$ 80	\$ 8,453
Intersegment sales	514	734	7	664	5	1,924
Total sales	3,557	2,986	2,406	1,343	85	10,377
Research, development and engineering expenses	91	134	14	63	48	350
Equity, royalty and interest income (loss) from investees	21	65	24	13	(4)	119
Interest income	6	3	7	2	—	18
Segment EBITDA	507 <sup>(3)</sup>	457	335	219	(94)	1,424
Depreciation and amortization <sup>(2)</sup>	123	51	28	29	14	245

<sup>(1)</sup> Included \$21 million costs associated with the divestiture of Atmus for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," for additional information.

<sup>(2)</sup> Depreciation and amortization, as shown on a segment basis, excludes the amortization of debt discount and deferred costs included in the *Condensed Consolidated Statements of Net Income* as interest expense. The amortization of debt discount and deferred costs was \$3 million and \$1 million for the three months ended March 31, 2024 and 2023, respectively. A portion of depreciation expense is included in research, development and engineering expenses.

<sup>(3)</sup> Included \$12 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2023.



Period	Number of cases	Percentage of cases
Three months ended 31 March 2020	10	0.00%
Three months ended 31 March 2019	10	0.00%
Three months ended 31 March 2018	10	0.00%

In millions	
In millions	
<b>TOTAL SEGMENT EBITDA</b>	
<b>TOTAL SEGMENT EBITDA</b>	

Intersegment eliminations and other <sup>(1)</sup>	
Intersegment eliminations and other <sup>(1)</sup>	

Interest expense	
Interest expense	

Depreciation and amortization	
Depreciation and amortization	

TAXES	
Income tax	100
Corporate tax	100
State tax	100
Local tax	100
Other taxes	100
Total taxes	500

**TAXES**

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(2) Included intersegment sales, intersegment profit in inventory and unallocated corporate expenses.	
(1) Included intersegment sales, intersegment profit in inventory and unallocated corporate expenses.	
(1) Included intersegment sales, intersegment profit in inventory and unallocated corporate expenses.	
(2) Included \$1.3 billion of gain related the divestiture of Atmus and \$14 million of costs associated with the divestiture of Atmus (included in corporate expenses) for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," for additional information.	(2) Included \$1.3 billion of gain related the divestiture of Atmus and \$14 million of costs associated with the divestiture of Atmus (included in corporate expenses) for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," for additional information.
(3) Included \$6 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2023.	(3) Included \$6 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2023.

NOTE 18, 16. RECENTLY ADOPTED ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2022, November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. The standard did not change the definition of a segment, the method for determining segments or the criteria for aggregating operating segments into reportable segments. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Retrospective adoption is required for all prior periods presented in the financial statements. We plan to adopt the standard related beginning with our 2024 Form 10-K. The adoption is not expected to have a material impact to our financial statements or disclosures.

In December 2023, the disclosure FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements in Income Tax Disclosures," to enhance the transparency and decision usefulness of income tax disclosures. This amendment requires public companies to disclose specific categories in the rate reconciliation and provide additional information about for reconciling items that meet a quantitative threshold. Additionally, under the use of supplier finance programs. Under the new standard, amendment entities are required to disclose (1) key terms of the programs, (2) the amount outstanding that remains unpaid as of the end of the period, including where amounts are recorded in the balance sheets and (3) an annual rollforward of those obligations, including the amount of obligations confirmed income taxes paid disaggregated by federal, state and foreign taxes, as well as disaggregated by material individual jurisdictions. Finally, the amount of obligations subsequently paid. amendment requires entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and income tax expense from continuing operations disaggregated by federal, state and foreign. The new rules are effective for annual periods beginning after December 15, 2024. We adopted the new will adopt this standard on January 1, 2023, on a retrospective basis other than the rollforward, which we currently plan to early adopt on a prospective basis as allowed by the standard beginning with our 2023 annual financial statements, 2025 Form 10-K. The adoption did of this standard is not expected to have a material impact on our financial statements. See "Supply Chain Financing" section in NOTE 1, "NATURE OF OPERATIONS AND BASIS OF PRESENTATION," for additional information. Condensed Consolidated Financial Statements.

NOTE 19, 17. SUBSEQUENT EVENTS

On October 2, 2023, Early Settlement of Interest Rate Swaps and Early Debt Payments

In April 2024, we purchased from the Forvia Group all settled a portion of the equity ownership our 2023 interest rate swaps with a notional amount of Faurecia's U.S. and Europe commercial vehicle exhaust business for approximately €199 million, subject to certain adjustments set forth \$100 million in the agreement. This business provides canning and assembly operations for full exhaust systems primarily for the on-highway applications. This acquisition will be included in our Components segment starting in the fourth quarter conjunction with repayment of 2023. Due to the timing of the acquisition, the initial purchase accounting is not yet complete and will be included in the fourth quarter Form 10-K filing.

On October 2, 2023, we repaid our \$500 million senior notes, due 2023, using a combination of cash on hand and additional commercial paper borrowings. On October 31, 2023, we repaid \$150 \$100 million of our term loan, due 2025, using cash 2025. The loss on hand, settlement recognized was immaterial.

#### Issuance of Commercial Paper

In April 2024, we issued approximately \$1.0 billion of commercial paper in anticipation of paying the substantial majority of payments required under the Settlement Agreements in May 2024. See NOTE 11, "COMMITMENTS AND CONTINGENCIES," for additional information on the Settlement Agreements.

#### Net Investment Hedge

In April 2024, we entered into additional net investments hedges with a notional amount of \$250 million where we agreed with third parties to sell Chinese renminbi in exchange for U.S. dollar currency at a specified rate at the maturity of the contract.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cummins Inc. and its consolidated subsidiaries are hereinafter sometimes referred to as "Cummins," "we," "our" or "us."

### CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain parts of this quarterly report contain forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that are based on current expectations, estimates and projections about the industries in which we operate and management's beliefs and assumptions. Forward-looking statements are generally accompanied by words such as "anticipates," "expects," "forecasts," "intends," "plans," "believes," "seeks," "estimates," "could," "should," "may" or words of similar meaning. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which we refer to as "future factors," which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some future factors that could cause our results to differ materially from the results discussed in such forward-looking statements are discussed below and shareholders, potential investors and other readers are urged to consider these future factors carefully in evaluating forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Future factors that could affect the outcome of forward-looking statements include the following:

#### GOVERNMENT REGULATION

- any adverse results of our internal review consequences resulting from entering into our emissions certification process the Settlement Agreements, including required additional mitigation projects, adverse reputational impacts and compliance with emission standards; potential resulting legal actions;
- increased scrutiny from regulatory agencies, as well as unpredictability in the adoption, implementation and enforcement of emission standards around the world;
- evolving environmental and climate change legislation and regulatory initiatives;
- changes in international, national and regional trade laws, regulations and policies;
- changes in taxation;
- global legal and ethical compliance costs and risks;
- evolving environmental and climate change legislation and regulatory initiatives;
- future bans or limitations on the use of diesel-powered products;

#### BUSINESS CONDITIONS / DISRUPTIONS

- failure to successfully integrate and / or failure to fully realize all of the anticipated benefits of the acquisition of Meritor, Inc. (Meritor);
- raw material, transportation and labor price fluctuations and supply shortages;
- any adverse effects of the conflict between Russia and Ukraine and the global response (including government bans or restrictions on doing business in Russia);
- aligning our capacity and production with our demand;
- the actions of, and income from, joint ventures and other investees that we do not directly control;
- large truck manufacturers' and original equipment manufacturers' customers discontinuing outsourcing their engine supply needs or experiencing financial distress, or change in control;

#### PRODUCTS AND TECHNOLOGY

- product recalls;
- variability in material and commodity costs;
- the development of new technologies that reduce demand for our current products and services;
- lower than expected acceptance of new or existing products or services;
- product liability claims;

- our sales mix of products;

## GENERAL

- uncertainties and risks related climate change, global warming, more stringent climate change regulations, accords, mitigation efforts, greenhouse gas regulations or other legislation designed to timing and potential value to both Atmus Filtration Technologies Inc. (Atmus) and Cummins of the planned separation of Atmus, including business, industry and market risks, as well as the risks involving the anticipated favorable tax treatment if there is a significant delay in the completion of the envisioned separation; address climate change;
- our plan to reposition our portfolio of product offerings through exploration of strategic acquisitions and divestitures and related uncertainties of entering such transactions;
- increasing interest rates;
- challenging markets for talent and ability to attract, develop and retain key personnel;
- climate change, global warming, more stringent climate change regulations, accords, mitigation efforts, greenhouse gas regulations or other legislation designed to address climate change;
- exposure to potential security breaches or other disruptions to our information technology environment and data security;
- political, economic and other risks from operations in numerous countries including political, economic and social uncertainty and the evolving globalization of our business;
- competitor activity;
- increasing competition, including increased global competition among our customers in emerging markets;
- failure to meet environmental, social and governance (ESG) expectations or standards, or achieve our ESG goals;
- labor relations or work stoppages;
- foreign currency exchange rate changes;
- the performance of our pension plan assets and volatility of discount rates;
- the price and availability of energy;
- continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business; and
- other risk factors described in Part II, Item 1A in this quarterly report and our [2022 2023 Form 10-K, Part I, Item 1A](#), both under the caption "Risk Factors."

Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this quarterly report and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## ORGANIZATION OF INFORMATION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) was prepared to provide the reader with a view and perspective of our business through the eyes of management and should be read in conjunction with our [Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2022 2023 Form 10-K](#). Our MD&A is presented in the following sections:

- EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS
- RESULTS OF OPERATIONS
- OPERATING SEGMENT RESULTS
- OUTLOOK
- LIQUIDITY AND CAPITAL RESOURCES
- APPLICATION OF CRITICAL ACCOUNTING ESTIMATES
- RECENTLY ADOPTED ISSUED ACCOUNTING PRONOUNCEMENTS

## EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS

### Overview

We are a global power solutions leader that designs, manufactures, distributes comprised of five business segments - Components, Engine, Distribution, Power Systems and services Accelera - supported by our global manufacturing and extensive service and support network, skilled workforce and vast technical expertise. Our products range from advanced diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, valvetrain technologies, controls systems, air handling systems, automated transmissions, axles, drivelines, brakes, suspension systems, electric power generation systems, batteries, electrified power systems, electric powertrains, hydrogen production technologies and fuel cell products. We sell our products to original equipment manufacturers (OEMs), distributors, dealers and other customers worldwide. We have long-standing relationships with many of the leading manufacturers in the markets we serve, including PACCAR Inc, Traton Group, Daimler Trucks North America and Stellantis N.V. We serve our customers through a service network of approximately 460 450 wholly-owned, joint venture and independent distributor locations and more than 10,000 19,000 Cummins certified dealer locations in approximately 190 countries and territories.

As previously announced, beginning in the first quarter of 2023, we realigned certain businesses and regions within our reportable segments to be consistent with how our Our segment managers monitor the performance of our segments. We reorganized the businesses within our Components segment to carve out the electronics business into the newly formed software and electronics business and combined the turbo technologies and fuel systems businesses into the newly formed engine components business. On May 26, 2023, we changed the name of our Components' filtration business to Atmus with the initial public offering (IPO). Our Components segment now consists of the following businesses: axles and brakes, emission solutions, engine components, Atmus, automated transmissions and software and electronics. In the first quarter of 2023, as a result of the indefinite suspension of operations in Russia, we reorganized the regional management structure of our Distribution segment and moved all Commonwealth of Independent States (CIS) sales into the Europe and Africa and Middle East regions. The Russian portion of prior period CIS sales moved to the Europe region. In March 2023, we rebranded our New Power segment as "Accelera" to better represent our commitment to zero-emission technologies. In addition, we moved our NPROXX joint venture from the Accelera segment to the Engine segment, which adjusted both the equity, royalty and interest income from investees and segment EBITDA (defined as earnings or losses before interest expense, income taxes, depreciation and amortization and noncontrolling interests) line items for the current and prior year. We started to report results for the changes within our operating segments effective January 1, 2023, and reflected these changes in the historical periods presented. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our Condensed Consolidated Financial Statements for additional information about the Atmus IPO.

Our reportable operating segments consist of Components, Engine, Distribution, Power Systems and Accelera. This reporting structure is organized according to the products and markets each segment serves. The Components segment sells filtration products, aftertreatment systems, turbochargers, electronics, fuel systems, automated transmissions, axles, drivelines, brakes and suspension systems. systems for commercial diesel and natural gas applications, aftertreatment systems, turbochargers, fuel systems, valvetrain technologies, automated transmissions and electronics. The Engine segment produces engines (15 liters and smaller) and associated parts for sale to customers in on-highway and various off-highway markets. Our engines are used in trucks of all sizes, buses and recreational vehicles, as well as in various industrial applications, including construction, agriculture, power generation systems and other off-highway applications. The Distribution segment includes wholly-owned and partially-owned distributorships engaged in wholesaling engines, generator sets and service parts, as well as performing service and repair activities on our products and maintaining relationships with various OEMs throughout the world. The Power Systems segment is an integrated power provider, which designs, manufactures and sells engines (16 liters and larger) for industrial applications (including mining, oil and gas, marine and rail), standby and prime power generator sets, alternators and other power components. The Accelera segment designs, manufactures, sells and supports hydrogen production technologies as well as electrified power systems with innovative components and subsystems, including battery, fuel cell and electric powertrain technologies. The Accelera segment is currently in the early stages of commercializing these technologies with efforts primarily focused on the development of our electrolyzers for hydrogen production and electrified power systems and related components and subsystems. We continue to serve all our markets as they adopt electrification and alternative power technologies, meeting the needs of our OEM partners and end customers.

Our financial performance depends, in large part, on varying conditions in the markets we serve, particularly the on-highway, construction off-highway, power generation and general industrial markets. Demand in these markets tends to fluctuate in response to overall economic conditions. Our sales may also be impacted by OEM inventory levels, production schedules, stoppages and supply chain challenges. Economic downturns in markets we serve generally result in reduced sales of our products and can result in price reductions in certain products and/or markets. As a worldwide business, our operations are also affected by geopolitical risks, (such as the conflict between Russia and Ukraine), currency fluctuations, political and economic uncertainty, public health crises (epidemics or pandemics) and regulatory matters, including adoption and enforcement of environmental and emission standards, in the countries we serve. As part of our growth strategy, we invest in businesses in certain countries that carry higher levels of these risks such as China, Brazil, India, Mexico and other countries in Europe, the Middle East and Africa. At the same time, our geographic diversity and broad product and service offerings have helped limit the impact from a drop in demand in any one industry, region, the economy of any single country or customer on our consolidated results.

Supply Chain Disruptions Divestiture of Atmus

We continueOn March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus Filtration Technologies Inc. (Atmus) common stock through a tax-free split-off. The exchange resulted in a reduction of shares of our common stock outstanding by 5.6 million shares. See NOTE 14, "ATMUS DIVESTITURE," to experience supply chain disruptions, increased price levels the Condensed Consolidated Financial Statements for additional information.

Settlement Agreements

In December 2023, we announced that we reached an agreement in principle with the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), the Environmental and related financial impacts reflected as increased cost Natural Resources Division of sales and inventory holdings. Our industry continues to be unfavorably impacted by supply chain constraints leading to shortages and price increases across multiple component categories and limiting our collective ability to meet end-user demand. Our customers are also experiencing supply chain issues. The Board the U.S. Department of Directors (the Board) continues to monitor and evaluate all of these factors Justice and the related impacts on California Attorney General's Office to resolve certain regulatory civil claims regarding our business emissions certification and operations, compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and we are diligently working to minimize effective in April 2024 (collectively, the supply chain impacts Settlement Agreements). See NOTE 11, "COMMITMENTS AND CONTINGENCIES," to our business and to our customers. Condensed Consolidated Financial Statements for additional information.

2023 Third 2024 First Quarter and Year-to-Date Results

A summary of our results is as follows:

Three months ended	Nine months ended
September 30,	September 30,
Three months ended	

		Three months ended			
		Three months ended			
		March 31,			
		March 31,			
		March 31,			
In millions, except per share amounts					
In millions, except per share amounts					
In millions, except per share amounts	In millions, except per share amounts	2023	2022	2023	2022
Net sales	Net sales	\$ 8,431	\$ 7,333	\$ 25,522	\$ 20,304
Net sales					
Net sales					
Net income attributable to Cummins Inc.					
Net income attributable to Cummins Inc.					
Net income attributable to Cummins Inc.	Net income attributable to Cummins Inc.	656	400	2,166	1,520
Earnings per common share attributable to Cummins Inc.	Earnings per common share attributable to Cummins Inc.				
Earnings per common share attributable to Cummins Inc.					
Earnings per common share attributable to Cummins Inc.					
Basic					
Basic					
Basic	Basic	\$ 4.63	\$ 2.83	\$ 15.29	\$ 10.74
Diluted	Diluted	4.59	2.82	15.19	10.68
Diluted					
Diluted					

Worldwide revenues increased 15 decreased by 1 percent in the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022, 2023, due to a full quarter of axles and brakes sales in the Components segment from the Meritor acquisition on August 3, 2022, and higher lower demand in all operating segments heavy-duty truck markets, which negatively impacted Components product demand, as well as weaker demand for construction engines and most geographic regions. decreased sales due to the divestiture of Atmus, mostly offset by increased power generation demand. Net sales in the U.S. and Canada improved 16 percent, primarily due to a full quarter of axles and brakes sales, increased remained flat as lower demand in most Distribution North American heavy-duty truck markets, which negatively impacted Components product lines demand, and stronger lower demand in heavy-duty oil and gas markets in North America were offset by higher demand in power generation and medium-duty truck markets, which positively impacted most Components businesses. markets. International demand (excludes the U.S. and Canada) improved 13 declined 1 percent, with lower sales in China, Europe, Africa and the Middle East, partially offset by higher sales in most geographic regions. Latin America and India. The increase decrease in international sales was principally primarily due to a full quarter of axles lower demand in construction markets (especially in China and brakes sales in Western Europe, Latin America Europe) and Asia Pacific and higher weaker demand for power generation equipment.

