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 March 29, 2020

Commission File Number 1-4949

CUMMINS INC.

(Exact name of registrant as specified in its charter)

Indiana	**35-0257090**
(State of Incorporation)	(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 ☒ 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 ☒ 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	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

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 ☒

As of March 29, 2020, there were 147,526,086 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	
In millions, except per share amounts	March 29, 2020	March 31, 2019
NET SALES [a] (Note 3)	**$ 5,011**	$ 6,004
Cost of sales	**3,717**	4,472
GROSS MARGIN	**1,294**	1,532
OPERATING EXPENSES AND INCOME		
Selling, general and administrative expenses	**546**	593
Research, development and engineering expenses	**238**	237
Equity, royalty and interest income from investees (Note 5)	**129**	92
Other operating (expense) income, net	**(5)**	5
OPERATING INCOME	**634**	799
Interest income	**7**	12
Interest expense	**23**	32
Other income, net	**37**	66
INCOME BEFORE INCOME TAXES	**655**	845
Income tax expense (Note 6)	**127**	176
CONSOLIDATED NET INCOME	**528**	669
Less: Net income attributable to noncontrolling interests	**17**	6
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 511**	$ 663
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.		
Basic	**$ 3.42**	$ 4.22
Diluted	**$ 3.41**	$ 4.20
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
Basic	**149.3**	157.2
Dilutive effect of stock compensation awards	**0.4**	0.5
Diluted	**149.7**	157.7

[a] Includes sales to nonconsolidated equity investees of $257 million and $285 million for the three months ended March 29, 2020 and March 31, 2019, respectively.

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 March 29, 2020	Three months ended March 31, 2019
CONSOLIDATED NET INCOME	**$ 528**	$ 669
Other comprehensive income (loss), net of tax (Note 13)		
Change in pension and other postretirement defined benefit plans	**2**	(11)
Foreign currency translation adjustments	**(162)**	84
Unrealized loss on debt securities	**—**	(1)
Unrealized loss on derivatives	**(79)**	(1)
Total other comprehensive (loss) income, net of tax	**(239)**	71
COMPREHENSIVE INCOME	**289**	740
Less: Comprehensive income attributable to noncontrolling interests	**—**	9
COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 289**	$ 731

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	March 29, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,691**	$ 1,129
Marketable securities (Note 7)	**339**	341
Total cash, cash equivalents and marketable securities	**2,030**	1,470
Accounts and notes receivable, net		
Trade and other	**3,234**	3,387
Nonconsolidated equity investees	**271**	283
Inventories (Note 8)	**3,579**	3,486
Prepaid expenses and other current assets	**676**	761
Total current assets	**9,790**	9,387
Long-term assets		
Property, plant and equipment	**8,578**	8,699
Accumulated depreciation	**(4,450)**	(4,454)
Property, plant and equipment, net	**4,128**	4,245
Investments and advances related to equity method investees	**1,304**	1,237
Goodwill	**1,283**	1,286
Other intangible assets, net	**965**	1,003
Pension assets	**989**	1,001
Other assets	**1,617**	1,578
Total assets	**$ 20,076**	$ 19,737
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	**$ 2,648**	$ 2,534
Loans payable (Note 9)	**121**	100
Commercial paper (Note 9)	**1,617**	660
Accrued compensation, benefits and retirement costs	**322**	560
Current portion of accrued product warranty (Note 10)	**743**	803
Current portion of deferred revenue (Note 3)	**527**	533
Other accrued expenses (Note 11)	**971**	1,039
Current maturities of long-term debt (Note 9)	**33**	31
Total current liabilities	**6,982**	6,260
Long-term liabilities		
Long-term debt (Note 9)	**1,580**	1,576
Pensions and other postretirement benefits	**588**	591
Accrued product warranty (Note 10)	**640**	645
Deferred revenue (Note 3)	**837**	821
Other liabilities (Note 11)	**1,431**	1,379
Total liabilities	**$ 12,058**	$ 11,272
Commitments and contingencies (Note 12)		
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, $2.50 par value, 500 shares authorized, 222.4 and 222.4 shares issued	**$ 2,335**	$ 2,346
Retained earnings	**14,728**	14,416
Treasury stock, at cost, 74.9 and 71.7 shares	**(7,744)**	(7,225)
Common stock held by employee benefits trust, at cost, 0.1 and 0.2 shares	**(1)**	(2)
Accumulated other comprehensive loss (Note 13)	**(2,250)**	(2,028)
Total Cummins Inc. shareholders' equity	**7,068**	7,507
Noncontrolling interests	**950**	958
Total equity	**$ 8,018**	$ 8,465
Total liabilities and equity	**$ 20,076**	$ 19,737

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

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

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	**$ 528**	$ 669
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	**168**	157
Deferred income taxes	**(11)**	11
Equity in income of investees, net of dividends	**(78)**	(64)
Pension and OPEB expense (Note 4)	**27**	18
Pension contributions and OPEB payments (Note 4)	**(60)**	(47)
Stock-based compensation expense	**4**	9
Restructuring payments (Note 14)	**(48)**	—
Gain on corporate owned life insurance	**(17)**	(37)
Foreign currency remeasurement and transaction exposure	**3**	79
Changes in current assets and liabilities		
Accounts and notes receivable	**107**	(135)
Inventories	**(171)**	(107)
Other current assets	**79**	67
Accounts payable	**171**	166
Accrued expenses	**(321)**	(293)
Changes in other liabilities	**28**	64
Other, net	**(30)**	(145)
Net cash provided by operating activities	**379**	412
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(75)**	(109)
Investments in internal use software	**(8)**	(20)
Investments in and advances to equity investees	**(7)**	(10)
Investments in marketable securities—acquisitions	**(116)**	(121)
Investments in marketable securities—liquidations (Note 7)	**95**	103
Cash flows from derivatives not designated as hedges	**6**	55
Other, net	**6**	31
Net cash used in investing activities	**(99)**	(71)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) of commercial paper (Note 9)	**957**	(71)
Payments on borrowings and finance lease obligations	**(10)**	(10)
Net borrowings under short-term credit agreements	**25**	15
Distributions to noncontrolling interests	**(13)**	(13)
Dividend payments on common stock	**(195)**	(179)
Repurchases of common stock	**(550)**	(100)
Other, net	**20**	11
Net cash provided by (used in) financing activities	**234**	(347)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**48**	31
Net increase in cash and cash equivalents	**562**	25
Cash and cash equivalents at beginning of year	**1,129**	1,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 1,691**	$ 1,328

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

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

	Three months ended								
In millions, except per share amounts	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Common Stock Held in Trust**	**Accumulated Other Comprehensive Loss**	**Total Cummins Inc. Shareholders' Equity**	**Noncontrolling Interests**	**Total Equity**
BALANCE AT DECEMBER 31, 2019	**$ 556**	**$ 1,790**	**$ 14,416**	**$ (7,225)**	**$ (2)**	**$ (2,028)**	**$ 7,507**	**$ 958**	**$ 8,465**
Adoption of new accounting standards (Note 16)			**(4)**				**(4)**	**—**	**(4)**
Net income			**511**				**511**	**17**	**528**
Other comprehensive loss, net of tax (Note 13)						**(222)**	**(222)**	**(17)**	**(239)**
Issuance of common stock		**9**					**9**	**—**	**9**
Employee benefits trust activity		**17**			**1**		**18**	**—**	**18**
Repurchases of common stock				**(550)**			**(550)**	**—**	**(550)**
Cash dividends on common stock, $1.311 per share			**(195)**				**(195)**	**—**	**(195)**
Distributions to noncontrolling interests							**—**	**(13)**	**(13)**
Stock-based awards		**(18)**		**31**			**13**	**—**	**13**
Other shareholder transactions		**(19)**					**(19)**	**5**	**(14)**
BALANCE AT MARCH 29, 2020	**$ 556**	**$ 1,779**	**$ 14,728**	**$ (7,744)**	**$ (1)**	**$ (2,250)**	**$ 7,068**	**$ 950**	**$ 8,018**
BALANCE AT DECEMBER 31, 2018	$ 556	$ 1,715	$ 12,917	$ (6,028)	$ (5)	$ (1,807)	$ 7,348	$ 911	$ 8,259
Net income			663				663	6	669
Other comprehensive income, net of tax (Note 13)						68	68	3	71
Issuance of common stock		1					1	—	1
Employee benefits trust activity		13			1		14	—	14
Repurchases of common stock				(100)			(100)	—	(100)
Cash dividends on common stock, $1.14 per share			(179)				(179)	—	(179)
Distributions to noncontrolling interests							—	(13)	(13)
Stock-based awards		(11)		17			6	—	6
Other shareholder transactions		(1)					(1)	—	(1)
BALANCE AT MARCH 31, 2019	$ 556	$ 1,717	$ 13,401	$ (6,111)	$ (4)	$ (1,739)	$ 7,820	$ 907	$ 8,727

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

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 leader that designs, manufactures, distributes and services diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation 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 network of approximately 600 wholly-owned, joint venture and independent distributor locations and over 7,600 Cummins certified dealer locations in more than 190 countries and territories.

NOTE 2. BASIS OF PRESENTATION

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* have been 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 prepared in accordance with GAAP have been condensed or omitted as permitted by such rules and regulations.

These interim condensed 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, 2019. Our interim period financial results for the three 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 disclosures required by GAAP.

Reclassifications

Certain amounts for prior year periods have been reclassified to conform to the presentation of the current year.

Use of Estimates in Preparation of Financial Statements

Preparation of financial statements in conformity with GAAP 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.

Reporting Period

Our reporting period usually ends on the Sunday closest to the last day of the quarterly calendar period. The first quarters of 2020 and 2019 ended on March 29 and March 31, respectively. Our fiscal year ends on December 31, regardless of the day of the week on which December 31 falls.

Weighted-Average Diluted Shares Outstanding

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

	Three months ended	
	March 29, 2020	March 31, 2019
Options excluded	**1,234,188**	783,576

NOTE 3. REVENUE RECOGNITION

Long-term Contracts

Most of our contracts are for a period of less than one year. We have certain long-term maintenance agreements, construction contracts 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 contracts allocated to performance obligations that had not been satisfied as of March 29, 2020, was $967 million. We expect to recognize the related revenue of $237 million over the next 12 months and $730 million 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	March 29, 2020	December 31, 2019
Unbilled revenue	**$ 91**	$ 68
Deferred revenue, primarily extended warranty	**1,364**	1,354

We recognized revenue of $112 million and $109 million for the three months ended March 29, 2020 and March 31, 2019, respectively, 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 months ended March 29, 2020 or March 31, 2019.

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	
In millions	March 29, 2020	March 31, 2019
United States	**$ 2,852**	$ 3,436
China	**522**	573
India	**170**	224
Other international	**1,467**	1,771
Total net sales	**$ 5,011**	$ 6,004

Segment Revenue

Engine segment external sales by market were as follows:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Heavy-duty truck	**$ 519**	$ 723
Medium-duty truck and bus	**490**	610
Light-duty automotive	**327**	330
Total on-highway	**1,336**	1,663
Off-highway	**243**	321
Total sales	**$ 1,579**	$ 1,984

Distribution segment external sales by region were as follows:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
North America	**$ 1,245**	$ 1,392
Asia Pacific	**192**	220
Europe	**135**	123
China	**68**	81
Africa and Middle East	**51**	55
Russia	**41**	35
Latin America	**39**	40
India	**36**	47
Total sales	**$ 1,807**	$ 1,993

Distribution segment external sales by product line were as follows:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Parts	**$ 783**	$ 841
Power generation	**375**	401
Service	**327**	362
Engines	**322**	389
Total sales	**$ 1,807**	$ 1,993

Components segment external sales by business were as follows:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Emission solutions	**$ 570**	$ 749
Filtration	**249**	259
Turbo technologies	**158**	190
Automated transmissions	**82**	149
Electronics and fuel systems	**56**	54
Total sales	**$ 1,115**	$ 1,401

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

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Power generation	**$ 269**	$ 308
Industrial	**165**	231
Generator technologies	**66**	84
Total sales	**$ 500**	$ 623

NOTE 4. 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:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Defined benefit pension contributions	$ 56	$ 33
OPEB payments, net	4	14
Defined contribution pension plans	34	39

During the remainder of 2020, we anticipate making additional defined benefit pension contributions of $35 million in cash to our global 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. Our 2020 annual net periodic pension cost is $102 million.

The components of net periodic pension and other postretirement benefit costs under our plans were as follows:

	Pension					
	U.S. Plans		U.K. Plans		Other Postretirement Benefits	
	Three months ended					
In millions	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Service cost	$ 34	$ 29	$ 7	$ 7	$ —	$ —
Interest cost	24	27	9	11	2	2
Expected return on plan assets	(49)	(47)	(19)	(18)	—	—
Amortization of prior service cost	—	—	1	—	—	—
Recognized net actuarial loss	10	4	8	3	—	—
Net periodic benefit cost	$ 19	$ 13	$ 6	$ 3	$ 2	$ 2

NOTE 5. EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES

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

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Manufacturing entities		
Beijing Foton Cummins Engine Co., Ltd.	$ 17	$ 21
Chongqing Cummins Engine Company, Ltd.	9	12
Dongfeng Cummins Engine Company, Ltd.	8	14
All other manufacturers	55 [(1)]	27
Distribution entities		
Komatsu Cummins Chile, Ltda.	10	6
All other distributors	—	(1)
Cummins share of net income	99	79
Royalty and interest income	30	13
Equity, royalty and interest income from investees	$ 129	$ 92

[(1)] Includes $37 million in adjustments related to tax changes within India's 2020-2021 Union Budget of India (India Tax Law Changes) passed in March 2020. See NOTE 6, "INCOME TAXES" for additional information on India Tax Law Changes.

NOTE 6. INCOME TAXES

Our effective tax rate for the three months ended March 29, 2020, was19.4 percent. Our effective tax rate for the three months ended March 31, 2019, was20.8 percent and contained immaterial discrete items.

The three months ended March 29, 2020, contained $18 million of favorable net discrete tax items, primarily due to tax changes within India's 2020-2021 Union Budget of India (India Tax Law Change) passed in March of 2020. The India Tax Law Change eliminated the dividend distribution tax and replaced it with a lower rate withholding tax as the burden shifted from the dividend payor to the dividend recipient for a net favorable income statement impact of $35 million, or $0.23 per share.