Worldwide revenues increased 26 percent emission solutions products (primarily in the nine months ended September 30, 2023, compared to the same period in 2022, due to increased axles China and brakes sales in the Components segment of \$3.0 billion from the Meritor acquisition and higher demand in all operating segments and most geographic regions, India), partially offset by the decrease in Russian sales due to the indefinite suspension of our Russian operations in March 2022. Net sales in the U.S. and Canada improved 28 percent, primarily due to incremental sales of axles and brakes, increased higher demand in all across most Distribution product lines and stronger demand in heavy-duty and medium-duty truck markets, which positively impacted most Components businesses. International demand (excludes the U.S. and Canada) improved by 22 percent, with higher sales in most geographic regions, partially offset by the decrease in Russian sales due to the indefinite suspension of our operations in March 2022. The increase in international sales was principally due to incremental sales of axles and brakes in Western Europe, Latin America, India and Asia Pacific. Unfavorable foreign currency fluctuations impacted international sales by 3 percent (primarily the Chinese renminbi and Indian rupee). lines.

The following tables contain table contains sales and EBITDA (defined as earnings or losses before interest expense, income taxes, depreciation and amortization and noncontrolling interests) by operating segment including adjusted prior year balances for the NPROXX changes noted above, for the three and nine months ended September 30,

2023 March 31, 2024 and 2022, 2023. See NOTE 17, 15, "OPERATING SEGMENTS," to the Condensed Consolidated Financial Statements for additional information and a reconciliation of our segment information to the corresponding amounts in our Condensed Consolidated Statements of Net Income.

Operating Segments	Operating Segments	Three months ended September 30,								Operating Segments	Three months ended March 31,										
		2023				2022					Percent change	2024					2023				
		Percent				Percent						Percent				Percent					
		2023 vs. 2022				2023 vs. 2022						2023 vs. 2022				2023 vs. 2022					
In millions	In millions	Sales	of Total	EBITDA	Sales	of Total	EBITDA	Sales	EBITDA	In millions	Sales		of Total		EBITDA		Sales		of Total		
Components	Components	\$3,236	38 %	\$ 441	\$2,703	37 %	\$ 297	20 %	48 %	Components	\$3,332	40 %	40 %	\$ 473	\$ 3,557	42 %	42 %				
Engine	Engine	2,931	35 %	395	2,779	38 %	362	5 %	9 %	Engine	2,928	35 %	35 %	414	2,986	36 %	36 %				
Distribution	Distribution	2,535	30 %	306	2,239	30 %	225	13 %	36 %	Distribution	2,535	30 %	30 %	294	2,406	28 %	28 %				
Power	Power									Power											
Systems	Systems	1,444	17 %	234	1,349	18 %	193	7 %	21 %	Systems	1,389	16 %	16 %	237	1,343	16 %	16 %				
Accelera	Accelera	103	1 %	(114)	50	1 %	(95)	NM	(20) %	Accelera	93	1 %	1 %	(101)	85	1 %	85 %				
Intersegment eliminations	Intersegment eliminations	(1,818)	(21) %	(32)	(1,787)	(24) %	(98)	2 %	(67) %	Intersegment eliminations	(1,874)	(22) %	(22) %	1,255	(1,924)	(23) %	(23) %				
Total	Total	\$8,431	100 %	\$1,230 <sup>(1)</sup>	\$7,333	100 %	\$ 884 <sup>(2)</sup>	15 %	39 %		\$8,403	100 %		\$2,572 <sup>(1)</sup>	\$ 8,453	100 %					
Total																					
Total												\$8,403	100 %		\$2,572 <sup>(1)</sup>	\$ 8,453	100 %				

(1) EBITDA includes \$26 million of costs associated with the separation of Atmus for the three months ended 2023. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our Condensed Consolidated Financial Sta additional information.

"NM" - not meaningful information	
"NM" - not meaningful information	
"NM" - not meaningful information	
(1) EBITDA included \$1.3 billion of gain recognized on the divestiture of Atmus and \$35 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," to the Condensed Consolidated Financial Statements for additional information.	
(1) EBITDA included \$1.3 billion of gain recognized on the divestiture of Atmus and \$35 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," to the Condensed Consolidated Financial Statements for additional information.	
(1) EBITDA included \$1.3 billion of gain recognized on the divestiture of Atmus and \$35 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2024. See NOTE 14, "ATMUS DIVESTITURE," to the Condensed Consolidated Financial Statements for additional information.	
(2) EBITDA included \$18 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2023.	(2) EBITDA included \$18 million of costs associated with the divestiture of Atmus for the three months ended

Net income attributable to Cummins Inc. was \$656 million \$2.0 billion, or \$4.59 \$14.03 per diluted share, on sales of \$8.4 billion for the three months ended September 30, 2023 March 31, 2024, versus the comparable prior year period net income attributable to Cummins Inc. of \$400 million \$790 million, or \$2.82 \$5.55 per diluted share, on sales of \$7.3 billion \$8.5 billion. The increases in net income attributable to Cummins Inc. and earnings per diluted share were driven by higher net sales, improved gross margins and a lower effective tax rate, the gain recognized on the divestiture of Atmus, partially offset by increased higher compensation costs, higher interest expense related to increased floating interest rates and new borrowings, increased net income attributable to noncontrolling interests and higher consulting expenses. The increase in gross margin was primarily due to favorable pricing, lower freight costs, higher volumes (including a full quarter of axles and brakes from the Meritor acquisition) and favorable mix, partially offset by higher compensation expenses.



Operating Segments	Nine months ended September 30,							
	2023			2022			Percent change	
	Percent			Percent			2023 vs. 2022	
	Sales	of Total	EBITDA	Sales	of Total	EBITDA	Sales	EBITDA
In millions								
Components	\$ 10,218	40 %	\$ 1,434	\$ 6,641	33 %	\$ 969	54 %	48 %
Engine	8,905	35 %	1,277	8,307	41 %	1,173	7 %	9 %
Distribution	7,536	29 %	940	6,609	32 %	632	14 %	49 %
Power Systems	4,244	17 %	654	3,712	18 %	411	14 %	59 %
Accelera	273	1 %	(322)	123	1 %	(239)	NM	(35)%
Intersegment eliminations	(5,654)	(22)%	(88)	(5,088)	(25)%	(252)	11 %	(65)%
Total	\$ 25,522	100 %	\$ 3,895 <sup>(1)</sup>	\$ 20,304	100 %	\$ 2,694 <sup>(2)</sup>	26 %	45 %

<sup>(1)</sup> EBITDA includes \$67 million of costs associated with the IPO and separation of Atmus for the nine months ended September 30, 2023. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(2)</sup> EBITDA includes \$112 million of costs associated with the indefinite suspension of our Russian operations, \$62 million of costs associated with the planned separation of Atmus and \$56 million of costs related to the acquisition and integration of Meritor for the nine months ended September 30, 2022. See NOTE 14, "RUSSIAN OPERATIONS," to our *Condensed Consolidated Financial Statements* for additional information.

Net income attributable to Cummins Inc. was \$2.2 billion, or \$15.19 expenses and lower volumes. Diluted earnings per diluted common share on sales of \$25.5 billion for the nine three months ended September 30, 2023 March 31, 2024, versus the comparable prior year period net income attributable to Cummins Inc. of \$1.5 billion, or \$10.68 per diluted share, on sales of \$20.3 billion. The increases in net income attributable to Cummins Inc. and earnings per diluted share were driven by higher net sales and improved gross margins, partially offset by increased compensation expenses and higher interest expense related to increased floating interest rates and new borrowings. The increase in gross margin was primarily benefited \$0.09 from fewer weighted-average shares outstanding due to higher volumes (including sales of axles and brakes from treasury shares reacquired in the Meritor acquisition) and favorable pricing, partially offset by higher compensation expenses.

Atmus divestiture. See NOTE 14, "ATMUS DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

We generated \$2.5 billion \$276 million of cash from operations for the nine three months ended September 30, 2023 March 31, 2024, compared to \$1.1 billion \$495 million for the comparable period in 2022, 2023. See the section titled "Cash Flows" in the "LIQUIDITY AND CAPITAL RESOURCES" section for a discussion of items impacting cash flows.

Our debt to capital ratio (total capital defined as debt plus equity) at September 30, 2023 March 31, 2024, was 89.0 40.4 percent, compared to 44.1 40.3 percent at December 31, 2022 December 31, 2023. The decrease increase was primarily due to the increased equity balance from strong earnings since December 31, 2022 and lower debt. higher debt balances at March 31, 2024. At September 30, 2023 March 31, 2024, we had \$3.1 billion in cash and marketable securities on hand and access to our \$4.0 billion credit facilities (net of commercial paper outstanding), if necessary, to meet acquisition, working capital, investment and funding needs.

On October 2, 2023 February 20, 2024, we repaid our \$500 million issued \$2.25 billion aggregate principal amount of senior unsecured notes consisting of \$500 million aggregate principal amount of 4.90 percent senior unsecured notes due 2023, using a combination in 2029, \$750 million aggregate principal amount of cash on hand 5.15 percent senior unsecured notes due in 2034 and additional commercial paper borrowings.

On October 2, 2023, we purchased all \$1.0 billion aggregate principal amount of the equity ownership 5.45 percent senior unsecured notes due in 2054. We received net proceeds of Faurecia's U.S. and Europe commercial vehicle exhaust business from the Forvia Group for approximately €199 million, subject to certain adjustments set forth in the agreement, \$2.2 billion. See NOTE 19, "SUBSEQUENT EVENTS, 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

In July 2023, the Board authorized an increase to our quarterly dividend of approximately 7 percent from \$1.57 per share to \$1.68 per share.

In the first nine three months of 2023, 2024, the investment gain on our U.S. pension trusts was 2.32 1.2 percent, while our U.K. pension trusts' loss was 10.69 2.3 percent. To better hedge its liabilities, our U.K. pension plan sold a substantial portion of its private markets assets at a discount at the end of the second quarter, which fully settled in the third quarter and detracted from investment performance for the period. We anticipate making additional defined benefit pension contributions during the remainder of 2023 2024 of \$13 million \$29 million for our U.S. and U.K. qualified and non-qualified pension plans. We expect our 2023 2024 annual net periodic pension cost to be near zero.approximate \$34 million.

As of the date of this filing, our credit ratings and outlooks from the credit rating agencies remain unchanged.

## RESULTS OF OPERATIONS

In millions, except per share amounts	Three months ended		Favorable/		Nine months ended		Favorable/	
	September 30,		(Unfavorable)		September 30,		(Unfavorable)	
	2023	2022	Amount	Percent	2023	2022	Amount	Percent
NET SALES	\$ 8,431	\$ 7,333	\$ 1,098	15 %	\$ 25,522	\$ 20,304	\$ 5,218	26 %
Cost of sales	6,360	5,691	(669)	(12)%	19,274	15,404	(3,870)	(25)%



<b>GROSS MARGIN</b>	<b>2,071</b>	1,642	429	26 %	<b>6,248</b>	4,900	1,348	28 %
<b>OPERATING EXPENSES AND INCOME</b>								
Selling, general and administrative expenses	<b>831</b>	708	(123)	(17)%	<b>2,457</b>	1,945	(512)	(26)%
Research, development and engineering expenses	<b>376</b>	348	(28)	(8)%	<b>1,110</b>	945	(165)	(17)%
Equity, royalty and interest income from investees	<b>118</b>	70	48	69 %	<b>370</b>	261	109	42 %
Other operating expense, net	<b>32</b>	30	(2)	(7)%	<b>78</b>	144	66	46 %
<b>OPERATING INCOME</b>	<b>950</b>	626	324	52 %	<b>2,973</b>	2,127	846	40 %
Interest expense	<b>97</b>	61	(36)	(59)%	<b>283</b>	112	(171)	NM
Other income, net	<b>25</b>	43	(18)	(42)%	<b>166</b>	26	140	NM
<b>INCOME BEFORE INCOME TAXES</b>	<b>878</b>	608	270	44 %	<b>2,856</b>	2,041	815	40 %
Income tax expense	<b>188</b>	199	11	6 %	<b>623</b>	502	(121)	(24)%
<b>CONSOLIDATED NET INCOME</b>	<b>690</b>	409	281	69 %	<b>2,233</b>	1,539	694	45 %
Less: Net income attributable to noncontrolling interests	<b>34</b>	9	(25)	NM	<b>67</b>	19	(48)	NM
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 656</b>	<b>\$ 400</b>	<b>\$ 256</b>	64 %	<b>\$ 2,166</b>	<b>\$ 1,520</b>	<b>\$ 646</b>	43 %
<b>Diluted Earnings Per Common Share Attributable to Cummins Inc.</b>	<b>\$ 4.59</b>	<b>\$ 2.82</b>	<b>\$ 1.77</b>	63 %	<b>\$ 15.19</b>	<b>\$ 10.68</b>	<b>\$ 4.51</b>	42 %

"NM" - not meaningful information

In millions, except per share amounts	Three months ended		Favorable/ (Unfavorable)	
	March 31,			
	2024	2023	Amount	Percent
<b>NET SALES</b>	<b>\$ 8,403</b>	\$ 8,453	\$ (50)	(1)%
Cost of sales	<b>6,362</b>	6,424	62	1 %
<b>GROSS MARGIN</b>	<b>2,041</b>	2,029	12	1 %
<b>OPERATING EXPENSES AND INCOME</b>				
Selling, general and administrative expenses	<b>839</b>	753	(86)	(11)%
Research, development and engineering expenses	<b>369</b>	350	(19)	(5)%
Equity, royalty and interest income from investees	<b>123</b>	119	4	3 %
Other operating expense, net	<b>33</b>	19	(14)	(74)%
<b>OPERATING INCOME</b>	<b>923</b>	1,026	(103)	(10)%
Interest expense	<b>89</b>	87	(2)	(2)%
Other income, net	<b>1,387</b>	90	1,297	NM
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,221</b>	1,029	1,192	NM
Income tax expense	<b>193</b>	223	30	13 %
<b>CONSOLIDATED NET INCOME</b>	<b>2,028</b>	806	1,222	NM
Less: Net income attributable to noncontrolling interests	<b>35</b>	16	(19)	NM
<b>NET INCOME ATTRIBUTABLE TO CUMMINS INC.</b>	<b>\$ 1,993</b>	<b>\$ 790</b>	<b>\$ 1,203</b>	NM
<b>Diluted Earnings Per Common Share Attributable to Cummins Inc.</b>	<b>\$ 14.03</b>	<b>\$ 5.55</b>	<b>\$ 8.48</b>	NM

"NM" - not meaningful information

	Three months ended				Favorable/ 	Nine months ended				Favorable/ 	
	September 30,				(Unfavorable)	September 30,				(Unfavorable)	
Percent of sales	Percent of sales	2023	2022		Percentage Points	2023	2022		Percentage Points		
Percent of sales											
Percent of sales											
Gross margin											
Gross margin											
Gross margin											
Gross margin	Gross margin	24.6	%	22.4	%	2.2	24.5	%	24.1	%	0.4

Selling, general and administrative expenses	Selling, general and administrative expenses	9.9	%	9.7	%	(0.2)	9.6	%	9.6	%	—
Selling, general and administrative expenses											
Selling, general and administrative expenses											
Research, development and engineering expenses											
Research, development and engineering expenses											
Research, development and engineering expenses	Research, development and engineering expenses	4.5	%	4.7	%	0.2	4.3	%	4.7	%	0.4

## Net Sales

Net sales for the three months ended **September 30, 2023** **March 31, 2024**, **increased** **decreased** by **\$1.1 billion** **\$50 million** versus the comparable period in **2022**, **2023**. The primary drivers were as follows:

- Components segment sales **increased 20** **decreased 6** percent largely due to **a full quarter of lower demand in our emission solutions** and axles and brakes **sales from businesses** and the **Meritor acquisition** versus two months **divestiture** of sales in the comparable period in **2022**.
  - Distribution** segment sales increased 13 percent due to higher demand across all product lines, especially in North America, **Atmus** on **March 18, 2024**.
- Engine **segment sales** decreased 2 percent primarily due to lower demand in global construction markets and North American heavy-duty truck markets, partially offset by higher demand in North American medium-duty truck markets.