The India Tax Law Change resulted in the following adjustments to the Income Statement in the first quarter of 2020:

In millions	March 29, 2020 Favorable (Unfavorable)
Equity, royalty and interest income from investees	**$ 37**
Income tax expense [1]	**17**
Less: Net income attributable to noncontrolling interests	**(19)**
Net income statement impact	**$ 35**

[1] The adjustment to "Income tax expense" includes $15 million of discrete items.

NOTE 7. MARKETABLE SECURITIES

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

	March 29, 2020			December 31, 2019		
In millions	Cost	Gross unrealized gains/(losses)[1]	Estimated fair value	Cost	Gross unrealized gains/(losses)[1]	Estimated fair value
Equity securities						
Debt mutual funds	**$ 217**	**$ 4**	**$ 221**	$ 180	$ 3	$ 183
Certificates of deposit	**95**	**—**	**95**	133	—	133
Equity mutual funds	**22**	**(1)**	**21**	19	4	23
Bank debentures	**1**	**—**	**1**	1	—	1
Debt securities	**1**	**—**	**1**	1	—	1
Total marketable securities	**$ 336**	**$ 3**	**$ 339**	$ 334	$ 7	$ 341

[1] Unrealized gains and losses for debt securities are recorded in other comprehensive income while unrealized gains and losses for equity securities are recorded in "Other income, net" 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 first three months of 2020 or for the year ended December 31, 2019.

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 measure for the vast majority of these investments is the daily net asset value 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.
- *Certificates of deposit and bank debentures* — These investments provide us with a contractual rate of return and generally range in maturity fromthree 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.

- *Equity mutual funds* — The fair value measure for these investments is the net asset value 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 measure for these securities is 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:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Proceeds from sales of marketable securities	**$ 53**	$ 63
Proceeds from maturities of marketable securities	**42**	40
Investments in marketable securities - liquidations	**$ 95**	$ 103

NOTE 8. INVENTORIES

Inventories are stated at the lower of cost or market. Inventories included the following:

In millions	March 29, 2020	December 31, 2019
Finished products	**$ 2,223**	$ 2,214
Work-in-process and raw materials	**1,488**	1,395
Inventories at FIFO cost	**3,711**	3,609
Excess of FIFO over LIFO	**(132)**	(123)
Total inventories	**$ 3,579**	$ 3,486

NOTE 9. DEBT

Loans Payable and Commercial Paper

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

In millions	March 29, 2020	December 31, 2019
Loans payable [(1)]	**$ 121**	$ 100
Commercial paper [(2)]	**1,617**	660

[(1)] Loans payable consist primarily of notes payable to various domestic and international financial institutions, and 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 1.48 percent and 1.82 percent at March 29, 2020 and December 31, 2019, respectively.

We can issue up to $3.5 billion of unsecured, short-term promissory notes (commercial paper) pursuant to the Board of Directors (the Board) authorized commercial paper programs. The 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 general corporate purposes.

Revolving Credit Facilities

We have access to committed credit facilities that total $3.5 billion, including a $1.5 billion 364-day facility that expires August 19, 2020 and a $2.0 billion five-year facility that expires on August 22, 2023. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities before expiration. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and for general corporate purposes.

At March 29, 2020, the $1,617 million of outstanding commercial paper effectively reduced the $3.5 billion of revolving credit capacity to $1.9 billion. See Note 18, "SUBSEQUENT EVENT," for a discussion of actions taken since March 29, 2020.

At March 29, 2020, we also had an additional $213 million available for borrowings under our international and other domestic credit facilities.

Long-term Debt

A summary of long-term debt was as follows:

In millions	Interest Rate	March 29, 2020	December 31, 2019
Long-term debt			
Senior notes, due 2023	3.65%	**$ 500**	$ 500
Debentures, due 2027	6.75%	**58**	58
Debentures, due 2028	7.125%	**250**	250
Senior notes, due 2043	4.875%	**500**	500
Debentures, due 2098[1]	5.65%	**165**	165
Other debt		**47**	59
Unamortized discount		**(50)**	(50)
Fair value adjustments due to hedge on indebtedness		**54**	35
Finance leases		**89**	90
Total long-term debt		**1,613**	1,607
Less: Current maturities of long-term debt		**33**	31
Long-term debt		**$ 1,580**	$ 1,576

[1] The effective interest rate on this debt is 7.48%.

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

In millions	2020	2021	2022	2023	2024
Principal payments	$ 21	$ 41	$ 9	$ 506	$ 5

Interest Rate Risk

In the first quarter of 2020, we entered into additional interest rate lock agreements to reduce the variability of the cash flows of the interest payments on a total of $400 million of fixed rate debt forecast to be issued in 2023 to replace our senior notes at maturity. The net loss included in "Other comprehensive income" for the three months ended March 29, 2020, was $79 million.

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	March 29, 2020	December 31, 2019
Fair value of total debt[1]	**$ 3,661**	$ 2,706
Carrying values of total debt	**3,351**	2,367

[1] The fair value of debt is derived from Level 2 inputs.

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:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Balance, beginning of year	**$ 2,389**	$ 2,208
Provision for base warranties issued	**97**	129
Deferred revenue on extended warranty contracts sold	**66**	90
Provision for product campaigns issued	**2**	90
Payments made during period	**(138)**	(150)
Amortization of deferred revenue on extended warranty contracts	**(57)**	(59)
Changes in estimates for pre-existing product warranties	**(15)**	(23)
Foreign currency translation and other	**(12)**	3
Balance, end of period	**$ 2,332**	$ 2,288

We recognized supplier recoveries of $9 million and $58 million for the three months ended March 29, 2020 and March 31, 2019, respectively.

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

In millions	March 29, 2020	December 31, 2019	Balance Sheet Location
Deferred revenue related to extended coverage programs			
Current portion	**$ 232**	$ 227	Current portion of deferred revenue
Long-term portion	**717**	714	Deferred revenue
Total	**$ 949**	$ 941	
Product warranty			
Current portion	**$ 743**	$ 803	Current portion of accrued product warranty
Long-term portion	**640**	645	Accrued product warranty
Total	**$ 1,383**	$ 1,448	
Total warranty accrual	**$ 2,332**	$ 2,389	

Engine System Campaign Accrual

During 2017, the California Air Resources Board (CARB) and the U.S. Environmental Protection Agency (EPA) selected certain of our pre-2013 model year engine systems for additional emissions testing. Some of these engine systems failed CARB and EPA tests as a result of degradation of an aftertreatment component. In the second quarter of 2018, we reached agreement with the CARB and EPA regarding our plans to address the affected populations. From the fourth quarter of 2017 through the second quarter of 2018, we recorded charges for the expected costs of field campaigns to repair these engine systems.

The campaigns launched in the third quarter of 2018 and are being completed in phases across the affected population. The total engine system campaign charge, excluding supplier recoveries, was $410 million. At March 29, 2020, the remaining accrual balance was $214 million.