These decreases were partially offset by the following:

- Distribution** segment sales increased 5 percent principally due to **strong heavy-duty and medium-duty truck higher** demand in **North America**, **power generation markets**.
- Power Systems segment sales increased **7** **3** percent primarily due to higher demand in power generation markets.

Net sales for the nine months ended **September 30, 2023**, **increased** **\$5.2 billion** versus the comparable period in **2022**. The primary drivers were as follows:

- Components** segment sales increased 54 percent largely due to axles and brakes sales from the **Meritor acquisition**.
- Distribution** segment sales increased 14 percent due to higher demand across all product lines, especially in **North America**.
- Engine** segment sales increased 7 percent principally due to strong heavy-duty and medium-duty truck demand in **North America**.
- Power Systems** segment sales increased 14 percent primarily due to higher demand in power generation markets.

These increases were partially offset by unfavorable foreign currency fluctuations of 1 percent of total sales, primarily in the Chinese renminbi and Indian rupee.

Sales to international markets (excluding the U.S. and Canada), based on location of customers, for the three **and nine** months ended **September 30, 2023** **March 31, 2024**, were **38 percent** and 39 percent of total net sales compared with 39 percent and 40 percent of total net sales for the comparable **periods** **period** in **2022**, **2023**. A more detailed discussion of sales by segment is presented in the "OPERATING SEGMENT RESULTS" section.

## Cost of Sales

The types of expenses included in cost of sales are the following: parts and material consumption, including direct and indirect materials; compensation and related expenses, including variable compensation, salaries and fringe benefits; depreciation on production equipment and facilities and amortization of technology intangibles; estimated costs of warranty programs and campaigns; production utilities; production-related purchasing; warehousing, including receiving and inspection; freight costs; engineering support costs; repairs and maintenance; production and warehousing facility property **insurance**; **insurance** and rent for production **facilities**; **charges for the write-downs of inventories in Russia** **facilities** and other production overhead.

## Gross Margin

Gross margin increased **\$429 million** **\$12 million** for the three months ended **September 30, 2023** **March 31, 2024**, and increased **2.2** **0.3** points as a percentage of net sales versus the comparable period in **2022**, **2023**. The increase in gross margin and gross margin as a percentage of sales was primarily due to favorable pricing, **lower freight costs**, **higher volumes** (including a full quarter of axles and brakes from the Meritor acquisition) and favorable mix, partially offset by higher compensation **expenses**, **expenses** and lower volumes. Compensation and related expenses **include** **included salaries, fringe benefits** and variable **compensation, salaries and fringe benefits**.

Gross margin increased \$1.3 billion for the nine months ended September 30, 2023, and increased 0.4 points as a percentage of sales versus the comparable period in 2022. The increase in gross margin and gross margin as a percentage of sales was primarily due to higher volumes (including sales of axles and brakes from the Meritor acquisition) and favorable pricing, partially offset by higher compensation expenses. compensation.

The provision for base warranties issued as a percent of sales for the three and nine months ended September 30, 2023 March 31, 2024, was 1.9 percent and 1.8 percent, respectively, compared to 1.7 percent and 1.9 percent for the comparable periods period in 2022, 2023.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$123 million \$86 million for the three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to higher variable compensation expenses and higher consulting expenses. Compensation and related expenses included salaries, fringe benefits and variable compensation. Overall, selling, general and administrative expenses as a percentage of net sales increased to 9.9 10.0 percent in the three months ended September 30, 2023 March 31, 2024, from 9.7 8.9 percent in the comparable period in 2022, as selling, general and administrative expenses increased at a faster rate than net sales.

Selling, general and administrative expenses increased \$512 million for the nine months ended September 30, 2023, versus the comparable period in 2022, primarily due to higher compensation expenses. Compensation and related expenses include variable compensation, salaries and fringe benefits. Overall, selling, general and administrative expenses, as a percentage of sales, remained flat at 9.6 percent. 2023.

#### Research, Development and Engineering Expenses

Research, development and engineering expenses increased \$28 million \$19 million for the three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to higher variable compensation expenses. Compensation and related expenses included salaries, fringe benefits and variable compensation. Overall, research, development and engineering expenses as a percentage of net sales decreased increased to 4.5 4.4 percent in the three months ended September 30, 2023 March 31, 2024, from 4.7 4.1 percent in the comparable period in 2022, as research, development and engineering expenses increased at a slower rate than net sales.

Research, development and engineering expenses increased \$165 million for the nine months ended September 30, 2023, versus the comparable period in 2022, primarily due to higher compensation costs and lower expense recovery. Compensation and related expenses include variable compensation, salaries and fringe benefits. Overall, research, development and engineering expenses as a percentage of sales decreased to 4.3 percent in the nine months ended September 30, 2023, from 4.7 percent in the comparable period in 2022, as research, development and engineering expenses increased at a slower rate than net sales. 2023.

Research activities continue to focus on development of new products and improvements of current technologies to meet future emission standards around the world, improvements in fuel economy performance of diesel and natural gas-powered engines and related components, as well as development activities around hydrogen engine solutions, battery electric, fuel cell electric and hydrogen production technologies.

#### Equity, Royalty and Interest Income from Investees

Equity, royalty and interest income from investees increased \$48 million \$4 million for the three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to higher earnings at Chongqing Cummins Engine Co., Ltd., Dongfeng Cummins Engine Co., Ltd. and Sisamex, partially offset by lower royalty and interest income from investees and increased earnings at Dongfeng Cummins Engine Co., Ltd.

Equity, royalty and interest income from investees increased \$109 million for the nine months ended September 30, 2023, versus the comparable period in 2022, mainly due to the absence of the \$28 million impairment of our Russian joint venture with KAMAZ, higher royalty and interest income from investees, joint venture earnings from the Meritor acquisition and higher earnings at Dongfeng Cummins Engine Co., Ltd. See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information. investees.

#### Other Operating Expense, Net

Other operating (expense) income, net was as follows:

In millions	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Amortization of intangible assets	\$ (34)	\$ (25)	\$ (100)	\$ (39)
Loss on write-off of assets	(1)	—	(3)	(8)
Royalty income, net	1	1	12	6
Russian suspension costs <sup>(1)</sup>	—	(3)	—	(64)
Asset impairments and other charges	—	—	—	(36)
Other, net	2	(3)	13	(3)
Total other operating expense, net	\$ (32)	\$ (30)	\$ (78)	\$ (144)

<sup>(1)</sup> See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.

Three months ended  
March 31,



Loss on corporate owned life insurance	(28)	(29)	(8)	(114)
(Loss) gain on marketable securities, net	—	(3)	8	(12)
Foreign currency (loss) gain, net				
Foreign currency (loss) gain, net				
Other, net	2	4	9	14
Other, net				
Other, net				
Total other income, net				
Total other income, net				
Total other income, net	\$ 25	\$ 43	\$ 166	\$ 26
(1) See NOTE 14, "ATMUS DIVESTITURE," to our Condensed Consolidated Financial Statements for additional information.				
(2) See NOTE 14, "ATMUS DIVESTITURE," to our Condensed Consolidated Financial Statements for additional information.				
(3) See NOTE 14, "ATMUS DIVESTITURE," to our Condensed Consolidated Financial Statements for additional information.				

## Income Tax Expense

Our effective tax rate for 2023 2024 is expected to approximate 22.0 24.0 percent, excluding any discrete items that may arise.

Our effective tax rates for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, were 21.4 8.7 percent and 21.8 percent, respectively. Our effective tax rates for the three and nine months ended September 30, 2022, were 32.7 percent and 24.6 21.7 percent, respectively.

The three months ended September 30, 2023 March 31, 2024, contained net favorable discrete tax items primarily due to the \$1.3 billion non-taxable gain on the Atmus split-off. Other discrete tax items were \$21 million favorable primarily due to adjustments related to audit settlements.

The three months ended March 31, 2023, contained favorable discrete tax items of \$5 million, primarily due to \$13 million of favorable return to provision adjustments and \$1 million of favorable share-based compensation tax benefits, partially offset by \$9 million of unfavorable adjustments for uncertain tax positions.

The nine months ended September 30, 2023, contained net favorable discrete tax items of \$5 million, primarily due to \$15 million of favorable return to provision adjustments and \$5 million of favorable share-based compensation tax benefit, partially offset by \$11 million of unfavorable adjustments for uncertain tax positions and \$4 million of other unfavorable adjustments.

The three months ended September 30, 2022, contained unfavorable discrete tax items of \$57 \$3 million, primarily due to \$51 million of unfavorable share-based compensation tax costs associated with internal restructuring ahead of the planned separation of Atmus and \$10 million of unfavorable return to provision adjustments, partially offset by \$4 million of net favorable other discrete tax items, benefits.

The nine months ended September 30, 2022, contained unfavorable net discrete tax items of \$52 million, primarily due to \$69 million of unfavorable tax costs associated with internal restructuring ahead of the planned separation of Atmus and \$10 million of unfavorable return to provision adjustments, partially offset by \$27 million of favorable changes in tax reserves.

## Noncontrolling Interests

Noncontrolling interests eliminate the income or loss attributable to non-Cummins ownership interests in our consolidated entities. Noncontrolling interests in income of consolidated subsidiaries for the three and nine months ended September 30, 2023 March 31, 2024, increased \$25 million and \$48 million, respectively \$19 million versus the comparable periods period in 2022. The increase for the for three months ended September 30, 2023, was 2023 primarily due to higher earnings at Cummins India Limited and the absence of losses at Hydrogenics Corporation resulting from the June 2023 acquisition, earnings attributable to the divested, noncontrolling interest in Atmus and higher partially offset by lower earnings at Eaton Cummins Joint Venture. The increase for the nine three months ended September 30, 2023 March 31, 2024, was principally due to higher earnings at Cummins India Limited and Eaton Cummins Joint Venture.

included the noncontrolling interest associated with Atmus through March 18, 2024, the date of divestiture.

## Comprehensive Income - Foreign Currency Translation Adjustment

The foreign currency translation adjustment was a net loss of \$163 million and \$191 million, respectively, \$60 million for the three and nine months ended September 30, 2023 March 31, 2024, compared to a net loss gain of \$379 million and \$620 million, respectively, \$82 million for the three and nine months ended September 30, 2022 March 31, 2023, driven by the following:

Three months ended		Three months ended	
September 30,		March 31,	
2023	2022		

2024						2024						2023	
			Primary currency driver vs.		Primary currency driver vs.				Primary currency driver vs.				Primary currency driver vs.
In millions	In millions	Translation adjustment	U.S. dollar	Translation adjustment	U.S. dollar	In millions	Translation adjustment		U.S. dollar		Translation adjustment		U.S. dollar
Wholly-owned subsidiaries	Wholly-owned subsidiaries	\$ (142)	British pound, Brazilian real, Chinese renminbi, Indian rupee	\$ (306)	Chinese renminbi, British pound, Indian rupee	Wholly-owned subsidiaries	\$ (54)	Chinese renminbi, Euro	Chinese renminbi, Euro		\$ 73	British pound, Brazilian real, Euro	British pound, Brazilian real, Euro
Equity method investments	Equity method investments	(14)	Chinese renminbi, Indian rupee, Brazilian real	(58)	Chinese renminbi	Equity method investments	(3)	Chinese renminbi, partially offset by Indian rupee	Chinese renminbi, partially offset by Indian rupee		6	Brazilian real, Chinese renminbi	Brazilian real, Chinese renminbi
Consolidated subsidiaries with a noncontrolling interest	Consolidated subsidiaries with a noncontrolling interest	(7)	Indian rupee, Chinese renminbi	(15)	Indian rupee	Consolidated subsidiaries with a noncontrolling interest	(3)	Indian rupee, Chinese renminbi, Euro	Indian rupee, Chinese renminbi, Euro		3	Indian rupee	Indian rupee

Nine months ended  
September 30,

In millions		2023		2022	
		Translation adjustment	U.S. dollar	Translation adjustment	U.S. dollar
Wholly-owned subsidiaries		\$ (141)	Chinese renminbi, partially offset by Brazilian real	\$ (465)	Chinese renminbi, British pound, Indian rupee
Equity method investments		(44)	Chinese renminbi, partially offset by Brazilian real	(117)	Chinese renminbi
Consolidated subsidiaries with a noncontrolling interest		(6)	Chinese renminbi, Indian rupee	(38)	Indian rupee
Total		\$ (191)		\$ (620)	

## OPERATING SEGMENT RESULTS

As previously announced, beginning in the first quarter of 2023, we realigned certain businesses and regions within our reportable segments to be consistent with how our segment managers monitor the performance of our segments. We reorganized the businesses within our Components segment to carve out the electronics business into the newly formed

software and electronics business and combined the turbo technologies and fuel systems businesses into the newly formed engine components business. On May 26, 2023, we changed the name of our Components' filtration business to Atmus with the IPO. Our Components segment now consists of the following businesses: axles and brakes, emission solutions, engine components, Atmus, automated transmissions and software and electronics. In the first quarter of 2023, as a result of the indefinite suspension of operations in Russia, we reorganized the regional management structure of our Distribution segment and moved all Commonwealth of Independent States (CIS) sales into the Europe and Africa and Middle East regions. The Russian portion of prior period CIS sales moved to the Europe region. In March 2023, we rebranded our New Power segment as "Accelera" to better represent our commitment to zero-emission technologies. In addition, we moved our NPROXX joint venture from the Accelera segment to the Engine segment, which adjusted both the equity, royalty and interest income from investees and segment EBITDA line items for the current and prior year. We started to report results for the changes within our operating segments effective January 1, 2023, and reflected these changes in the historical periods presented. See NOTE 15, "FORMATION OF ATMUS AND IPO," to our *Condensed Consolidated Financial Statements* for additional information about the Atmus IPO.

Our reportable operating segments consist of the Components, Engine, Distribution, Power Systems and Accelera segments. This reporting structure is organized according to the products and markets each segment serves. We use segment EBITDA as the basis for the Chief Operating Decision Maker to evaluate the performance of each of our reportable operating segments. We believe EBITDA is a useful measure of our operating performance as it assists investors and debt holders in comparing our performance on a consistent basis without regard to financing methods, capital structure, income taxes or depreciation and amortization methods, which can vary significantly depending upon many factors. Segment amounts exclude certain expenses not specifically identifiable to segments. See NOTE 17, 15, "OPERATING SEGMENTS," to the *Condensed Consolidated Financial Statements* for additional information and a reconciliation of our segment information to the corresponding amounts in our *Condensed Consolidated Statements of Net Income*.

Following is a discussion of results for each of our operating segments.

### Components Segment Results

Financial data for the Components segment was as follows:

In millions	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
	September 30,		(Unfavorable)		September 30,		(Unfavorable)	
	2023	2022	Amount	Percent	2023	2022	Amount	Percent
External sales	\$ 2,780	\$ 2,220	\$ 560	25 %	\$ 8,747	\$ 5,214	\$ 3,533	68 %
Intersegment sales	456	483	(27)	(6)%	1,471	1,427	44	3 %
Total sales	3,236	2,703	533	20 %	10,218	6,641	3,577	54 %
Research, development and engineering expenses	93	87	(6)	(7)%	287	236	(51)	(22)%
Equity, royalty and interest income from investees	26	17	9	53 %	71	54	17	31 %
Interest income	8	4	4	100 %	21	7	14	NM
Russian suspension costs <sup>(1)</sup>	—	1	1	100 %	—	5	5	100 %
Segment EBITDA	441 <sup>(2)</sup>	297 <sup>(3)</sup>	144	48 %	1,434 <sup>(2)</sup>	969 <sup>(3)</sup>	465	48 %
			Percentage Points				Percentage Points	
Segment EBITDA as a percentage of total sales	13.6 %	11.0 %		2.6	14.0 %	14.6 %		(0.6)

"NM" - not meaningful information

<sup>(1)</sup> See NOTE 14, "RUSSIAN OPERATIONS," to our *Condensed Consolidated Financial Statements* for additional information.

<sup>(2)</sup> Includes costs associated with the IPO and separation of Atmus of \$20 million and \$50 million for the three and nine months ended September 30, 2023, respectively.

<sup>(3)</sup> Includes \$45 million and \$56 million of costs related to the acquisition and integration of Meritor and \$10 million and \$15 million of costs associated with the separation of Atmus for the three and nine months ended September 30, 2022, respectively.

As noted above, the descriptions of the two new businesses are as follows:

In millions	Three months ended		Favorable/ (Unfavorable)	
	March 31,		(Unfavorable)	
	2024	2023	Amount	Percent
External sales	\$ 2,842	\$ 3,043	\$ (201)	(7)%
Intersegment sales	490	514	(24)	(5)%
Total sales	3,332	3,557	(225)	(6)%
Research, development and engineering expenses	84	91	7	8 %
Equity, royalty and interest income from investees	26	21	5	24 %
Interest income	8	6	2	33 %
Segment EBITDA	473 <sup>(1)</sup>	507 <sup>(2)</sup>	(34)	(7)%
			Percentage Points	
Segment EBITDA as a percentage of total sales	14.2 %	14.3 %		(0.1)

<sup>(1)</sup> Included \$21 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2024.

<sup>(2)</sup> Included \$12 million of costs associated with the divestiture of Atmus for the three months ended March 31, 2023.

On March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus common stock through a tax-free split-off. See NOTE 14, "ATMUS DIVESTITURE," to the *Engine components - Condensed Consolidated Financial Statements* We design, manufacture and market turbocharger, valvetrain and fuel system technologies for light-duty, mid-range, heavy-duty and high-horsepower markets across North America, Europe, China and India.

**Software and electronics** - We develop, supply and remanufacture control units, specialty sensors, power electronics, actuators and software for on-highway, off-highway and power generation applications. We primarily serve markets in the Americas, China, India and Europe. [additional information](#).

Sales for our Components segment by business including adjusted prior year balances for the changes noted above, were as follows:

In millions	In millions	Three months ended		Favorable/ (Unfavorable)		Nine months ended		Favorable/ (Unfavorable)	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
		2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
Axles and brakes									
Axles and brakes									
Axles and brakes	Axles and brakes	\$ 1,177	\$ 732	\$ 445	61 %	\$ 3,698	\$ 732	\$ 2,966	NM
Emission solutions	Emission solutions	893	853	40	5 %	2,913	2,626	287	11 %
Emission solutions									
Emission solutions									
Engine components									
Engine components									
Engine components	Engine components	532	509	23	5 %	1,670	1,514	156	10 %
Atmus	Atmus	396	399	(3)	(1) %	1,230	1,172	58	5 %
Atmus									
Atmus									
Automated transmissions									
Automated transmissions									
Automated transmissions	Automated transmissions	187	159	28	18 %	545	436	109	25 %
Software and electronics	Software and electronics	51	51	—	— %	162	161	1	1 %
Software and electronics									
Software and electronics									
Total sales									
Total sales									
Total sales	Total sales	\$ 3,236	\$ 2,703	\$ 533	20 %	\$ 10,218	\$ 6,641	\$ 3,577	54 %

"NM" - not meaningful information

<sup>(1)</sup> Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

<sup>(2)</sup> Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

<sup>(3)</sup> Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

## Sales



Components segment sales for the three months ended September 30, 2023 March 31, 2024, increased \$533 million decreased \$225 million versus the comparable period in 2022, 2023. The following were the primary drivers by business:

- Axles and brakes Emission solutions sales increased \$445 million mainly decreased \$85 million primarily due to a full quarter of sales versus two months of sales weaker demand in comparable period in 2022, China and India.

- Emission solutions Atmus sales increased \$40 million primarily decreased \$64 million due to stronger demand in North America.

Components segment sales for the nine months ended September 30, 2023, increased \$3.6 billion versus the comparable period in 2022. The following were the primary drivers by business: divestiture on March 18, 2024.

- Axles and brakes sales increased \$3.0 billion decreased \$40 million mainly due to the Meritor acquisition on August 3, 2022.
- Emission solutions sales increased \$287 million principally due to stronger weaker demand in North America and China.
- Engine components sales increased \$156 million mainly due to higher Western Europe, partially offset by stronger demand in China and North America. Brazil.

#### Segment EBITDA

Components segment EBITDA for the three months ended September 30, 2023 March 31, 2024, increased \$144 million decreased \$34 million versus the comparable period in 2022, 2023, mainly due to higher lower volumes (including a full quarter the divestiture of sales of axles Atmus) and brakes from the Meritor acquisition), the absence of Meritor acquisition and integration costs, favorable pricing and lower freight costs, higher compensation expenses, partially offset by higher compensation expenses.

Components segment EBITDA for the nine months ended September 30, 2023, increased \$465 million versus the comparable period in 2022, primarily due to higher volumes (including sales of axles lower material costs and brakes from the Meritor acquisition), favorable pricing and the absence of Meritor acquisition and integration costs, partially offset by higher compensation expenses.

mix.

#### Engine Segment Results

Financial data for the Engine segment was as follows:

		Three months ended		Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
In millions	In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
External sales									
External sales									
External sales	External sales	\$ 2,236	\$ 2,063	\$ 173	8 %	\$ 6,751	\$ 6,204	\$ 547	9 %
Intersegment sales	Intersegment sales	695	716	(21)	(3) %	2,154	2,103	51	2 %
Intersegment sales									
Intersegment sales									
Total sales									
Total sales									
Total sales	Total sales	2,931	2,779	152	5 %	8,905	8,307	598	7 %
Research, development and engineering expenses	Research, development and engineering expenses	159	140	(19)	(14) %	441	365	(76)	(21) %
Research, development and engineering expenses									

Research, development and engineering expenses											
Equity, royalty and interest income from investees											
Equity, royalty and interest income from investees											
Equity, royalty and interest income from investees	Equity, royalty and interest income from investees	(1)									
		62	27	35	NM	198	127	71	56 %		
Interest income	Interest income	4	3	1	33 %	14	8	6	75 %		
Russian suspension costs		—	—	—	— %	—	33 (2)	33	100 %		
Interest income											
Interest income											
Segment EBITDA	Segment EBITDA	395	362	33	9 %	1,277	1,173	104	9 %		
		Percentage Points				Percentage Points					
Segment EBITDA											
Segment EBITDA											
Segment EBITDA as a percentage of total sales											
Segment EBITDA as a percentage of total sales											
Segment EBITDA as a percentage of total sales	Segment EBITDA as a percentage of total sales	13.5	%	13.0	%	0.5	14.3	%	14.1	%	0.2
"NM" - not meaningful information	"NM" - not meaningful information										
(1) Includes a \$28 million impairment of our joint venture with KAMAZ and \$3 million of royalty charges as part of our costs associated with the indefinite suspension of our Russian operations. See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.						(2) Includes \$31 million of Russian suspension costs reflected in the equity, royalty and interest income from investees line above. See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.					
"NM" - not meaningful information											
"NM" - not meaningful information											
Sales for our Engine segment by market were as follows:											
	Three months ended				Favorable/		Nine months ended		Favorable/		
	September 30,				(Unfavorable)		September 30,		(Unfavorable)		
	March 31,										
	March 31,										
	March 31,										
In millions											
In millions											
In millions	In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent		

Heavy-duty truck	Heavy-duty truck	\$	1,116	\$	972	\$	144	15	%	\$	3,347	\$	2,881	\$	466	16	%	
Heavy-duty truck																		
Heavy-duty truck																		
Medium-duty truck and bus																		
Medium-duty truck and bus																		
Medium-duty truck and bus	Medium-duty truck and bus		931		868		63		7	%	2,776		2,591		185		7	%
Light-duty automotive	Light-duty automotive		455		466		(11)		(2)	%	1,339		1,420		(81)		(6)	%
Light-duty automotive																		
Light-duty automotive																		
Total on-highway																		
Total on-highway																		
Total on-highway	Total on-highway		2,502		2,306		196		8	%	7,462		6,892		570		8	%
Off-highway	Off-highway		429		473		(44)		(9)	%	1,443		1,415		28		2	%
Off-highway																		
Off-highway																		
Total sales																		
Total sales																		
Total sales	Total sales	\$	2,931	\$	2,779	\$	152	5	%	\$	8,905	\$	8,307	\$	598	7	%	
Percentage Points										Percentage Points								
On-highway sales as percentage of total sales																		
On-highway sales as percentage of total sales																		
On-highway sales as percentage of total sales	On-highway sales as percentage of total sales	85	%	83	%	2			84	%	83	%	1					

Unit shipments by engine classification (including unit shipments to Power Systems and off-highway engine units included in their respective classification) were as follows:

		Three months ended		Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
		2023	2022	Amount	Percent	2023	2022	Amount	Percent
Heavy-duty	Heavy-duty	36,300	30,200	6,100	20 %	107,400	89,700	17,700	20 %
Heavy-duty									
Heavy-duty									
Medium-duty									
Medium-duty									
Medium-duty	Medium-duty	71,300	69,800	1,500	2 %	226,200	211,200	15,000	7 %
Light-duty	Light-duty	53,300	58,300	(5,000)	(9) %	161,900	185,200	(23,300)	(13) %
Light-duty									
Light-duty									
Total unit shipments	Total unit shipments	160,900	158,300	2,600	2 %	495,500	486,100	9,400	2 %
Total unit shipments									

## Total unit shipments

### Sales

Engine segment sales for the three months ended **September 30, 2023** **March 31, 2024**, **increased \$152 million** **decreased \$58 million** versus the comparable period in **2022**, **2023**. The following were the primary drivers by market:

- Heavy-duty truck **Off-highway** sales **increased \$144 million** principally due to stronger demand in North America (with higher shipments of 14 percent) and China.
- Medium-duty truck and bus sales **increased \$63 million** **decreased \$94 million** mainly due to higher demand, especially in North America with medium-duty truck shipments up 12 percent.

These increases were partially offset by decreased off-highway sales of \$44 million primarily due to weaker demand in global agriculture markets and lower demand in global construction markets, especially in **Latin America** **China** and **China**.

Engine segment sales for the nine months ended September 30, 2023, increased \$598 million versus the comparable period in 2022. The following were the primary drivers by market: **Western Europe**.

- Heavy-duty truck sales **increased \$466 million** **decreased \$55 million** principally due to higher **weaker** demand **especially** in North America (with shipments up 17 percent) and China. **America**.
- Medium-duty **These decreases were partially offset by increased medium-duty** truck and bus sales **increased \$185 million** **of \$92 million** mainly due to higher demand **especially** in North America with higher medium-duty truck **engine** shipments of **13** **20** percent.

These increases were partially offset by decreased light-duty automotive sales of \$81 million primarily due to our indefinite suspension of operations in Russia and weaker demand in Brazil.

### Segment EBITDA

Engine segment EBITDA for the three months ended **September 30, 2023** **March 31, 2024**, **increased \$33 million** **decreased \$43 million** versus the comparable period in **2022**, **2023**, primarily due to **favorable pricing**, partially offset by lower parts volumes.

Engine segment EBITDA for the nine months ended September 30, 2023, increased \$104 million versus the comparable period in 2022, mainly due to favorable pricing, partially offset by volumes, higher compensation expenses and increased material costs. **unfavorable product coverage costs**, partially offset by favorable pricing.

### Distribution Segment Results

Financial data for the Distribution segment was as follows:

In millions	In millions	Three months ended		Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
		2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
External sales									
External sales									
External sales	External sales	\$ 2,519	\$ 2,232	\$ 287	13 %	\$ 7,494	\$ 6,590	\$ 904	14 %
Intersegment sales	Intersegment sales	16	7	9	NM	42	19	23	NM
Intersegment sales									
Intersegment sales									
Total sales									
Total sales									
Total sales	Total sales	2,535	2,239	296	13 %	7,536	6,609	927	14 %
Research, development and engineering expenses	Research, development and engineering expenses	14	13	(1)	(8) %	43	39	(4)	(10) %
Research, development and engineering expenses									
Research, development and engineering expenses									

Equity, royalty and interest income from investees										
Equity, royalty and interest income from investees										
Equity, royalty and interest income from investees	Equity, royalty and interest income from investees	22	20	2	10 %	70	57	13	23 %	
Interest income	Interest income	9	4	5	NM	24	9	15	NM	
Interest income										
Interest income										
Russian suspension costs										
(1)		—	—	—	— %	—	55	55	100 %	
Segment EBITDA										
Segment EBITDA										
Segment EBITDA	Segment EBITDA	306	225	81	36 %	940	632	308	49 %	
		Percentage Points				Percentage Points				
Segment EBITDA as a percentage of total sales										
Segment EBITDA as a percentage of total sales										
Segment EBITDA as a percentage of total sales	Segment EBITDA as a percentage of total sales	12.1	% 10.0	%	2.1	12.5	% 9.6	%	2.9	
"NM" - not meaningful information										

(1) See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.

Sales for our Distribution segment by region including adjusted prior year balances for the changes noted above, were as follows:

		Three months ended		Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
In millions	In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
North America									
North America									
North America	North America	\$ 1,731	\$ 1,512	\$ 219	14 %	\$ 5,223	\$ 4,373	\$ 850	19 %
Asia Pacific	Asia Pacific	292	260	32	12 %	798	748	50	7 %
Asia Pacific									
Asia Pacific									
Europe									
Europe									
Europe	Europe	200	182	18	10 %	608	711	(103)	(14) %
China	China	112	92	20	22 %	327	274	53	19 %
Africa and Middle East		77	79	(2)	(3) %	219	190	29	15 %

China											
China											
India											
India											
India	India	68	56	12	21	%	192	158	34	22	%
Latin America	Latin America	55	58	(3)	(5)	%	169	155	14	9	%
Latin America											
Latin America											
Africa and Middle East											
Africa and Middle East											
Africa and Middle East											
Total sales											
Total sales											
Total sales	Total sales	\$ 2,535	\$ 2,239	\$ 296	13	%	\$ 7,536	\$ 6,609	\$ 927	14	%

Sales for our Distribution segment by product line were as follows:

	Three months ended				Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)		
In millions	In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent	
In millions										
In millions										
Parts										
Parts										
Parts	Parts	\$ 995	\$ 945	\$ 50	5 %	\$ 3,071	\$ 2,859	\$ 212	7 %	
Power generation	Power generation	606	431	175	41 %	1,712	1,273	439	34 %	
Power generation										
Power generation										
Engines										
Engines										
Engines	Engines	511	449	62	14 %	1,498	1,319	179	14 %	
Service	Service	423	414	9	2 %	1,255	1,158	97	8 %	
Service										
Service										
Total sales										
Total sales										
Total sales	Total sales	\$ 2,535	\$ 2,239	\$ 296	13 %	\$ 7,536	\$ 6,609	\$ 927	14 %	

## Sales

Distribution segment sales for the three months ended September 30, 2023 March 31, 2024, increased \$296 million \$129 million versus the comparable period in 2022, 2023. The following were the primary driver was an increase in North American drivers by region:

- Asia Pacific sales of \$219 million increased \$45 million primarily due to higher demand in most product lines (especially power generation). generation, especially data center markets, and service.

Distribution segment. European sales for the nine months ended September 30, 2023, increased \$927 million versus the comparable period \$45 million mainly due to favorable demand in 2022. The primary driver was an increase in power generation and parts.

- North American sales of \$850 million increased \$28 million principally due to higher demand in all product lines.

The increase was power generation, especially commercial and data center markets, partially offset by the following:

- European sales decreased \$103 million mainly as a result of our indefinite suspension of operations in Russia.

- Unfavorable foreign currency fluctuations, primarily in the Australian dollar, Canadian dollar, Chinese renminbi, South African rand lower demand for engines and Indian rupee, aftermarket products.

#### Segment EBITDA

Distribution segment EBITDA for the three months ended September 30, 2023 March 31, 2024, increased \$81 million decreased \$41 million versus the comparable period in 2022, 2023, primarily due to favorable higher compensation expenses, unfavorable inventory adjustments and unfavorable mix, and increased volumes, partially offset by higher compensation expenses.

Distribution segment EBITDA for the nine months ended September 30, 2023, increased \$308 million versus the comparable period in 2022, primarily due to favorable mix, increased volumes and improved pricing, partially offset by higher compensation expenses, pricing.

#### Power Systems Segment Results

Financial data for the Power Systems segment was as follows:

	Three months ended		Favorable/		Nine months ended		Favorable/	
	September 30,		(Unfavorable)		September 30,		(Unfavorable)	
In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent
External sales	\$ 798	\$ 773	\$ 25	3 %	\$ 2,271	\$ 2,190	\$ 81	4 %
Intersegment sales	646	576	70	12 %	1,973	1,522	451	30 %
Total sales	1,444	1,349	95	7 %	4,244	3,712	532	14 %
Research, development and engineering expenses	60	62	2	3 %	189	184	(5)	(3) %
Equity, royalty and interest income from investees	11	10	1	10 %	42	31	11	35 %
Interest income	3	3	—	— %	7	5	2	40 %
Russian suspension costs <sup>(1)</sup>	—	—	—	— %	—	19	19	100 %
Segment EBITDA	234	193	41	21 %	654	411	243	59 %
	Percentage Points				Percentage Points			
Segment EBITDA as a percentage of total sales	16.2	% 14.3	%	1.9	15.4	% 11.1	%	4.3

<sup>(1)</sup> See NOTE 14, "RUSSIAN OPERATIONS," to our Condensed Consolidated Financial Statements for additional information.

In millions

In millions

In millions

External

sales

External

sales

External sales
Intersegment sales
Intersegment sales
Intersegment sales
Total sales
Total sales
Total sales
Research, development and engineering expenses
Research, development and engineering expenses
Research, development and engineering expenses
Equity, royalty and interest income from investees
Equity, royalty and interest income from investees
Equity, royalty and interest income from investees
Interest income
Interest income
Interest income
Segment EBITDA
Segment EBITDA
Segment EBITDA



Segment
EBITDA as a percentage of total sales
Segment
EBITDA as a percentage of total sales
Segment
EBITDA as a percentage of total sales

Sales for our Power Systems segment by product line were as follows:

In millions	In millions	Three months ended		Favorable/		Nine months ended		Favorable/	
		September 30,		(Unfavorable)		September 30,		(Unfavorable)	
		2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
Power generation									
Power generation									
Power generation	Power generation	\$ 850	\$ 739	\$ 111	15 %	\$ 2,474	\$ 2,060	\$ 414	20 %
Industrial	Industrial	475	483	(8)	(2) %	1,398	1,304	94	7 %
Industrial									
Industrial									
Generator technologies									
Generator technologies									
Generator technologies	Generator technologies	119	127	(8)	(6) %	372	348	24	7 %
Total sales	Total sales	\$ 1,444	\$ 1,349	\$ 95	7 %	\$ 4,244	\$ 3,712	\$ 532	14 %
Total sales									
Total sales									

**Sales**

Power Systems segment sales for the three months ended **September 30, 2023** **March 31, 2024**, increased **\$95 million** **\$46 million** versus the comparable period in **2022**, **2023**. The primary driver was an increase in power generation sales of **\$111** **83 million** mainly due to higher demand in North America and **the Middle East**.