NOTE 11. SUPPLEMENTAL BALANCE SHEET DATA

Other accrued expenses included the following:

In millions	March 29, 2020	December 31, 2019
Marketing accruals	**$ 187**	$ 176
Other taxes payable	**184**	228
Current portion of operating lease liabilities	**135**	131
Income taxes payable	**82**	52
Other	**383**	452
Other accrued expenses	**$ 971**	$ 1,039

Other liabilities included the following:

In millions	March 29, 2020	December 31, 2019
Operating lease liabilities	**$ 349**	$ 370
One-time transition tax	**293**	293
Deferred income taxes	**292**	306
Accrued compensation	**181**	206
Other long-term liabilities	**316**	204
Other liabilities	**$ 1,431**	$ 1,379

NOTE 12. COMMITMENTS AND CONTINGENCIES

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; and environmental matters. 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 pursuant to GAAP 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 April 29, 2019, we announced that we were conducting a formal internal review of our emissions certification process and compliance with emission standards for our pick-up truck applications, following conversations with the EPA and CARB regarding certification of our engines in model year 2019 RAM 2500 and 3500 trucks. This review is being conducted with external advisors to ensure the certification and compliance processes for all of our pick-up truck applications are consistent with our internal policies, engineering standards and applicable laws. In addition, we voluntarily disclosed our formal internal review to the regulators and to other government agencies, the Department of Justice (DOJ) and the SEC, and have been working cooperatively with them to ensure a complete and thorough review. 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 discussions, the regulators have asked us to look at other model years and other engines, though the primary focus of our review has been the model year 2019 RAM. We are also fully cooperating with the DOJ's and the SEC's information requests and inquiries. Due to the continuing nature of our formal review, our ongoing cooperation with our regulators and other government agencies, and the presence of many unknown facts and circumstances, we cannot predict the final outcome of this review and these regulatory and agency processes, and we cannot provide assurance that the matter will not have a materially adverse impact on our results of operations and cash 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 March 29, 2020, the maximum potential loss related to these guarantees was $49 million.

We have arrangements with certain suppliers that require us to purchase minimum volumes or be subject to monetary penalties. At March 29, 2020, if we were to stop purchasing from each of these suppliers, the aggregate amount of the penalty would be approximately $45 million. Most of these arrangements enable us to secure supplies of critical components. We do not currently anticipate paying any penalties under these contracts.

We enter into physical forward contracts with suppliers of platinum and palladium to purchase certain volumes of the commodities at contractually stated prices for various periods, which generally fall within two years. At March 29, 2020, the total commitments under these contracts were $31 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 $84 million at March 29, 2020.

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 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Following are the changes in accumulated other comprehensive income (loss) by component:

	Three months ended						
In millions	Change in pensions and other postretirement defined benefit plans	Foreign currency translation adjustment	Unrealized gain (loss) on debt securities	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at December 31, 2019	**$ (734)**	**$ (1,285)**	**$ —**	**$ (9)**	**$ (2,028)**		
Other comprehensive income before reclassifications							
Before-tax amount	**(19)**	**(148)**	**—**	**(95)**	**(262)**	**$ (17)**	**$ (279)**
Tax benefit (expense)	**5**	**3**	**—**	**18**	**26**	**—**	**26**
After-tax amount	**(14)**	**(145)**	**—**	**(77)**	**(236)**	**(17)**	**(253)**
Amounts reclassified from accumulated other comprehensive income (loss)[1]	**16**	**—**	**—**	**(2)**	**14**	**—**	**14**
Net current period other comprehensive income (loss)	**2**	**(145)**	**—**	**(79)** [2]	**(222)**	**$ (17)**	**$ (239)**
Balance at March 29, 2020	**$ (732)**	**$ (1,430)**	**$ —**	**$ (88)**	**$ (2,250)**		
Balance at December 31, 2018	$ (671)	$ (1,138)	$ —	$ 2	$ (1,807)		
Other comprehensive income before reclassifications							
Before-tax amount	(23)	80	(1)	3	59	$ 3	$ 62
Tax benefit (expense)	5	1	—	(1)	5	—	5
After-tax amount	(18)	81	(1)	2	64	3	67
Amounts reclassified from accumulated other comprehensive income (loss)[1]	7	—	—	(3)	4	—	4
Net current period other comprehensive income (loss)	(11)	81	(1)	(1)	68	$ 3	$ 71
Balance at March 31, 2019	$ (682)	$ (1,057)	$ (1)	$ 1	$ (1,739)		

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

[2] Primarily related to interest rate lock activity. See the Interest Rate Risk section in NOTE 9 "DEBT" for additional information.

NOTE 14. RESTRUCTURING ACTIONS

In November 2019, we announced our intentions to reduce our global workforce in response to the continued deterioration in our global markets in the second half of 2019, as well as expected reductions in orders in most U.S. and international markets in 2020. In the fourth quarter of 2019, we began executing restructuring actions, primarily in the form of voluntary and involuntary employee separation programs. To the extent these programs involve voluntary separations, a liability is generally recorded at the time offers to employees are accepted. To the extent these programs provide separation benefits in accordance with pre-existing agreements or policies, a liability is recorded once the amount is probable and reasonably estimable. We incurred a charge of $119 million ($90 million after-tax) in the fourth quarter of 2019 for these actions which impacted approximately 2,300 employees. The voluntary actions were completed by December 31, 2019 and substantially all of the involuntary actions were completed at March 29, 2020. Due to the inherent uncertainty involved, actual amounts paid for such activities may differ from amounts initially recorded and we may need to revise previous estimates.

The table below summarizes the activity and balance of accrued restructuring, which is included in "Other accrued expenses" in our *Condensed Consolidated Balance Sheets*:

In millions	Restructuring Accrual
Balance at December 31, 2019	$ 116
Cash payments	(48)
Change in estimate	(6)
Foreign currency loss	(1)
Balance at March 29, 2020	$ 61

NOTE 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 President and Chief Operating Officer.

Our reportable operating segments consist of Engine, Distribution, Components, Power Systems and New Power. This reporting structure is organized according to the products and markets each segment serves. 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 Components segment sells filtration products, aftertreatment systems, turbochargers, electronics, fuel systems and automated transmissions. 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 New Power segment designs, manufactures, sells and supports electrified power systems ranging from fully electric to hybrid along with innovative components and subsystems, including battery, fuel cell and hydrogen production technologies. 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 EBITDA (defined as earnings before interest expense, income taxes, noncontrolling interests, depreciation and amortization) as the primary 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 (losses) of corporate owned life insurance or restructuring charges related to corporate functions to individual segments. EBITDA may not be consistent with measures used by other companies.

Summarized financial information regarding our reportable operating segments for the three months ended is shown in the table below:

In millions	Engine	Distribution	Components	Power Systems	New Power	Total Segments	Intersegment Eliminations [1]	Total
Three months ended March 29, 2020								
External sales	**$ 1,579**	**$ 1,807**	**$ 1,115**	**$ 500**	**$ 10**	**$ 5,011**	**$ —**	**$ 5,011**
Intersegment sales	**579**	**7**	**387**	**384**	**—**	**1,357**	**(1,357)**	**—**
Total sales	**2,158**	**1,814**	**1,502**	**884**	**10**	**6,368**	**(1,357)**	**5,011**
Research, development and engineering expenses	**80**	**7**	**68**	**54**	**29**	**238**	**—**	**238**
Equity, royalty and interest income from investees	**78**	**21**	**21**	**9**	**—**	**129**	**—**	**129**
Interest income [2]	**4**	**1**	**1**	**1**	**—**	**7**	**—**	**7**
Segment EBITDA	**365**	**158**	**279**	**77**	**(43)**	**836**	**10**	**846**
Depreciation and amortization [3]	**53**	**31**	**48**	**32**	**4**	**168**	**—**	**168**
Three months ended March 31, 2019								
External sales	$ 1,984	$ 1,993	$ 1,401	$ 623	$ 3	$ 6,004	$ —	$ 6,004
Intersegment sales	669	8	460	454	—	1,591	(1,591)	—
Total sales	2,653	2,001	1,861	1,077	3	7,595	(1,591)	6,004
Research, development and engineering expenses	78	7	75	56	21	237	—	237
Equity, royalty and interest income from investees	56	11	10	15	—	92	—	92
Interest income [2]	4	4	2	2	—	12	—	12
Segment EBITDA	438	171	325	138	(29)	1,043	(10)	1,033
Depreciation and amortization [3]	50	29	46	29	2	156	—	156

[1] Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended March 29, 2020 and March 31, 2019.