**Power Systems segment sales for the nine months ended September 30, 2023**, increased **\$532 million** versus the comparable period **India**, partially offset by weaker demand in **2022**, **Western Europe and Latin America**. The primary driver increase was an increase partially offset by a decrease in power generation industrial sales of **\$414 million** **\$35 million** mainly due to **higher weaker demand in the oil and gas market** in North America, **Asia Pacific, India and the Middle East**, partially offset by stronger demand in global mining markets.

**Segment EBITDA**

Power Systems segment EBITDA for the three months ended **September 30, 2023** **March 31, 2024**, increased **\$41 million** **\$18 million** versus the comparable period in **2022**, **2023**, mainly due to favorable pricing, partially offset by unfavorable mix and higher compensation expenses.

**Power Systems segment EBITDA for the nine months ended September 30, 2023**, increased **\$243 million** versus the comparable period in **2022**, primarily due to favorable pricing and increased volumes, partially offset by higher compensation expenses.

Accelera Segment Results

Financial data for the Accelera segment was as follows:

		Three months ended	Favorable/	Nine months ended	Favorable/
		September 30,	(Unfavorable)	September 30,	(Unfavorable)

In millions	In millions	2023	2022	Amount	Percent	2023	2022	Amount	Percent
In millions									
In millions									
External sales									
External sales									
External sales	External sales	\$ 98	\$ 45	\$ 53	NM	\$ 259	\$ 106	\$ 153	NM
Intersegment sales	Intersegment sales	5	5	—	— %	14	17	(3)	(18) %
Intersegment sales									
Intersegment sales									
Total sales									
Total sales									
Total sales	Total sales	103	50	53	NM	273	123	150	NM
Research, development and engineering expenses	Research, development and engineering expenses	50	46	(4)	(9) %	150	121	(29)	(24) %
Research, development and engineering expenses									
Research, development and engineering expenses									
Equity, royalty and interest loss from investees	Equity, royalty and interest loss from investees	(3)	(4)	1	25 %	(11)	(8)	(3)	(38) %
Interest income		—	—	—	— %	1	—	1	NM
Equity, royalty and interest loss from investees									
Equity, royalty and interest loss from investees									
Segment EBITDA									
Segment EBITDA									
Segment EBITDA	Segment EBITDA	(114)	(95)	(19)	(20) %	(322)	(239)	(83)	(35) %
"NM" - not meaningful information									

Accelera segment sales for the three months ended **September 30, 2023** **March 31, 2024**, increased **\$53 million** **\$8 million** versus the comparable period in **2022** **2023** principally due to improved sales of **electrolyzers** and incremental sales of central drive systems since the acquisition of Siemens' Commercial Vehicles Propulsion business.

Accelera segment sales for the nine months ended **September 30, 2023**, increased \$150 million versus the comparable period in 2022 principally due to incremental sales of central drive systems, e-axes and accessory systems since the acquisitions of Siemens' Commercial Vehicles Propulsion business and Meritor's electric powertrain business, as well as improved electrolyzer and electrified components sales. **electrolyzers**.

## OUTLOOK

### Supply Chain Disruptions

We continue to experience supply chain disruptions, increased price levels and related financial impacts reflected as increased cost of sales and inventory holdings. Our industry continues to be unfavorably impacted by supply chain constraints leading to shortages and price increases across multiple component categories and limiting our collective ability to meet end-user demand. Our customers are also experiencing supply chain issues. The Board continues to monitor and evaluate all of these factors and the related impacts on our business and operations and we are diligently working to minimize the supply chain impacts to our business and to our customers.

### Business Outlook

Our outlook reflects the following positive trends and challenges to our business that could impact our revenue and earnings potential for the remainder of **2023** **2024**.

#### Positive Trends

- We expect demand for medium-duty trucks in North America to remain strong.
- We believe market demand for trucks in India will continue to be strong.
- We expect demand within our Power Systems business to remain strong, including the power generation **mining, oil and gas and marine mining** markets.
- We anticipate demand in our aftermarket business will continue to be robust, **albeit with some softening in the remainder of the year**, driven primarily by **truck utilization in North America and continued strong demand in our Engine and Power Systems business. businesses.**
- We expect demand for trucks in China to **remain stable or improve from the low demand levels in 2022**, **2024**.

#### Challenges

- **We expect demand for heavy-duty trucks in North America to weaken modestly, particularly in the second half of 2024.**

- Continued increases in material and labor costs, as well as other inflationary pressures, could negatively impact earnings.
- Our industry's sales continue to be unfavorably impacted by supply chain constraints leading to shortages across multiple components categories and limiting The financial implications resulting from our collective ability to meet end-user demand. Our customers are also experiencing other supply chain issues limiting full production capabilities.
- The completion of the Meritor, Inc. acquisition in 2022 impacted Settlement Agreements will negatively impact our liquidity in 2024 and resulted will result in incremental interest expense for debt utilized in funding the transaction and increased amortization of intangible assets, which will negatively impact net income. civil penalty.
- Labor actions within the North American automotive sector could disrupt pick-up truck production with a negative impact on net income.
- Increasing interest rates could increase borrowing costs and negatively impact net income.
- We expect the ongoing separation of Atmus, our filtration business, into a stand-alone company will continue to result in incremental expenses.

LIQUIDITY AND CAPITAL RESOURCES

Key Working Capital and Balance Sheet Data

We fund our working capital with cash from operations and short-term borrowings, including commercial paper, when necessary. Various assets and liabilities, including short-term debt, can fluctuate significantly from month to month depending on short-term liquidity needs. As a result, working capital is a prime focus of management's attention. Working capital and balance sheet measures are provided in the following table:

Dollars in millions	Dollars in millions	September 30, 2023	December 31, 2022	Dollars in millions	March 31, 2024	December 31, 2023
Working capital <sup>(1)</sup>	Working capital <sup>(1)</sup>	\$ 4,786	\$3,030			
Current ratio	Current ratio	1.43	1.27			
Accounts and notes receivable, net	Accounts and notes receivable, net	\$ 5,662	\$5,202			
Days' sales in receivables	Days' sales in receivables	58	60			
Inventories	Inventories	\$ 5,906	\$5,603			
Inventory turnover	Inventory turnover	4.4	4.2			
Accounts payable (principally trade)	Accounts payable (principally trade)	\$ 4,262	\$4,252			
Days' payable outstanding	Days' payable outstanding	61	60			
Total debt	Total debt	\$ 7,464	\$7,855			
Total debt as a percent of total capital	Total debt as a percent of total capital	39.0 %	44.1 %	Total debt as a percent of total capital	40.4 %	40.3 %
<sup>(1)</sup> Working capital includes cash, cash equivalents and restricted cash.						
<sup>(1)</sup> Working capital included cash and cash equivalents						
<sup>(1)</sup> Working capital included cash and cash equivalents						
<sup>(1)</sup> Working capital included cash and cash equivalents						

## Cash Flows

Cash and cash equivalents were impacted as follows:

Three months ended								
Nine months ended					March 31,			
September 30,					2024			
In millions	In millions	2023	2022	Change	In millions	2024	2023	Change
Net cash provided by operating activities	Net cash provided by operating activities	\$2,507	\$1,145	\$1,362				
Net cash used in investing activities	Net cash used in investing activities	(860)	(3,496)	2,636				
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	(1,069)	2,111	(3,180)				
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities							
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(67)	147	(214)				
Net increase (decrease) in cash, cash equivalents and restricted cash	Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 511	\$ (93)	\$ 604				
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents							

Net cash provided by operating activities increased \$1.4 billion decreased \$219 million for the nine three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to higher net income of \$694 million and lower working capital requirements of \$349 million \$112 million and lower operating income of \$103 million. The lower higher working capital requirements resulted in a cash outflow of \$370 million \$606 million compared to a cash outflow of \$719 million \$494 million in the comparable period of 2022, 2023, mainly due to increased accrued expenses (from higher variable compensation accruals payouts in 2023 accrued expenses, increased inventories and higher variable compensation payments in the first quarter of 2022 for the previous year), partially offset by unfavorable changes in accounts payable, payable, partially offset by favorable changes in accounts and notes receivable.

Net cash used in investing activities decreased \$2.6 billion increased \$178 million for the nine three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to lower cash associated with the Atmus divestiture of \$174 million and higher acquisition activity of \$2.9 billion \$59 million, partially offset by higher net liquidations of marketable securities of \$33 million and lower capital expenditures of \$241 million \$24 million.

Net cash used in provided by financing activities increased \$3.2 billion \$862 million for the nine three months ended September 30, 2023 March 31, 2024, versus the comparable period in 2022, 2023, primarily due to proceeds from borrowings of \$2.4 billion (principally related to our 2024 note issuance), partially offset by higher net payments of commercial paper of \$2.6 billion \$858 million and lower proceeds from borrowings of \$1.3 billion, partially offset by lower payments on borrowings and finance lease obligations of \$679 million and the absence of repurchases of common stock of \$370 million \$606 million.

The effect of exchange rate changes on cash and cash equivalents for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, versus the comparable period in **2022**, **decreased \$214 million** **2023**, **increased \$18 million** primarily due to unfavorable fluctuations in the British pound, partially offset by the Chinese renminbi.

Sources of Liquidity

We generate significant ongoing cash flow. Cash provided by operations is our principal source of liquidity with **\$2,507 million** **\$276 million** generated in the **nine** **three** months ended **September 30, 2023** **March 31, 2024**. Our sources of liquidity include:

March 31, 2024					March 31, 2024				
In millions		In millions			Total	U.S.	International	Primary location of international balances	
Cash and cash equivalents		Cash and cash equivalents			\$2,541	\$ 1,617	\$ 924	Singapore, Australia, Belgium, Mexico, Canada, China	

September 30, 2023					Primary location of international balances
In millions	Total	U.S.	International		
Cash, cash equivalents and restricted cash	\$2,612	\$1,270	\$ 1,342		Belgium, China, Australia, Canada, Mexico, Singapore, India
Marketable securities (1)					
Marketable securities (1)					
Marketable securities (1)	452	87	365	India	
Total	\$3,064	\$1,357	\$ 1,707		
Available credit capacity					
Available credit capacity					
Revolving credit facilities (2)					
Revolving credit facilities (2)	\$2,290				
Atmus revolving credit facility (3)	\$ 400				
Revolving credit facilities (2)					
Revolving credit facilities (2)					
International and other uncommitted domestic credit facilities					
International and other uncommitted domestic credit facilities					
International and other uncommitted domestic credit facilities					
International and other uncommitted domestic credit facilities	\$ 356				

2023, Atmos entered into a \$400 million revolving credit facility and at September 30, 2023, they had no outstanding borrowings under this facility.

(2) The five-year credit facility for \$2.0 billion and the 364-day credit facility for \$2.0 billion, maturing August 2026 and June 2024, respectively, are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. At September 30, 2023, we had \$1.7 billion of commercial paper outstanding, which effectively reduced our available capacity under our revolving credit facilities to \$2.3 billion.

(1) The majority of marketable securities could be liquidated into cash within a few days.

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**Cash, Cash Equivalents Restricted Cash and Marketable Securities**

A significant portion of our cash flow is generated outside the U.S. We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. As a result, we do not anticipate any local liquidity restrictions to preclude us from funding our operating needs with local resources.

If we distribute our foreign cash balances to the U.S. or to other foreign subsidiaries, we could be required to accrue and pay withholding taxes, for example, if we repatriated cash from certain foreign subsidiaries whose earnings we asserted are completely or partially permanently reinvested. Foreign earnings for which we assert permanent reinvestment outside the U.S. consist primarily of earnings of our China, India, Canada (including underlying subsidiaries) and Netherlands domiciled subsidiaries. At present, we do not foresee a need to repatriate any earnings for which we assert permanent reinvestment. However, to help fund cash needs of the U.S. or other international subsidiaries as they arise, we repatriate available cash from certain foreign subsidiaries whose earnings are not permanently reinvested when it is cost effective to do so.

#### **Restricted Cash**

We had \$225 million of restricted cash at September 30, 2023, of which \$216 million was in an escrow account and used to fund the acquisition of Faurecia's U.S. and Europe commercial vehicle exhaust business on October 2, 2023. See NOTE 19, "SUBSEQUENT EVENTS," to our *Condensed Consolidated Financial Statements* for additional information.

#### **IPO of Atmus**

On May 23, 2023, in connection with the Atmus IPO, Cummins issued approximately \$350 million of commercial paper with certain lenders. On May 26, 2023, Atmus shares began trading on the New York Stock Exchange under the symbol "ATMU." The IPO was completed on May 30, 2023, whereby Cummins exchanged 19.5 percent (approximately 16 million shares) of its ownership in Atmus, at \$19.50 per share, to retire \$299 million of the commercial paper as proceeds from the offering through a non-cash transaction. In exchange for the filtration business, Atmus also transferred to Cummins consideration of \$650 million. The commercial paper issued and retired through the IPO proceeds, coupled with the \$650 million received, is intended to be used for the retirement of our historical debt, dividends and share repurchases. See NOTE 15, "FORMATION OF ATMUS AND IPO," to the *Condensed Consolidated Financial Statements* for additional information.

#### **Debt Facilities and Other Sources of Liquidity**

In April 2024, we issued approximately \$1.0 billion of commercial paper in anticipation of paying the substantial majority of payments required by the Settlement Agreements in May 2024. See NOTE 11, "COMMITMENTS AND CONTINGENCIES," to the *Condensed Consolidated Financial Statements* for additional information on the Settlement Agreements.

On **June 5, 2023** February 20, 2024, we entered into an amended issued \$2.25 billion aggregate principal amount of senior unsecured notes consisting of \$500 million aggregate principal amount of 4.90 percent senior unsecured notes due in 2029, \$750 million aggregate principal amount of 5.15 percent senior unsecured notes due in 2034 and restated 364-day credit agreement that allows us \$1.0 billion aggregate principal amount of 5.45 percent senior unsecured notes due in 2054. We received net proceeds of \$2.2 billion. See NOTE 9, "DEBT," to borrow up to \$2.0 billion of unsecured funds at any time prior to June 3, 2024. This credit agreement amended and restated the prior \$1.5 billion 364-day credit facility that matured on August 16, 2023. In connection with the 364-day credit agreement, effective June 5, 2023, we terminated our \$500 million incremental 364-day credit agreement dated August 17, 2022. *Condensed Consolidated Financial Statements* for additional information.

We have access to Our committed credit facilities totaling provide access up to \$4.0 billion, including our \$2.0 billion 364-day facility that expires June 3, 2024, and our \$2.0 billion five-year facility that expires on August 18, 2026. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities at or before expiration. There were no outstanding borrowings under these facilities at **September 30, 2023** March 31, 2024.

We can issue Our committed credit facilities provide access up to **\$4.0 billion** \$4.0 billion of unsecured, short-term promissory notes (commercial paper) pursuant to the Board of Directors (the Board) authorized commercial paper programs. These programs facilitate the private placement of unsecured short-term debt through third-party brokers. We intend to use the net proceeds from the commercial paper borrowings for acquisitions and general corporate purposes. The total combined borrowing capacity under the revolving credit facilities and commercial paper programs should not exceed \$4.0 billion. At **September 30, 2023** March 31, 2024, we had **\$1.7 billion** \$609 million of commercial paper outstanding, which effectively reduced our available capacity under our revolving credit facilities to **\$2.3 billion**.

In September 2023, we entered into a series of interest rate swaps with a total notional value of \$500 million in order to trade a portion of the floating rate into a fixed rate on our term loan, due in 2025. The maturity date of the interest rate swaps is August 1, 2025 **\$3.4 billion**. We designated the swaps as cash flow hedges. The gains and losses on these derivative instruments are initially recorded in other comprehensive income and reclassified into earnings as interest expense in See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* as each interest payment is accrued.

In 2021, we entered into a series of interest rate swaps to effectively convert our \$500 million senior notes, due in 2025, from a fixed rate of 0.75 percent to a floating rate equal to the three-month LIBOR plus a spread. We also entered into a series of interest rate swaps to effectively convert \$765 million of our \$850 million senior notes, due in 2030, from a fixed rate of 1.50 percent to a floating rate equal to the three-month LIBOR plus a spread. The swaps were designated and are accounted for as fair value hedges. In March 2023, we settled a portion of our 2021 interest rate swaps with a notional amount of \$100 million. The \$7 million loss on settlement will be amortized over the remaining term of the related debt.

In 2019, we entered into \$350 million of interest rate lock agreements, and in 2020 we entered into an additional \$150 million of lock agreements to reduce the variability of the cash flows of the interest payments on a total of \$500 million of fixed rate debt forecast to be issued in 2023 to replace our senior notes at maturity. In December 2022, we settled certain rate lock agreements with notional amounts totaling \$150 million for \$49 million. In February 2023, we settled certain rate lock agreements with notional amounts totaling \$100 million for \$34 million. In August 2023, we settled all remaining rate lock agreements with notional amounts totaling \$250 million for \$67 million. The \$150 million of gains on settlements will remain in other comprehensive income and will be amortized over the term of the anticipated new debt.

On February 15, 2023, certain of our subsidiaries entered into an amendment to the \$1.0 billion credit agreement (Credit Agreement), consisting of a \$400 million revolving credit facility and a \$600 million term loan facility, in anticipation of the separation of our filtration business, which extended the date on which the Credit Agreement terminates from March 30, 2023, to June 30, 2023. On May 26, 2023, Atmus drew down the entire \$600 million term loan facility and borrowed \$50 million under the revolving credit facility for use as partial consideration for the filtration business. Borrowings under the Credit Agreement mature in September 2027 (with quarterly payments on the term loan beginning in September 2024) and bear interest at varying rates, depending on the type of loan and, in some cases, the rates of designated benchmarks and the applicable borrower's election. Generally, U.S. dollar-denominated loans bear interest at adjusted term Secured Overnight Financing Rate (SOFR) (which includes a 0.10 percent credit spread adjustment to term SOFR) for the applicable interest period plus a rate ranging from 1.125 percent to 1.75 percent. The Credit Agreement contains customary events of default and financial and other covenants, including maintaining a net leverage ratio of 4.0 to 1.0 and a minimum interest coverage ratio of 3.0 to 1.0. At September 30, 2023, they had no outstanding borrowings under the revolving credit facility and \$600 million outstanding under the term loan facility. [information](#).

As a well-known seasoned issuer, we filed an automatic shelf registration of an undetermined amount of debt and equity with the Securities and Exchange Commission (SEC) on February 8, 2022. Under this shelf registration we may offer, from time to time, debt securities, common stock, preferred and preference stock, depositary shares, warrants, stock purchase contracts and stock purchase units.

## Supply Chain Financing

We currently have supply chain financing programs with financial intermediaries, which provide certain vendors the option to be paid by financial intermediaries earlier than the due date on the applicable invoice. When a vendor utilizes the program and receives an early payment from a financial intermediary, they take a discount on the invoice. We then pay the financial intermediary the face amount of the invoice on the original due date, which generally have 60 to 90 day payment terms. The maximum amount that we could have outstanding under the program was ~~\$482 million~~ ~~\$512 million~~. We do not reimburse vendors for any costs they incur for participation in the program, their participation is completely voluntary and there are no assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary. As a result, all amounts owed to the financial intermediaries are presented as accounts payable in our *Condensed Consolidated Balance Sheets*. Amounts due to the financial intermediaries reflected in accounts payable at ~~September 30, 2023~~ ~~March 31, 2024~~, were ~~\$220 million~~ ~~\$193 million~~.

## Uses of Cash

### Settlement Agreements

In December 2023, we announced that we reached an agreement in principle with the EPA, CARB, the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). As part of the Settlement Agreements, among other things, we agreed to pay civil penalties, complete recall requirements, undertake mitigation projects, provide extended warranties, undertake certain testing, take certain corporate compliance measures and make certain payments. Failure to comply with the terms and conditions of the Settlement Agreements will subject us to stipulated penalties. We recorded a charge of \$2.0 billion in the fourth quarter of 2023 to resolve the matters addressed by the Settlement Agreements involving approximately one million of our pick-up truck applications in the U.S. This charge was in addition to the previously announced charges of \$59 million for the recalls of model years 2013 through 2018 RAM 2500 and 3500 trucks and model years 2016 through 2019 Titan trucks. Of this amount, \$1.9 billion relates to payments that we began making in April 2024; however, the majority of these payments are expected to be made in May 2024. See NOTE 11, "COMMITMENTS AND CONTINGENCIES," to the *Condensed Consolidated Financial Statements* for additional information.

### Repayment of Debt

We used a portion of the net proceeds of \$2.2 billion from our February 2024 bond issuance to pay down \$650 million of our term loan, due 2025, and commercial paper. We intend to use the remaining net proceeds for general corporate purposes.

In April 2024, we also repaid \$100 million of our term loan, due 2025.

### Dividends

We paid dividends of ~~\$683 million~~ ~~\$239 million~~ during the ~~nine three~~ months ended ~~September 30, 2023~~ ~~March 31, 2024~~. In July 2023, the Board authorized an increase to our quarterly dividend of approximately 7 percent from \$1.57 per share to \$1.68 per share.

### Capital Expenditures

Capital expenditures for the ~~nine three~~ months ended ~~September 30, 2023~~ ~~March 31, 2024~~, were ~~\$694 million~~ ~~\$169 million~~ versus ~~\$453 million~~ ~~\$193 million~~ in the comparable period in ~~2022~~ ~~2023~~. We continue to invest in new product lines and targeted capacity expansions. We plan to spend an estimated \$1.2 billion to \$1.3 billion in ~~2023~~ ~~2024~~ on capital expenditures with over ~~60~~ ~~65~~ percent of these expenditures expected to be invested in North America.

### Acquisitions

Acquisitions for the nine months ended September 30, 2023, were as follows:

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Entity Acquired (Dollars in millions)	Date of Acquisition	Additional	Payments to Former Owners	Acquisition Related Debt Retirements	Total Purchase Consideration
		Percent Interest Acquired			
Hydrogenics Corporation (Hydrogenics)	06/29/23	19%	\$ 287	\$ 48	\$ 335 <sup>(1)</sup>
Teksid Hierro de Mexico, S.A. de C.V. (Teksid MX)	04/03/23	100%	143	—	143 <sup>(2)</sup>

<sup>(1)</sup> Hydrogenics entered into three non-interest-bearing promissory notes with \$175 million paid on July 31, 2023, and the remaining \$160 million due in three installments through 2025.

<sup>(2)</sup> Total purchase consideration included \$32 million for the settlement of accounts payable.

See NOTE 16, "ACQUISITIONS," to our *Condensed Consolidated Financial Statements* for additional information.

### Current Maturities of Short and Long-Term Debt

We had \$1.7 billion \$609 million of commercial paper outstanding at September 30, 2023 March 31, 2024, that matures in less than one year. The maturity schedule of our existing long-term debt requires significant cash outflows in the fourth quarter of 2023 when our 3.65 percent senior notes are due and in 2025 when our term loan and 0.75 percent senior notes are due. Required annual long-term debt principal payments range from \$50 million \$41 million to \$2.0 billion \$1.1 billion over the next five years (including the remainder of 2023) 2024). In 2023, we We intend to have a greater emphasis on the repayment of debt to maintain retain our strong investment credit ratings. See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

**On October 2, 2023, we repaid our \$500 million senior notes, due 2023, using a combination of cash on hand and additional commercial paper borrowings. On October 31, 2023, we repaid \$150 million of our term loan, due 2025, using cash on hand.**

### Pensions

Our global pension plans, including our unfunded and non-qualified plans, were 120 113 percent funded at December 31, 2022 December 31, 2023. Our U.S. defined benefit plans (qualified and non-qualified), which represented approximately 69 percent of the worldwide pension obligation, were 121 113 percent funded, and our U.K. defined benefit plans were 119 113 percent funded at December 31, 2022 December 31, 2023. The funded status of our pension plans is dependent upon a variety of variables and assumptions including return on invested assets, market interest rates and levels of voluntary contributions to the plans. In the first nine three months of 2023, 2024, the investment gain on our U.S. pension trusts was 2.32 1.2 percent, while our U.K. pension trusts' loss was 10.69 2.3 percent. To better hedge its liabilities, our U.K. pension plan sold a substantial portion of its private markets assets at a discount at the end of the second quarter, which fully settled in the third quarter and detracted from investment performance for the period. We anticipate making additional defined benefit pension contributions during the remainder of 2023 2024 of \$13 million \$29 million for our U.S. and U.K. qualified and non-qualified pension plans. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2023 2024 annual net periodic pension cost to be near zero. approximate \$34 million.

### Stock Repurchases

In December 2021, the Board authorized the acquisition of up to \$2.0 billion of additional common stock upon completion of the \$2.0 billion repurchase plan authorized in 2019. We did not make any repurchases of common stock in the first nine three months of 2023. 2024. The dollar value remaining available for future purchases under the 2019 program at March 31, 2024, was \$218 million.

### Credit Ratings

Our rating and outlook from each of the credit rating agencies as of the date of filing are shown in the table below:

Credit Rating Agency <sup>(1)</sup>	Long-Term	Short-Term	
	Senior Debt		
	Rating	Debt Rating	Outlook
Standard and Poor's Rating Services	A+ A	A1	Stable
Moody's Investors Service, Inc.	A2	P1	Stable

<sup>(1)</sup> Credit ratings are not recommendations to buy, are subject to change, and each rating should be evaluated independently of any other rating. In addition, we undertake no obligation to update disclosures concerning our credit ratings, whether as a result of new information, future events or otherwise.

### Management's Assessment of Liquidity

Our financial condition and liquidity remain strong. Our solid balance sheet and credit ratings enable us to have ready access to credit and the capital markets. We assess our liquidity in terms of our ability to generate adequate cash to fund our operating, investing and financing activities. We believe our access to capital markets, our existing cash and marketable securities, operating cash flow and revolving credit facilities provide us with the financial flexibility needed to fund repayment of debt obligations, dividend make payments acquisitions, required by the Settlement Agreements, targeted capital expenditures, dividend payments, debt service obligations, projected pension obligations, common stock repurchases projected pension obligations, working capital and equity injections for our subsidiaries fund acquisitions through 2023 2024 and beyond. We continue to generate significant cash from operations and maintain access to our revolving credit facilities and commercial paper programs as noted above.

**We anticipate making the substantial majority of payments required by the Settlement Agreements in May 2024 through the use of our existing liquidity and access to cash from commercial paper issued in April. See NOTE 17, "SUBSEQUENT EVENTS," to the *Condensed Consolidated Financial Statements* for additional information.**

## APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

A summary of our significant accounting policies is included in [NOTE 1, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," of the Notes to the Consolidated Financial Statements of our 2022 2023 Form 10-K](#), which discusses accounting policies that we have selected from acceptable alternatives.

Our *Condensed Consolidated Financial Statements* are prepared in accordance with generally accepted accounting principles that often require management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts presented and disclosed in the financial statements. Management reviews these estimates and assumptions based on historical experience, changes in business conditions and other relevant factors they believe to be reasonable under the circumstances. In any given reporting period, our actual results may differ from the estimates and assumptions used in preparing our *Condensed Consolidated Financial Statements*.

Critical accounting estimates are defined as follows: the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made; different estimates reasonably could have been used; or if changes in the estimate are reasonably likely to occur from period to period and the change would have a material impact on our financial condition or results of operations. Our senior management has discussed the development and selection of our accounting policies, related accounting estimates and the disclosures set forth below with the Audit Committee of the Board. Our critical accounting estimates disclosed in the [Form 10-K](#) address estimating liabilities for warranty programs, fair value of intangible assets, assessing goodwill impairment, accounting for income taxes and pension benefits.

A discussion of our critical accounting estimates may be found in the ["Management's Discussion and Analysis" section of our 2022 2023 Form 10-K under the caption "APPLICATION OF CRITICAL ACCOUNTING ESTIMATES."](#) Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported in the first [nine three](#) months of [2023 other than the critical accounting estimate relating to goodwill impairment to update our impairment sensitivity analysis. 2024.](#)

### Goodwill Impairment

We are required to make certain subjective and complex judgments in assessing whether a goodwill impairment event has occurred, including assumptions and estimates used to determine the fair value of our reporting units. We test for goodwill impairment at the reporting unit level and our reporting units are the operating segments or the components of operating segments that constitute businesses for which discrete financial information is available and is regularly reviewed by management.

We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform an annual quantitative goodwill impairment test. We have elected this option on certain reporting units. The following events and circumstances are considered when evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount:

- Macroeconomic conditions, such as a deterioration in general economic conditions, fluctuations in foreign exchange rates and/or other developments in equity and credit markets;
- Industry and market considerations, such as a deterioration in the environment in which an entity operates, material loss in market share and significant declines in product pricing;
- Cost factors, such as an increase in raw materials, labor or other costs;
- Overall financial performance, such as negative or declining cash flows or a decline in actual or forecasted revenue;
- Other relevant entity-specific events, such as material changes in management or key personnel and
- Events affecting a reporting unit, such as a change in the composition or carrying amount of its net assets including acquisitions and dispositions.

The examples noted above are not all-inclusive, and we consider other relevant events and circumstances that affect the fair value of a reporting unit in determining whether to perform the quantitative goodwill impairment test.

Our goodwill recoverability assessment is based on our annual strategic planning process. This process includes an extensive review of expectations for the long-term growth of our businesses and forecasted future cash flows. In order to determine the valuation of our reporting units, we use either the market approach or the income approach using a discounted cash flow model. Our income approach method uses a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. Our estimates are based upon our historical experience, our current knowledge from our commercial relationships and available external information about future trends.

The discounted cash flow model requires us to make projections of revenue, gross margin, operating expenses, working capital investment and fixed asset additions for the reporting units over a multi-year period. Additionally, management must estimate a weighted-average cost of capital, which reflects a market rate, for each reporting unit for use as a discount rate. The discounted cash flows are compared to the carrying value of the reporting unit and, if less than the carrying value, the difference is recorded as a goodwill impairment loss. In addition, we also perform sensitivity analyses to determine how much our forecasts can fluctuate before the fair value of a reporting unit would be lower than its carrying amount. Future changes in the judgments, assumptions and estimates that are used in our goodwill impairment testing, including discount rates or future operating results and related cash flow projections, could result in significantly different estimates of the fair values in the future. An increase in discount rates, a reduction in projected cash flows or a combination of the two could lead to a reduction in the estimated fair values, which may result in impairment charges that could materially affect our financial statements in any given year. We perform the goodwill impairment assessment as of the end of our fiscal third quarter.

While none of our reporting units recorded a goodwill impairment in 2023, we have two reporting units with material goodwill balances where the estimated fair value does not significantly exceed the carrying value, both of which are in our Components segment. Our automated transmissions reporting unit (consisting solely of our joint venture with Eaton) has an estimated fair value that exceeds its carrying amount of \$1.1 billion by approximately 7 percent. Total goodwill in this reporting unit is \$544 million. We valued this reporting unit using an income approach based on its expected future cash flows. The critical assumptions that factored into the valuation are the projected future revenues and gross margins of the business as well as the discount rate used to present value these future cash flows. A 50 basis point increase in the discount rate would result in a 5 percent decline

in the fair value of the reporting unit. Our axles and brakes reporting unit, which consists of the legacy business acquired from Meritor in August 2022, has an estimated fair value that exceeds its carrying amount of \$4.2 billion by approximately 12 percent. Total goodwill in this reporting unit is \$745 million. We valued this reporting unit using an income approach based on future cash flows. The critical assumptions that factored into the valuation are the projected future revenues and gross margins of the business as well as the discount rate used to present value these future cash flows. A 50 basis point increase in the discount rate would result in a 5 percent decline in the fair value of the reporting unit.

## RECENTLY ADOPTED ISSUED ACCOUNTING PRONOUNCEMENTS

See NOTE 18, 16, "RECENTLY ADOPTED ISSUED ACCOUNTING PRONOUNCEMENTS," in the *Notes to Condensed Consolidated Financial Statements* for additional information.

## ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

A discussion of quantitative and qualitative disclosures about market risk may be found in [Item 7A of our 2022 2023 Form 10-K](#). There have been no material changes in this information since the filing of our [2022 2023 Form 10-K](#).

## ITEM 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended [September 30, 2023](#) [March 31, 2024](#), that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings

The matters described under "Legal Proceedings" in NOTE 11, "COMMITMENTS AND CONTINGENCIES," to the *Condensed Consolidated Financial Statements* are incorporated herein by reference.

## ITEM 1A. Risk Factors

In addition to other information set forth in this report and the risk factor noted below, you should consider other risk factors discussed in [Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022](#) [December 31, 2023](#), which could materially affect our business, financial condition or future results. Other than noted below, there have been no material changes to our risks described in our [2022 2023 Annual Report on Form 10-K](#) or the "CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION" in this Quarterly report. Additional risks and uncertainties not currently known to us or that we currently judge to be immaterial also may materially adversely affect our business, financial condition or operating results.