[2] "Interest income" is managed at the corporate level and allocated to each operating segment.

[3] 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 less than $ 1 million and $ 1 million for the three months ended March 29, 2020 and March 31, 2019, respectively. A portion of depreciation expense is included in "Research, development and engineering expenses."

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

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019
Total EBITDA	**$ 846**	$ 1,033
Less:		
Depreciation and amortization	**168**	156
Interest expense	**23**	32
Income before income taxes	**$ 655**	$ 845

NOTE 16. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued a new standard that aligns the accounting for implementation costs incurred in a cloud computing arrangement accounted for as a service contract with the model currently used for internal use software costs. Under the new standard, costs that meet certain criteria will be required to be capitalized on the balance sheet and subsequently amortized over the term of the hosting arrangement. We adopted the standard on January 1, 2020, on a prospective basis as allowed by the standard. The adoption is not expected to have a material impact on our *Condensed Consolidated Financial Statements.*

On January 1, 2020, we adopted the new FASB standard amendment related to accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and held-to-maturity debt securities. The standard requires entities to record a cumulative effect adjustment to the statement of financial position. We recorded a net decrease to opening retained earnings of $4 million, net of tax, as of January 1, 2020, due to the cumulative impact of adopting the new standard. The impact to any individual financial statement line item as a result of applying the new standard, as compared to the old standard, was not material for the three months ended March 29, 2020.

In March 2020, the FASB amended its standard to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendment allow entities to elect not to apply certain modification accounting requirements to contracts affected by reference rate reform if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. These expedients would apply to our interest rate swaps and interest rate locks. The guidance was effective upon issuance and expires after December 31, 2022. The amendment did not have an effect on our *Condensed Consolidated Financial Statements* at March 29, 2020. We are still evaluating which contracts will be impacted by reference rate reform, but the expedients will allow us to make permitted changes prior to the expiration of the amendments without resulting in an impact to our *Consolidated Financial Statements.*

NOTE 17. RISKS AND UNCERTAINTIES

During the first quarter of 2020, the outbreak of the coronavirus disease of 2019 (COVID-19) spread throughout the world and became a global pandemic. The pandemic triggered a significant downturn in our markets globally and these challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of our employees and stakeholders, match the reduced demand from our customers and in accordance with governmental requirements, we closed or partially shut down certain office, manufacturing and distribution facilities around the world. These closures expanded and continued into April 2020. While the global market downturn, closures and limitations on movement are expected to be temporary, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time. This uncertainty could have an impact in future periods on certain estimates used in the preparation of our first quarter financial results, including, but not limited to impairment of goodwill and other long-lived assets, income tax provision, recoverability of inventory and hedge accounting with respect to forecasted future transactions. Should the manufacturing and distribution closures continue for an extended period of time, the impact on our production and supply chain could have a material adverse effect on our results of operations, financial condition and cash flows.

NOTE 18. SUBSEQUENT EVENT

On April 13, 2020, we registered for the Federal Reserve Bank of New York’s Commercial Paper Funding Facility (CPFF) program to assure access to the commercial paper funding markets during more volatile credit market conditions. The CPFF was intended to provide a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle (SPV). We were approved on April 14, 2020. The facility allows us, based on our current short-term credit rating, to issue three-month unsecured commercial paper at a rate equal to a +110 basis point spread over the three-month overnight index swap rate on the date of issuance. The maximum amount of commercial paper that we may issue at any time through this program is $1.5 billion less the total principal amount of all other outstanding commercial paper that we have issued. We retain full access to our Board authorized $3.5 billion commercial paper program, as reduced by any amounts issued under this facility. The SPV is currently scheduled to cease purchasing commercial paper on March 17, 2021. As of April 24, 2020, we issued $230 million of commercial paper under the CPFF program.

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" 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:

- market slowdown due to the impacts from COVID-19 pandemic, other public health crises, epidemics or pandemics;
- impacts to manufacturing and supply chain abilities from an extended shutdown or disruption of our operations due to the COVID-19 pandemic;
- supply shortages and supplier financial risk, particularly from any of our single-sourced suppliers, including suppliers that may be impacted by the COVID-19 pandemic;
- aligning our capacity and production with our demand, including impacts of COVID-19;
- a major customer experiencing financial distress, particularly related to the COVID-19 pandemic;
- any adverse results of our internal review into our emissions certification process and compliance with emission standards;
- increased scrutiny from regulatory agencies, as well as unpredictability in the adoption, implementation and enforcement of emission standards around the world;
- disruptions in global credit and financial markets as the result of the COVID-19 pandemic;
- adverse impacts from government actions to stabilize credit markets and financial institutions and other industries;
- product recalls;
- the development of new technologies that reduce demand for our current products and services;
- policy changes in international trade;
- a slowdown in infrastructure development and/or depressed commodity prices;
- the U.K.'s decision to end its membership in the European Union (EU);
- labor relations or work stoppages;
- reliance on our executive leadership team and other key personnel;
- lower than expected acceptance of new or existing products or services;
- changes in the engine outsourcing practices of significant customers;
- our plan to reposition our portfolio of product offerings through exploration of strategic acquisitions and divestitures and related uncertainties of entering such transactions;
- exposure to potential security breaches or other disruptions to our information technology systems and data security;
- challenges or unexpected costs in completing cost reduction actions and restructuring initiatives;
- failure to realize expected results from our investment in Eaton Cummins Automated Transmission Technologies joint venture;
- political, economic and other risks from operations in numerous countries;

- competitor activity;
- increasing competition, including increased global competition among our customers in emerging markets;
- foreign currency exchange rate changes;
- variability in material and commodity costs;
- the actions of, and income from, joint ventures and other investees that we do not directly control;
- changes in taxation;
- global legal and ethical compliance costs and risks;
- product liability claims;
- increasingly stringent environmental laws and regulations;
- the performance of our pension plan assets and volatility of discount rates, particularly those related to the sustained slowdown of the global economy due to the COVID-19 pandemic;
- future bans or limitations on the use of diesel-powered products;
- the price and availability of energy;
- our sales mix of products;
- protection and validity of our patent and other intellectual property rights;
- the outcome of pending and future litigation and governmental proceedings;
- 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 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 2019 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 ACCOUNTING PRONOUNCEMENTS**

EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS

Overview

We are a global power leader that designs, manufactures, distributes and services diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation 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, Navistar International Corporation, Daimler Trucks North America and Fiat Chrysler Automobiles (Chrysler). We serve our customers through a network of approximately 600 wholly-owned, joint venture and independent distributor locations and over 7,600 Cummins certified dealer locations in more than 190 countries and territories.