## GOVERNMENT REGULATION

**We are conducting a formal internal review While we have reached Settlement Agreements with the EPA, CARB, the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emission emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., we have incurred, and likely will incur, other additional claims, costs and expenses in connection with the matters covered by the Settlement Agreements and other matters related to our compliance with emission standards for our engines, including with respect to our pick-up truck applications additional regulatory action and are working with the Environmental Protection Agency (EPA) and California Air Resources Board (CARB) collateral litigation related to address their questions about these applications. Due to the continuing nature of our formal internal review and on-going discussions with the EPA and CARB, we cannot predict the final results of this formal review and these regulatory processes, nor the extent to which, they likely will have a material adverse impact on the results of operations and cash flows.**

We previously announced that we are conducting a formal internal review of our emissions certification process and compliance with emission standards with respect to all of our pick-up truck applications, following conversations with the EPA and CARB regarding certification of our engines for model year 2019 RAM 2500 and 3500 trucks. During conversations with the EPA and CARB about the effectiveness of our pick-up truck applications, the regulators raised concerns that certain aspects of our emissions systems may reduce the effectiveness of our emissions control systems and thereby act as defeat devices. As a result, our internal review focuses, in part, on the regulators' concerns. We are working closely with the regulators to enhance our emissions systems to improve the effectiveness of all of our pick-up truck applications and to fully address the regulators' requirements. Based on discussions with the regulators, we have developed a new calibration for the engines in model year 2019 RAM 2500 and 3500 trucks that has been included in all engines shipped since September 2019. During our ongoing discussions, the regulators turned their attention to other model years and other engines, most notably our pick-up truck applications for RAM 2500 and 3500 trucks for model years 2013 through 2018 and Titan trucks for model years 2016 through 2019. Most recently, the regulators have also raised concerns regarding the completeness of our disclosures in our certification applications for RAM 2500 and 3500 trucks for model years 2013 through 2023. We

have also been in communication with Environmental and Climate Change Canada regarding similar issues relating to some of these very same platforms. In connection with these and other ongoing discussions with the EPA and CARB, we are developing a new software calibration and will recall model years 2013 through 2018 RAM 2500 and 3500 trucks. We accrued \$30 million for the RAM recall during the first quarter of 2022, an amount that reflected our current estimate of the cost of that recall. We are also developing a new software calibration and hardware fix and will recall model years 2016 through 2019 Titan trucks. We accrued \$29 million for the Titan recall during the third quarter of 2022, an amount that reflected our current estimate of the cost of that recall.

We will continue to work together closely with the relevant regulators to develop and implement recommendations for improvements and seek to reach further resolutions as part of our ongoing commitment to compliance. Based upon our discussions to date with the regulators which are continuing, such resolutions may involve our agreeing to one or more consent decrees and paying civil penalties. Due to the presence of many unknown facts and circumstances, we are not yet able to estimate any further financial impact of these matters. The consequences resulting from our formal review Those and these regulatory processes likely will related expenses and reputational damage could have a material adverse impact on our results of operations, financial condition and cash flows, however flows.

In December 2023, we cannot yet reasonably estimate announced that we reached the agreement in principle and recorded a loss or range charge of loss. \$2.0 billion in the fourth quarter of 2023 to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024. This fourth quarter of 2023 charge was in addition to the previously announced charges of \$59 million for the recalls of model years 2013 through 2018 RAM 2500 and 3500 trucks and model years 2016 through 2019 Titan trucks. Failure to comply with the terms and conditions of the Settlement Agreements will also subject us to stipulated penalties.

We have also been in communication with other non-U.S. regulators regarding matters related to the emission systems in our engines and may also become subject to additional regulatory review in connection with these matters.

In connection with our announcement of our entry into the agreement in principle, we became subject to shareholder, consumer and third-party litigation regarding the matters covered by the Settlement Agreements, and we may become subject to additional litigation in connection with these matters.

The consequences resulting from the resolution of the foregoing matters are uncertain and the related expenses and reputational damage could have a material adverse impact on our results of operations, financial condition and cash flows. See NOTE 11, "COMMITMENTS AND CONTINGENCIES," to the Condensed Consolidated Financial Statements for additional information.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following information is provided pursuant to Item 703 of Regulation S-K:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) <sup>(1)</sup>
July January 1 - July January 31	—	\$ —	—	\$ 2,218
August February 1 - August 31 February 29	—	—	—	2,218
September March 1 - September 30 March 31	—	—	—	2,218
Total	—	—	—	—

<sup>(1)</sup> Shares repurchased under our Key Employee Stock Investment Plan only occur in the event of a participant default, which cannot be predicted, and were excluded from this column.

In December 2021, the Board authorized the acquisition of up to \$2.0 billion of additional common stock upon completion of the \$2.0 billion repurchase plan authorized in 2019. During the three months ended September 30, 2023 March 31, 2024, we did not make any repurchases of common stock. The dollar value remaining available for future purchases under the 2019 program at September 30, 2023 March 31, 2024, was \$218 million.

Our Key Employee Stock Investment Plan allows certain employees, other than officers, to purchase shares of common stock on an installment basis up to an established credit limit. We hold participants' shares as security for the loans and would, in effect, repurchase shares only if the participant defaulted in repayment of the loan. Shares associated with participants' sales are sold as open-market transactions via a third-party broker.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

(c) During the third first quarter of 2023, 2024, none of our directors or executive officers adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408(a) of Regulation S-K).

The exhibits listed in the following Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Description of Exhibit
<a href="#">4.1</a>	<a href="#">Sixth Supplemental Indenture, dated as of February 20, 2024, between Cummins Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed by Cummins Inc. with the Securities and Exchange Commission on February 20, 2024 (File No. 001-04949))</a> .
<a href="#">4.2</a>	<a href="#">Seventh Supplemental Indenture, dated as of February 20, 2024, between Cummins Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed by Cummins Inc. with the Securities and Exchange Commission on February 20, 2024 (File No. 001-04949))</a> .
<a href="#">4.3</a>	
<a href="#">10</a>	<a href="#">Key Employee Form of Performance-Based Restricted Stock Investment Unit Award Agreement under 2012 Omnibus Incentive Plan (filed herewith)</a> .
<a href="#">31(a)</a>	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31(b)</a>	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32</a>	<a href="#">Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

## SIGNATURES

Cummins Inc.

Date: November May 2, 2023 2024

By: Is/ LUTHER E. PETERS  
Luther E. Peters  
Vice President-Controller  
(Principal Accounting Officer)

## CUMMINS INC.

**This document constitutes PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS AGREEMENT (this "Agreement"), which relates to a grant of performance-based Restricted Stock Units ("RSUs") made on \_\_\_\_\_ (the "Date of Grant"), is between Cummins Inc. (the "Company"), and the individual whose name is set forth on the signature page hereof (the "Participant"):

RECITALS:

WHEREAS, the Company has adopted the Cummins Inc. 2012 Omnibus Incentive Plan (the "Plan"), which is incorporated herein by reference and made a part of this Agreement (capitalized terms not otherwise defined herein shall have the same meanings as in the Plan); and

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its shareholders to grant the RSUs provided for herein to the Participant pursuant to the Plan, and the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. Grant. The Company hereby grants to the Participant the number of RSUs set forth in the grant letter accompanying this Agreement (the "Grant Letter") on the terms and conditions set forth in this Agreement. [One hundred percent (100%) of such RSUs are referred to as the "Target RSUs."] The Participant's rights with respect to the RSUs will remain forfeitable at all times prior to the date such RSUs vest as described in Section 4.

2. Performance Period and Goals. The vesting of the RSUs is subject to the achievement of the performance goals (the "Performance Goals") indicated in the Grant Letter during the performance period indicated in the Grant Letter (the "Performance Period"), as well as on continuous employment by the Participant until the Vesting Date (as defined below).

3. Restrictions on Transfer. The Participant cannot sell, transfer, or dispose of or pledge or hypothecate or assign the unvested RSUs or the Shares underlying the vested RSUs prior to the date on which such vested RSUs are settled pursuant to Section 4 (collectively, the "Transfer Restrictions").

4. Vesting; Termination of Employment.

(a) Vesting. Except as set forth in subsection (c), the RSUs will be eligible to vest only if the Participant continues in employment with the Company or its Affiliate until \_\_\_\_\_ (the "Vesting Date"). If the Participant's employment with the Company and its Affiliates terminates for any reason prior to the Vesting Date, then[, except as set forth in subsection (c).] the RSUs shall be forfeited on the date of such termination without consideration therefor.

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(b) Determination of Performance. As soon as practicable after the end of the Performance Period [INSERT DESCRIPTION OF PROCESS FOR PERFORMANCE DETERMINATION].

(c) [Death or Disability; Certain Involuntary Terminations Without Cause]. Notwithstanding anything to the contrary in this Agreement, (i) if the Participant's employment terminates prior to the Vesting Date due to death or Disability, then the Participant shall immediately and automatically vest in \_\_\_\_\_ of the Target RSUs [(regardless of the achievement of the Performance Goals)], and the remaining unvested portion of the RSUs shall be forfeited without consideration therefor and (ii) if (A) the Participant's employment terminates prior to the Vesting Date as a **prospectus covering securities** result of an involuntary termination by the Company without Cause and (B) the Committee determines



in its sole and absolute discretion that the Performance Goals have been achieved at a satisfactory level, then a number of the then-unvested RSUs determined by the Committee shall be deemed to have been earned and vested as of the date of such determination.]

5. **Settlement.**

(a) **General.** Except as otherwise provided in Section 5(b), as soon as practicable after the RSUs vest (but in all events during the year immediately following the end of the applicable Performance Period), the Company will settle such vested RSUs by making an appropriate book entry in the Participant's name for a number of Shares equal to the number of RSUs that have been registered vested. The Transfer Restrictions applicable to any Shares issued in respect of the RSUs shall lapse upon such issuance.

(b) **Restrictions.** The Company shall not be liable to the Participant for damages relating to any delays in making an appropriate book entry, or any mistakes or errors in the making of the book entry, provided that the Company shall correct any such errors caused by it. Any such book entry shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities Act and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws, and the Company may make an appropriate book entry notation to make appropriate reference to such restrictions.

6. **No Shareholder Rights.** The Participant shall not have any voting, dividend or other shareholder rights with respect to the Shares underlying the RSUs.

7. **No Right to Continued Employment or Future Awards.** The granting of 1933 the RSUs shall impose no obligation on the Company or any of its Affiliates to continue the employment of the Participant and shall not lessen or affect the Company's or its Affiliate's right to terminate the employment of the Participant. In addition, the granting of the RSUs shall impose no obligation on the Company or any of its Affiliates to make awards under the Plan to the Participant in the future.

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8. **Taxes.** The Company and its Affiliates shall have the right and are hereby authorized to withhold any applicable withholding taxes in respect of the RSUs and to take such other action as may be necessary to satisfy all obligations for the payment of such withholding taxes, including withholding Shares otherwise deliverable hereunder to satisfy such tax obligations.

9. **Securities Laws.** Upon the acquisition of any Shares pursuant to the RSUs, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

10. **Notices.** Any notice necessary under this Agreement shall be addressed to the Company in care of its Secretary at the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party may designate in writing to the other. Any such notice shall be deemed effective upon receipt by the addressee.

11. **Choice of Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF INDIANA WITHOUT REGARD TO CONFLICTS OF LAWS.

12. **RSUs Subject to Plan.** By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The RSUs are subject to the Plan. The terms and provisions of the Plan as they may be amended from time to time are incorporated herein by reference. In the event of a conflict between any term or provision in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern.

13. **Recoupment.** The award represented by this Agreement (this "Award") and the compensation received by the Participant under this Award shall be subject to the terms of any recoupment or clawback policy that may be adopted by the Company from time to time and to any requirement of applicable law, regulation or listing standard that requires the Company to recoup or clawback compensation paid under this Award.

14. Amendments. The Company may amend this Award at any time, provided that the Participant's consent to any amendment is required to the extent the amendment materially diminishes the rights of the Participant or results in cancellation of the Award. Notwithstanding the foregoing, the Company need not obtain Participant (or other interested party) consent for (a) the adjustment or cancellation of an Award pursuant to the adjustment provisions of the Plan; (b) the modification of the Award to the extent deemed necessary to comply with any applicable law, the listing requirements of any principal securities exchange or market on which the Shares are then traded; (c) the modification of the Award to preserve favorable accounting or tax treatment of the Award for the Company; or (d) the modification of the Award to the extent the Committee determines that such action does not materially and adversely affect the value of an

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Award or that such action is in the best interest of the affected Participant or any other person(s) as may then have an interest in the Award.

15. Committee Interpretation. As a condition to the grant of this Award, the Participant agrees (with such agreement being binding upon the Participant's legal representatives, guardians, legatees or beneficiaries) that this Agreement will be interpreted by the Committee and that any interpretation by the Committee of the terms of this Agreement or the Plan, and any determination made by the Committee under this Agreement or the Plan, will be final, binding and conclusive.

16. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

CUMMINS INC.


By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Agreed and acknowledged as of the date first above  
written:

\_\_\_\_\_  
Participant: Participant Name

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## Key Employee Stock Investment Plan ("KESIP") And Handbook

The date of this document is September 30, 2023.



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## TITLE AND PURPOSE OF THE PLAN

This Cummins Inc. Key Employee Stock Investment Plan (the “Plan” or “KESIP”) is intended to encourage key employees of Cummins Inc. and its subsidiaries (collectively, the “Company”) to own shares of Cummins Inc. common stock, par value \$2.50 per share (“Stock” or “Shares”). Through such ownership, the Plan is expected to benefit the Company by attracting and retaining the best available talent and more closely aligning the interests of its key employees with those of its shareholders.

## ELIGIBILITY

Eligible employees of the Company are those who meet all three of these criteria:

- On a U.S. payroll and receiving United States taxable income

- In Compensation Class 4 or 5 or its equivalent
- Not officers of the Company

Employees who meet these specified requirements are eligible to participate to the extent permitted by applicable law (such employees who participate, "Participants"). The KESIP Administrator (as defined below) will notify employees of their eligibility.

A Participant will cease to be eligible to purchase Shares under the Plan if at any time he or she no longer meets all the requirements described above.

## PLAN OVERVIEW

- Participants may obtain funds (up to the established loan limit) to purchase Stock through a loan from the Company. Loan proceeds are to be used solely and immediately for the purchase of Stock.
- Participants will receive a non-qualified stock option exercisable for 50 Shares for every even block of 100 KESIP Shares purchased.
- Participants receive dividends on purchased Shares during the term of the loan and are entitled to vote the Shares. A Form 1099-DIV will be issued for dividends paid.
- Subject to Plan limitations, the Participant may sell Shares, in which case the Participant will receive the sale proceeds, reduced by the outstanding loan balance, including accrued interest.
- The Plan is administered by the Company's Global Compensation Manager or her delegate (the "KESIP Administrator"). Participants may use the address and telephone number indicated under the heading "OTHER PROVISIONS" below to obtain additional information about the Plan and its administrator.

## PURCHASES AND SALES

### Limits on Purchases and Sales

- A Participant may purchase Shares immediately upon becoming informed of eligibility (unless a "blackout period" is in effect with respect to the Participant under the Trading in Cummins Securities Policy).
- A Participant will remain eligible to purchase Shares, subject to the conditions and limitations in the Plan, until he or she no longer meets all the requirements for participation in the Plan.
- A Participant may not sell Shares purchased under the Plan within six months of the purchase.
- A Participant may not purchase Shares under the Plan within six months after selling Shares purchased under the Plan or repaying a loan obtained under the Plan.
- Any Participant who is subject to "blackout periods" under the Trading in Cummins Securities Policy may not purchase or sell Shares under the Plan during a "blackout period."
- Executive Directors are subject to an "automatic blackout period" with respect to the Plan under the Trading in Cummins Securities Policy. This "automatic blackout period" is in place from the first business day of each quarter through the close of two business days after the day the Company publicly releases its earnings for the quarter.
- Blackout periods may also occur at the discretion of the Company's Vice President - General Counsel. Participants will be notified if a "blackout period" is in effect with respect to them when they request a purchase or sale.

### Share Pricing

#### **Purchases:**

- Purchases are processed by the KESIP Administrator
- Purchases are made at the closing price on the New York Stock Exchange on the last trading day preceding the day on which the Participant's request to purchase is treated as received. The purchase may be rescinded at the Talent Management and Compensation Committee's (the "Committee") discretion, however, if all required paperwork is not subsequently signed and returned as directed.
- If the request to purchase is made on a day on which the New York Stock Exchange is closed, the purchase price will be determined as though the request had been made on the prior trading day. For example, if the request was received on a Saturday, the price will be set as though the request was received on the prior Friday- at Thursday's closing price.
- Requests to purchase are treated as received on a trading day if they are received before midnight Eastern Time on such day. Requests received at or after midnight on a trading day are treated as received on the following trading day.

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#### **Sales:**

- Sales are facilitated by the Plan's third-party administrator, Morgan Stanley.
- Shares are sold at the trading price at the time the trade is initiated. If the request to sell is made on a day on which the New York Stock Exchange is closed, the selling price will be determined by the market opening price on the next trade date.
- Limit orders may also be established for sales.
- Form 1099-Bs will be issued for all sales.

#### **Options Granted On Purchase of Shares**

- Participants will receive a non-qualified stock option exercisable for 50 Shares for every even block of 100 KESIP Shares purchased (without proration or aggregation for purchases of less than even 100 share increments).
- The options will be issued pursuant to the Company's shareholder approved stock option plan, will be evidenced by the Company's form option award agreement and subject to the terms and conditions set forth in the option award agreement, will have an exercise price equal to the fair market value (closing sale price on date of KESIP purchase) of the underlying Shares, as determined pursuant to that plan, and will vest immediately.
- Any excess of the fair market value of the Shares underlying these options over the exercise price per Share at the time of exercise will generally be ordinary income for tax purposes, and any gain or loss on the subsequent sale of the Shares acquired on exercise will generally be treated as capital gain or loss, as applicable. Participants should refer to the prospectus for the Company's registered stock option plan for additional description of the tax treatment of the stock options.

#### **LOANS**

##### **Loan Limits**

- Each Participant has a maximum loan limit:
  - Participants in Compensation Class 4 (salary grades 10, 11, 28, and 29) or its equivalent may borrow up to 25% of their annual base salary (determined as of the time the loan is made).
  - Participants in Compensation Class 5 (salary grades 12 and 13) or its equivalent may borrow up to 50% of their annual base salary (determined as of the time the loan is made).

- A Participant may have more than one loan at a time, but the Participant's total outstanding loans may not exceed his or her maximum loan limit.

- If the maximum loan limit is exceeded because of a reduction in annual base salary, the Participant's loans outstanding at the time will not be affected but the Participant will not be eligible for additional loans above his or her new maximum loan limit.
- Excluding the one-time extension described below, loans may not be "refinanced" to take advantage of lower interest rates.
- Repayment of a loan will trigger a six-month waiting period before any additional Shares may be purchased under the Plan.

#### Loan Terms

- Loans bear interest at a rate based on IRS guidelines for employee loans, or such other rates as may be selected by the Board of Directors of Cummins Inc. (the "Board of Directors") or its Committee from time to time. Current interest rates for KESIP purchases can be obtained by contacting the KESIP Administrator at [KESIP.Plan.Administrator@cummins.com](mailto:KESIP.Plan.Administrator@cummins.com).
- Loans have a five-year term. Subject to certain restrictions, a Participant may extend a loan at the end of the original term for an additional five years, if he or she has not sold the Shares purchased with the loan proceeds. The interest rate during the second five-year term will be fixed at the beginning of that term. The maximum total loan period for any purchase is ten years.
- Loans are secured by the Shares purchased with the loan proceeds and are fully recourse against Participants. The secured Shares will be held as collateral in the custody of the Company, or a third-party administrator designated by the Company, and may not be assigned, sold, transferred, hypothecated, or otherwise disposed of other than by a sale permitted by the Plan, until the loan is repaid. If the value of the Shares purchased with the loan proceeds is less than the outstanding loan balance when Shares are sold, the shortfall is the personal responsibility of the Participant at the time the loan is due.
- If the Company pays a stock dividend on, or effects a stock split with respect to, any of its Shares pledged as security pursuant to a loan, the pledge related to the loan will extend to the Shares issued in payment of such stock dividend or to effect such stock split.
- If the Shares held as collateral security pursuant to a loan are changed or reclassified as a result of any charter amendment, recapitalization, reorganization, merger, consolidation, sale of assets or similar transaction, the changed or reclassified Shares or other assets or both received as a result of such transaction will be substituted for the Shares so pledged, and the Participant will deliver promptly to the Company certificates (if any) issued to represent the Shares so changed or reclassified and any such other assets, together with a properly executed stock power. If rights to subscribe for or purchase stock or other securities are issued with respect to Shares held as collateral security pursuant to a loan, such rights will belong to the Participant free from pledge.
- Notwithstanding anything to the contrary in this Plan, the terms of all loans shall comply with (or, if necessary, be amended to comply with) applicable credit and other regulations, if any, then in effect and issued or enacted by governmental authority having jurisdiction, including Regulation G of the Board of Governors of the Federal Reserve System if such Regulation is then in effect.

#### Loan Repayment

- At the outset of a loan, Participants may choose whether they will pay both principal and interest during the term of the loan or interest only until the loan becomes due and payable in full.
- Loan payments are made via payroll deduction. During any period in which a U.S. payroll Participant is on an unpaid leave that is not treated as a cessation of employment for purposes of this Plan, he or she will make loan payments on a quarterly basis.
- Any loan is due and payable in full, with any and all interest to the date of repayment, upon the earliest of (i) the sale of the Shares that were purchased with the loan proceeds, (ii) the expiration of the term of the loan, (iii) the date the Participant's employment ceases and (iv) the date the Participant is removed from a United States payroll. For purposes of clause (iii) in the preceding sentence, a Participant who is on continuous unpaid leave (other than for military leave) for more than six (6) months will be treated as ceasing employment on the first day following the sixth month of such unpaid leave. The timing of the repayment is determined as follows:
  - Payment is due and payable at the earliest of the following:
    - Immediately upon the sale of the Shares that were purchased with the loan proceeds or upon the expiration of the term of a loan, or
    - If the Participant has been removed from a United States payroll, by the end of a 30-day grace period following the date of removal, or
    - If the Participant's employment has terminated, by (1) the end of a 30-day grace period following the termination date, if the Participant is not receiving severance in the form of salary continuation, or (2) 30 days prior to the end of the severance period, in the case of a Participant who receives severance in the form of salary continuation.
  - If the Participant's employment ceases due to the Participant's death, the Company in its discretion may permit the Participant's estate or personal representative to continue repayment of the loan in installments.
- If a loan has not been repaid before it becomes due and payable in full, the Shares purchased with the loan proceeds will be sold, the proceeds of the sale will be applied to repayment of the loan and any shortfall of proceeds to loan balance, including any accrued interest, will be due and payable immediately by the Participant. If a Participant is receiving severance on a salary continuance basis, and the loan has not been repaid by the next to last month of the severance, the Shares will be sold at that time and any shortfall of proceeds to loan balance will be deducted from the last month of severance payment. (Interest will continue to accrue and be payable on the same basis as when the Participant was active (for example, semimonthly or quarterly).) If the last month of severance payment is not sufficient to cover the shortfall, the remaining shortfall will be due and payable immediately by the Participant.
- Because this Plan is not available to Company officers, if a Participant becomes an executive (Section 16) officer at the time he or she has a loan outstanding under this Plan, the Participant must repay the loan immediately. If a Participant becomes a non-executive officer (not a Section 16 officer) at the time he or she has a loan outstanding, the Participant will have six months to repay the loan. The Company has the authority to take any actions it deems appropriate under this section to ensure that the loans are repaid without a negative financial impact on the Participant.

- The Company's Vice President – Human Resources, or another employee designated by the Vice President – Human Resources, will have the authority to modify the preceding loan repayment provisions in individual circumstances as he or she deems appropriate.

## PROCEDURES FOR TRANSACTIONS

### Purchasing Shares

- Submit a purchase request through Microsoft Forms by selecting KESIP Purchase Form.
- Loan contract documents will be delivered to the Participant for signature via Adobe Sign. The Loan contract documents must be signed within ten business days. The Participant will complete any authorizations that the Company determines are appropriate to provide for the collateralization of the Shares.

- The Company will set up payroll deductions to start the next available payroll period.

#### **Paying Off the Loan Balance**

- The balance of any outstanding loan must be paid in full, with interest to the date of repayment, when the loan becomes due and payable upon the earliest of the events described above (including upon the sale of the Shares that were purchased with the loan proceeds, in which case the sale proceeds will be applied automatically to repayment of the loan).
- The Participant may voluntarily repay the balance on any or all of his or her outstanding loans at any time (without prepayment charge or penalty, other than accrued interest due). Each loan must be paid in full. Repayment of a loan will trigger a six-month waiting period before any additional Shares may be purchased under the Plan.
- The Participant should contact the KESIP Administrator for loan balance details and payoff instructions. The KESIP Administrator will provide the Participant the date the payoff must be received to avoid the accrual of additional interest.
- The Participant notifies the KESIP Administrator of intent to pay off the loan by submitting the payoff request through Microsoft Forms by selecting KESIP Loan Repayment Form.
- The Participant can pay off the balance of any outstanding loan by either:
  - (1) Making a check payable to "Cummins Business Services" and sending it to the KESIP Administrator at 2931 Elm Hill Pike, Nashville, Tennessee 37214 (the Participant's check must be received by the date indicated, or additional interest payments will be due);
  - or

- (2) Sending the payoff by wire transfer (the Participant should contact the KESIP Administrator for wire instructions).

- Upon receipt of payment in full for the entire outstanding loan balance, including all interest accrued to the date of repayment, the KESIP Administrator will release the Shares from collateral and instruct the transfer agent to remove the applicable stop-transfer orders and other restrictions from the book-entry evidencing the Shares (provided that the Shares will not be released sooner than six months after purchase unless the Participant's eligibility has ended).

#### **Selling Shares**

- The Participant should initiate a sale by calling Morgan Stanley at 312-827-6841 or 312-419-3316.
- Morgan Stanley will:
  - Withhold the amount of the outstanding loan balance from the proceeds of the sale of the Shares and wire those proceeds to the KESIP Administrator to be applied to such outstanding loan balance, including all interest accrued to the date of repayment; and
  - Deliver to the Participant proceeds (by chosen method) if the Participant is owed money from the transaction, or notify the Participant if he or she owes the Company as a result of the transaction.
  - Loans are fully recourse against the Participant, which means that, if the value of the Shares purchased with the loan proceeds is less than the outstanding loan balance when Shares are sold, the shortfall is the personal responsibility of the Participant at the time the loan is due.

#### **RESPONSIBILITIES OF PARTICIPANTS AND THE PLAN**

##### **Participants must:**

- Submit transaction requests (new purchase or payoff) through Microsoft Forms.
- Sign documents through Adobe Sign as directed within ten (10) business days.
- Report gains or losses for tax purposes.
- Make loan payments or repayments on time and as required by the Plan.
- Pay off loans with personal funds or by way of selling Shares when he or she ceases to be eligible (terminates, retires, or moves off an eligible payroll).

#### The KESIP Administrator will:

- Acknowledge the receipt of transaction requests by the end of the following business day (or, if the request is received on a holiday or other non-workday, by the end of the second following business day).
- Reflect the date of the transaction request in the purchase price of Shares.
- Send completed paperwork to the Participant for signature via Adobe Sign.

#### OTHER PROVISIONS

- This document serves as the Plan and prospectus. It amends and restates all prior plan documents and all handbooks relating to the Plan in their entirety and governs all outstanding KESIP loans and all future KESIP transactions.
- Shares to be offered to Participants may consist, in whole or in part, of authorized but unissued Shares or Shares held in treasury. An aggregate of 540,000 Shares are reserved for issuance under the Plan (excluding options, which will be issued pursuant to Cummins Inc.'s shareholder approved stock option plan), subject to proportionate adjustment in the event of any change in the Shares by reason of a stock split, stock dividend, combination or reclassification of Shares, recapitalization, split-up, spin-off, dividend other than a regular quarterly cash dividend, separation, reorganization, liquidation, merger, consolidation or similar event, that results in an adjustment in the number of Shares reserved under the Company's equity incentive or similar plan in place at the time of such change pursuant to the terms of such plan; and provided that Shares that are repurchased by the Company shall again be available for issuance hereunder.
- The Board of Directors or the Committee at any time may make any changes in the Plan, and in any agreements subsequently entered into hereunder, as they may deem necessary or advisable. No such amendment may, however (1) reduce the price at which Shares are to be sold to employees under the Plan, or (2) extend the period for the completion of payment for Shares purchased by employees or of loans under the Plan, without shareholder consent. Amendments to option award agreements entered into with respect to options granted in conjunction with the purchase of Shares hereunder will be governed by the terms of Cummins Inc.'s shareholder approved stock option plan pursuant to which such options are granted. The Vice President – Human Resources of the Company or any other appropriate officer is authorized to make appropriate amendments to the Plan except to the extent that applicable law, regulation or listing standards require that any such amendment be made only by the Board of Directors or the Committee. Additionally, and subject to the limits described in the preceding sentences, the Board of Directors, the Committee, the Vice President – Human Resources of the Company or any other authorized officer of the Company may from time to time adopt rules, procedures and guidelines for the interpretation, implementation, and operation of the Plan. Neither the termination of the Plan nor any amendment thereof will materially adversely affect any then existing written arrangement entered into or under the Plan without the consent of the Participant.

- The Plan became effective on October 15, 2012, the date when it was approved by the Committee. No employee or other person shall have any rights in or under the Plan except as expressly granted in an agreement entered into pursuant to the terms thereof.
- The Plan will expire when all Shares reserved for issuance hereunder have been issued or earlier at the option of the Board of Directors or the Committee. Upon expiration of the Plan, no further Shares may be sold to Participants, but the Plan will continue in effect for the purpose of collecting installments remaining due on Shares previously purchased and allowing Participants to sell Shares previously acquired.
- The Company files annual, quarterly, and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The SEC maintains a website that contains reports, proxy statements and other information regarding issuers who file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov). Investors may also consult the Company's website for more information about the Company. The Company's website is [www.cummins.com](http://www.cummins.com). Information included on these websites is not incorporated by reference herein.
- The Company has filed a Registration Statement on Form S-8 under the Securities Act of 1933 with the SEC covering the Shares issuable under the Plan. This document contains some information concerning the Company, the Shares and the Plan, but does not contain all of the information set forth in the Registration Statement and its exhibits. The Company will provide without charge, upon written or oral request, copies of the documents incorporated by reference in Item 3 of Part II of the Registration Statement, which include the Company's periodic filings made with the SEC. The Company incorporates these periodic filings by reference into this document. The Company will also provide without charge, upon written or oral request, copies of all other documents it is required to deliver under Rule 428(b) under the Securities Act of 1933. These requests and other requests for additional information regarding the Plan and the Committee should be directed to the KESIP Administrator at 1-877-377-4357 or 2931 Elm Hill Pike, Nashville, Tennessee 37214.
- The following is a general discussion of the current U.S. federal income tax consequences of purchasing or selling Shares under the Plan, is not intended to be complete and is subject to change. State and local tax treatment (including tax treatment in countries outside the U.S.) may vary from the U.S. federal income tax treatment discussed below and is not discussed in this summary. The summary also does not describe the tax consequences associated with the stock options discussed below under the heading "PURCHASES AND SALES – Share Pricing – Purchases," which are addressed in the prospectus for the Company's registered stock option plan. Participants should consult their tax advisors about their particular transactions in connection with the Plan.
  - There will be no tax recognized by the Participant when the Participant obtains the loan and purchases the Shares.
  - In general, Participants will have a taxable gain or loss in the year in which they dispose of any of the Shares acquired under the Plan. A "disposition" generally includes any transfer of legal title, including a transfer by sale, exchange or gift, but may not include a transfer to a Participant's spouse, a transfer into community property with a Participant's spouse or a transfer into joint ownership with right of survivorship if the Participant remains one of the joint owners. Gains or losses resulting from dispositions of Shares acquired under the Plan will generally be treated as capital gains and losses (short- or long-term, depending on the length of time the Participant has held the Shares) to Participants for personal income tax purposes.

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- The Company does not intend to withhold any amounts for taxes in connection with purchases or sales of Shares under the Plan. Participant compensation that is applied to purchase Shares or pay interest via payroll deduction is subject to all taxes normally applicable to Participant compensation, including federal, state and local income taxes and Social Security taxes, and the amounts applied to the loan principal or interest will be after-tax dollars. The purchase and sale of Shares under the Plan generally has no tax consequences for the Company.
- Participants will receive a Form 1099-B from Morgan Stanley with the details necessary for completing their Schedule D tax form.



- The Plan is not required to be qualified under Section 401(a) of the Internal Revenue Code of 1986 and is not subject to the provisions of the Employee Retirement Income Security Act of 1974, commonly known as ERISA.
- The Company may, as a condition of accepting any purchase of Shares, require the purchasing Participant to represent to the Company that he or she is purchasing the Shares for investment and not with a view to resale or distribution.

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4836-7010-1945.12

This Restatement of the Cummins Inc. Key Employee Stock Investment Plan has been signed by the duly authorized delegate of the Company's Vice President – Chief Human Resources Officer named below, acting on behalf of the Company, as of the 30<sup>th</sup> day of September, 2023.

CUMMINS INC.

By: /s/ David Weed

Name: David Weed

Title: Director – Executive Compensation

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EXHIBIT 31(a)

#### Certification

I, Jennifer Rumsey, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November May 2, 2023 2024

/s/ JENNIFER RUMSEY

Jennifer Rumsey

Chair and Chief Executive Officer

EXHIBIT 31(b)

Certification

I, Mark A. Smith, certify that:

1. I have reviewed this report on Form 10-Q of Cummins Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November May 2, 2023 2024

/s/ MARK A. SMITH

Mark A. Smith

Vice President and Chief Financial Officer

th:100%">

EXHIBIT 32

Cummins Inc.  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cummins Inc. (the "Company") on Form 10-Q for the period ended ~~September 30, 2023~~ March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of such officer's knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

~~November~~ May 2, 2023 2024

/s/ JENNIFER RUMSEY

Jennifer Rumsey

*Chair and Chief Executive Officer*

~~November~~ May 2, 2023 2024

/s/ MARK A. SMITH

Mark A. Smith

*Vice President and Chief Financial Officer*

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