Our reportable operating segments consist of Engine, Distribution, Components, Power Systems and New Power. This reporting structure is organized according to the products and markets each segment serves. 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 Components segment sells filtration products, aftertreatment systems, turbochargers, electronics, fuel systems and automated transmissions. 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 New Power segment designs, manufactures, sells and supports electrified power systems ranging from fully electric to hybrid along with innovative components and subsystems, including battery, fuel cell and hydrogen production technologies. 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 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 and stoppages. 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 currency, political, economic, 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 high levels of these risks such as China, Brazil, India, Mexico, Russia and countries in 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 or customer or the economy of any single country on our consolidated results.

COVID-19 Update

During the first quarter of 2020, the outbreak of the coronavirus disease of 2019 (COVID-19) spread throughout the world and became a global pandemic. The pandemic triggered a significant downturn in our markets globally and these challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of our employees and stakeholders, match the reduced demand from our customers and in accordance with governmental requirements, we closed or partially shut down certain office, manufacturing and distribution facilities around the world. These closures expanded and continued into April 2020. While the global market downturn, closures and limitations on movement are expected to be temporary, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time. Should the manufacturing and distribution closures continue for an extended period of time or worsen, the impact on our production and supply chain could have a material adverse effect on our results of operations, financial condition and cash flows.

First Quarter 2020

Our first quarter results were impacted by COVID-19, which caused manufacturing and supplier plant closures in China in early 2020 and other targeted shut-downs beginning in late March 2020 in response to customer plant closures and government actions to slow the spread of the virus. Plants closed in China during the first quarter were reopened in late March 2020; however, additional plants and distribution locations around the world were shut down or working at reduced capacities early in the second quarter. Although these actions did not have a material effect on our results of operations in the first quarter, we expect them to have a significant impact on our second quarter results as well as the results of operations, financial condition and cash flows throughout the remainder of 2020, if the decline in customer demand, government action or our related shut-downs continue for an extended period of time or worsen.

Worldwide revenues decreased 17 percent in the three months ended March 29, 2020, compared to the same period in 2019, as we experienced lower demand in all major operating segments and almost all geographic regions of the world due to the anticipated down cycle in almost all of our related markets and the impacts of COVID-19. Net sales in the U.S. and Canada declined 16 percent primarily due to decreased demand in the heavy-duty and medium-duty truck markets (which negatively impacted our emission solutions, automated transmissions and turbo technologies businesses), reduced sales in all of our distribution product lines and lower off-highway demand (primarily construction and oil and gas markets). International demand (excludes the U.S. and Canada) declined by 17 percent, with lower sales in almost all geographic regions. The decrease in international sales was principally due to lower off-highway demand (mainly international mining markets and construction markets in Western Europe and Asia Pacific), decreased demand in our emission solutions and our turbo technologies businesses, reduced demand in most of our distribution product lines and unfavorable foreign currency impacts of 2 percent of international sales (primarily the Brazilian real, Chinese renminbi, Euro and Australian dollar).

The following table contains sales and EBITDA (defined as earnings before interest expense, income taxes, noncontrolling interests, depreciation and amortization) by operating segment for the three months ended March 29, 2020 and March 31, 2019. See the section titled "OPERATING SEGMENT RESULTS" for a more detailed discussion of net sales and EBITDA by operating segment including the reconciliation of segment EBITDA to net income attributable to Cummins Inc.

Operating Segments	Three months ended March 29, 2020			March 31, 2019			Percent change 2020 vs. 2019	
In millions	Sales	Percent of Total	EBITDA	Sales	Percent of Total	EBITDA	Sales	EBITDA
Engine	**$ 2,158**	**43 %**	**$ 365**	$ 2,653	44 %	$ 438	(19)%	(17) %
Distribution	**1,814**	**36 %**	**158**	2,001	33 %	171	(9)%	(8) %
Components	**1,502**	**30 %**	**279**	1,861	31 %	325	(19)%	(14) %
Power Systems	**884**	**18 %**	**77**	1,077	18 %	138	(18)%	(44) %
New Power	**10**	**— %**	**(43)**	3	— %	(29)	NM	(48) %
Intersegment eliminations	**(1,357)**	**(27)%**	**10**	(1,591)	(26) %	(10)	(15)%	NM
Total	**$ 5,011**	**100 %**	**$ 846**	$ 6,004	100 %	$ 1,033	(17)%	(18) %

"NM" - not meaningful information

Net income attributable to Cummins was $511 million, or $3.41 per diluted share, on sales of $5.0 billion for the three months ended March 29, 2020, versus the comparable prior year period net income attributable to Cummins of $663 million, or $4.20 per diluted share, on sales of $6.0 billion. The decreases in net income and earnings per diluted share were driven by lower net sales, decreased gross margin, a smaller gain in fair value of corporate owned life insurance and unfavorable foreign currency fluctuations (primarily the Brazilian real and Australian dollar), partially offset by restructuring actions resulting in lower compensation expenses and favorable adjustments related to India Tax Law Changes in March 2020. The decrease in gross margin was primarily due to lower volumes, partially offset by restructuring actions resulting in lower compensation expenses, lower material costs and decreased warranty expenses. The increase in gross margin as a percentage of sales was principally due to decreased warranty costs and lower variable compensation expenses, partially offset by the impact of lower sales. Diluted earnings per common share for the three months ended March 29, 2020, benefited $0.03 from fewer weighted-average shares outstanding due to the stock repurchase program.

We generated $379 million of cash from operations for the three months ended March 29, 2020, compared to $412 million for the comparable period in 2019. Refer to the section titled "Cash Flows" in the "LIQUIDITY AND CAPITAL RESOURCES" section for a discussion of items impacting cash flows.

In the first three months of 2020, we purchased $550 million, or 3.5 million shares of common stock.

Our debt to capital ratio (total capital defined as debt plus equity) at March 29, 2020, was 29.5 percent, compared to 21.9 percent at December 31, 2019. The increase was primarily due to higher outstanding commercial paper of $957 million since December 31, 2019. At March 29, 2020, we had $2.0 billion in cash and marketable securities on hand and access to our $3.5 billion credit facilities, if necessary, to meet currently anticipated working capital, investment and funding needs.

In the first three months of 2020, the investment loss on our U.S. pension trust was 7.3 percent while our U.K. pension trust gain was 2.7 percent. Investment performance in both trusts was negatively affected as a result of COVID-19's impact on capital markets. We anticipate making additional defined benefit pension contributions during the remainder of 2020 of $35 million for our U.S. and U.K. pension plans. Our 2020 annual net periodic pension cost is $102 million.

RESULTS OF OPERATIONS

In millions, except per share amounts	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/ (Unfavorable) Amount	Favorable/ (Unfavorable) Percent
NET SALES	**$ 5,011**	$ 6,004	$ (993)	(17) %
Cost of sales	**3,717**	4,472	755	17 %
GROSS MARGIN	**1,294**	1,532	(238)	(16) %
OPERATING EXPENSES AND INCOME				
Selling, general and administrative expenses	**546**	593	47	8 %
Research, development and engineering expenses	**238**	237	(1)	— %
Equity, royalty and interest income from investees	**129**	92	37	40 %
Other operating (expense) income, net	**(5)**	5	(10)	NM
OPERATING INCOME	**634**	799	(165)	(21) %
Interest income	**7**	12	(5)	(42) %
Interest expense	**23**	32	9	28 %
Other income, net	**37**	66	(29)	(44) %
INCOME BEFORE INCOME TAXES	**655**	845	(190)	(22) %
Income tax expense	**127**	176	49	28 %
CONSOLIDATED NET INCOME	**528**	669	(141)	(21) %
Less: Net income attributable to noncontrolling interests	**17**	6	(11)	NM
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 511**	$ 663	$ (152)	(23) %
Diluted Earnings Per Common Share Attributable to Cummins Inc.	**$ 3.41**	$ 4.20	$ (0.79)	(19) %

"NM" - not meaningful information

Percent of sales	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/ (Unfavorable) Percentage Points
Gross margin	**25.8 %**	25.5 %	0.3
Selling, general and administrative expenses	**10.9 %**	9.9 %	(1.0)
Research, development and engineering expenses	**4.7 %**	3.9 %	(0.8)

Net Sales

Net sales for the three months ended March 29, 2020, decreased by $993 millionversus the comparable period in 2019. The primary drivers were as follows:

- Engine segment sales decreased 19 percent due to lower volumes in the North American heavy-duty and medium-duty truck markets and lower demand in global construction markets, especially in North America, Western Europe and Asia Pacific.
- Components segment sales decreased 19 percent, largely due to lower demand in North America and Western Europe.
- Power Systems sales decreased 18 percent primarily due to lower demand in international mining markets and power generation markets in North America and India.
- Distribution segment sales decreased 9 percent principally due to lower demand in North America, especially in the engine and parts product lines.
- Unfavorable foreign currency fluctuations of 1 percent of total sales, primarily in the Brazilian real, Chinese renminbi, Euro and Australian dollar.

Sales to international markets (excluding the U.S. and Canada), based on location of customers, for the three months ended March 29, 2020, were 38 percent of total net sales compared with 39 percent of total net sales for the comparable period in 2019. 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; salaries, wages and 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; engineering support costs; repairs and maintenance; production and warehousing facility property insurance; rent for production facilities and other production overhead.

Gross Margin

Gross margin decreased $238 million for the three months ended March 29, 2020 and increased 0.3 points as a percentage of sales, versus the comparable period in 2019. The decrease in gross margin was primarily due to lower volumes, partially offset by restructuring actions resulting in lower compensation expenses, lower material costs and decreased warranty expenses. The increase in gross margin as a percentage of sales was principally due to decreased warranty costs and lower variable compensation expenses, partially offset by the impact of lower sales.

The provision for base warranties issued as a percent of sales for the three months ended March 29, 2020, was 1.9 percent compared to 2.1 percent for the comparable period in 2019. A detailed discussion of gross margin by segment is presented in the “OPERATING SEGMENT RESULTS” section.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $47 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to restructuring actions resulting in lower compensation expenses. Overall, selling, general and administrative expenses, as a percentage of sales, increased to 10.9 percent in the three months ended March 29, 2020, from 9.9 percent in the comparable period in 2019. The increase in selling, general and administrative expenses as a percentage of sales was primarily due to sales declining faster than selling, general and administrative expenses decreased, partially offset by lower compensation expenses.

Research, Development and Engineering Expenses

Research, development and engineering expenses increased $1 million for the three months ended March 29, 2020, versus the comparable period in 2019. Overall, research, development and engineering expenses as a percentage of sales increased to 4.7 percent in the three months ended March 29, 2020, from 3.9 percent in the comparable period in 2019. Research, development and engineering expenses increased as we continued to invest in our products and technologies despite the decline in sales. Research activities continue to focus on development of new products 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 fully electric, hybrid and hydrogen powertrain solutions.

Equity, Royalty and Interest Income from Investees

Equity, royalty and interest income from investees increased $37 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to a $37 million adjustment as the result of tax changes within India's 2020-2021 Union Budget of India (India Tax Law Changes) passed in March 2020 and $18 million of technology fee revenue recorded in the first quarter of 2020, partially offset by lower equity earnings in China as the result of COVID-19. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

Other Operating (Expense) Income, Net

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

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Amortization of intangible assets	**$ (5)**	$ (5)
Loss on write off of assets	**(2)**	—
(Loss) gain on sale of assets, net	**(1)**	5
Royalty income, net	**2**	6
Other, net	**1**	(1)
Total other operating (expense) income, net	**$ (5)**	$ 5

Interest Income

Interest income decreased $5 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to lower rates of return.

Interest Expense

Interest expense decreased $9 million for the three months ended March 29, 2020, versus the comparable period in 2019, mainly due to lower interest rates despite an increase in short-term borrowings.

Other Income, Net

Other income, net was as follows:

	Three months ended	
In millions	March 29, 2020	March 31, 2019
Gain on corporate owned life insurance	**$ 17**	$ 37
Non-service pension and other postretirement benefits credit	**16**	18
Rental income	**2**	2
Foreign currency loss, net	**(1)**	(6)
(Loss) gain on marketable securities, net	**(3)**	4
Bank charges	**(3)**	(3)
Other, net	**9**	14
Total other income, net	**$ 37**	$ 66

Income Tax Expense

Our effective tax rate for the three months ended March 29, 2020, was 19.4 percent. Our effective tax rate for the three months ended March 31, 2019, was 20.8 percent and contained immaterial discrete items.

The three months ended March 29, 2020, contained $18 million of favorable net discrete tax items, primarily due to tax changes within India's 2020-2021 Union Budget of India (India Tax Law Change) passed in March of 2020. The India Tax Law Change eliminated the dividend distribution tax and replaced it with a lower rate withholding tax as the burden shifted from the dividend payor to the dividend recipient for a net favorable income statement impact of $35 million, or $0.23 per share. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

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 months ended March 29, 2020, increased $11 million, versus the comparable period in 2019, primarily due to a $19 million unfavorable adjustment as the result of India Tax Law Changes passed in March 2020. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

Net Income Attributable to Cummins Inc. and Diluted Earnings Per Common Share Attributable to Cummins Inc.

Net income and diluted earnings per common share attributable to Cummins Inc. for the three months ended March 29, 2020, decreased $152 million and $0.79 per diluted share versus the comparable period in 2019, primarily due to lower net sales, decreased gross margin, a smaller gain in fair value of corporate owned life insurance and unfavorable foreign currency fluctuations (primarily the Brazilian real and Australian dollar), partially offset by restructuring actions resulting in lower compensation expenses and favorable adjustments related to India Tax Law Changes in March 2020. Diluted earnings per common share for the three months ended March 29, 2020, benefited $0.03 from fewer weighted-average shares outstanding due to the stock repurchase program.

Comprehensive Income - Foreign Currency Translation Adjustment

The foreign currency translation adjustment was a net loss of $162 million for the three months ended March 29, 2020, compared to a net gain of $84 million for the three months ended March 31, 2019, and was driven by the following:

	Three months ended			
	March 29, 2020		March 31, 2019	
In millions	Translation adjustment	Primary currency driver vs. U.S. dollar	Translation adjustment	Primary currency driver vs. U.S. dollar
Wholly-owned subsidiaries	**$ (124)**	Brazilian real, Indian rupee, Chinese renminbi, British pound	$ 74	British pound, Chinese renminbi
Equity method investments	**(21)**	Chinese renminbi, Indian rupee	7	Chinese renminbi offset by British pound
Consolidated subsidiaries with a noncontrolling interest	**(17)**	Indian rupee	3	Indian rupee
Total	**$ (162)**		$ 84	

OPERATING SEGMENT RESULTS

Our reportable operating segments consist of the Engine, Distribution, Components, Power Systems and New Power segments. This reporting structure is organized according to the products and markets each segment serves. We use segment EBITDA as a primary 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 15, "OPERATING SEGMENTS," to the *Condensed Consolidated Financial Statements* for additional information.

Our first quarter results were impacted by COVID-19, which caused manufacturing and supplier plant closures in China in early 2020 and other targeted shut-downs beginning in late March 2020 in response to customer plant closures and government actions to slow the spread of the virus. Plants closed in China during the first quarter were reopened in late March 2020; however, additional plants and distribution locations around the world were shut down or working at reduced capacities early in the second quarter. Although these actions did not have a material effect on our results of operations in the first quarter, we expect them to have a significant impact on our second quarter results as well as the results of operations, financial condition and cash flows throughout the remainder of 2020, if the decline in customer demand, government action or our related shut-downs continue for an extended period of time or worsen.

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

Engine Segment Results

Financial data for the Engine segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	**March 29, 2020**	**March 31, 2019**	**Amount**	**Percent**
External sales	**$ 1,579**	$ 1,984	$ (405)	(20) %
Intersegment sales	**579**	669	(90)	(13) %
Total sales	**2,158**	2,653	(495)	(19) %
Research, development and engineering expenses	**80**	78	(2)	(3) %
Equity, royalty and interest income from investees	**78**	56	22	39 %
Interest income [1]	**4**	4	—	— %
Segment EBITDA	**365**	438	(73)	(17) %
			Percentage Points	
Segment EBITDA as a percentage of total sales	**16.9 %**	16.5 %	0.4	

[1] "Interest income" is managed at the corporate level and allocated to each operating segment.

Sales for our Engine segment by market were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	**March 29, 2020**	**March 31, 2019**	**Amount**	**Percent**
Heavy-duty truck	**$ 750**	$ 979	$ (229)	(23) %
Medium-duty truck and bus	**618**	721	(103)	(14) %
Light-duty automotive	**353**	382	(29)	(8) %
Total on-highway	**1,721**	2,082	(361)	(17) %
Off-highway	**437**	571	(134)	(23) %
Total sales	**$ 2,158**	$ 2,653	$ (495)	(19) %
			Percentage Points	
On-highway sales as percentage of total sales	**80 %**	78 %	2	

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/ (Unfavorable)	
	March 29, 2020	March 31, 2019	Amount	Percent
Heavy-duty	**25,800**	33,900	(8,100)	(24) %
Medium-duty	**61,200**	79,000	(17,800)	(23) %
Light-duty	**49,400**	56,400	(7,000)	(12) %
Total unit shipments	**136,400**	169,300	(32,900)	(19) %

Sales

Engine segment sales for the three months ended March 29, 2020, decreased $495 million versus the comparable period in 2019. The following were the primary drivers by market:

- Heavy-duty truck sales decreased $229 million principally due to lower volumes in the North American heavy-duty truck market with lower shipments of 36 percent.
- Off-highway sales decreased $134 million primarily due to lower demand in global construction markets, especially in North America, Western Europe and Asia Pacific.
- Medium-duty truck and bus sales decreased $103 million mainly due to lower demand in North American and Brazilian medium-duty truck markets.

Segment EBITDA

Engine segment EBITDA for the three months ended March 29, 2020, decreased $73 million versus the comparable period in 2019, primarily due to lower gross margin, partially offset by increased equity, royalty and interest income from investees and lower selling, general and administrative expenses. The decrease in gross margin was mainly due to lower volumes, partially offset by lower compensation expenses. The decrease in selling, general and administrative expenses was primarily due to restructuring actions resulting in lower compensation expenses, partially offset by higher consulting expenses. The increase in equity, royalty and interest income from investees was due to higher earnings at Tata Cummins Ltd. largely due to an $18 million adjustment related to India Tax Law Changes passed in March 2020 and $18 million of technology fee revenue recorded in the first quarter of 2020, partially offset by lower earnings at Dongfeng Cummins Engine Co. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

Distribution Segment Results

Financial data for the Distribution segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	March 29, 2020	March 31, 2019	Amount	Percent
External sales	**$ 1,807**	$ 1,993	$ (186)	(9) %
Intersegment sales	**7**	8	(1)	(13) %
Total sales	**1,814**	2,001	(187)	(9) %
Research, development and engineering expenses	**7**	7	—	— %
Equity, royalty and interest income from investees	**21**	11	10	91 %
Interest income [(1)]	**1**	4	(3)	(75) %
Segment EBITDA	**158**	171	(13)	(8) %
			Percentage Points	
Segment EBITDA as a percentage of total sales	**8.7 %**	8.5 %	0.2	

[(1)] "Interest income" is managed at the corporate level and allocated to each operating segment.

Sales for our Distribution segment by region were as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	March 29, 2020	March 31, 2019	Amount	Percent
North America	**$ 1,246**	$ 1,399	$ (153)	(11)%
Asia Pacific	**196**	220	(24)	(11)%
Europe	**136**	123	13	11 %
China	**68**	82	(14)	(17)%
Africa and Middle East	**51**	55	(4)	(7)%
Latin America	**39**	40	(1)	(3)%
India	**36**	47	(11)	(23)%
Russia	**42**	35	7	20 %
Total sales	**$ 1,814**	$ 2,001	$ (187)	(9)%

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

	Three months ended		Favorable/ (Unfavorable)	
In millions	March 29, 2020	March 31, 2019	Amount	Percent
Parts	**$ 787**	$ 844	$ (57)	(7) %
Power generation	**376**	403	(27)	(7) %
Service	**328**	363	(35)	(10) %
Engines	**323**	391	(68)	(17) %
Total sales	**$ 1,814**	$ 2,001	$ (187)	(9) %

Sales

Distribution segment sales for the three months ended March 29, 2020, decreased $187 million versus the comparable period in 2019. The following were the primary drivers by region:

- North American sales decreased $153 million due to decreased demand in all product lines, especialy engine sales in oil and gas markets and parts.
- Unfavorable foreign currency fluctuations, principally in the Australian dollar, Euro, Brazilian real and Chinese renminbi.

Segment EBITDA

Distribution segment EBITDA for the three months ended March 29, 2020, decreased $13 million versus the comparable period in 2019, primarily due to lower gross margin and unfavorable foreign currency fluctuations in emerging markets (especially Africa), partially offset by lower selling, general and administrative expenses and higher equity, royalty and interest income from investees. The decrease in gross margin was mainly due to lower volume, partially offset by lower compensation expenses. The decrease in selling, general and administrative expenses was due to restructuring actions resulting in lower compensation expenses and lower travel expenses, partially offset by higher consulting expenses. The increase in equity, royalty and interest income from investees was largely due to higher earnings at Valvoline Cummins Ltd., due to a $5 million adjustment related to India Tax Law Changes passed in March 2020, and Komatsu Cummins Chile, Ltda. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

Components Segment Results

Financial data for the Components segment was as follows:

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
External sales	**$ 1,115**	$ 1,401	$ (286)	(20)%
Intersegment sales	**387**	460	(73)	(16)%
Total sales	**1,502**	1,861	(359)	(19)%
Research, development and engineering expenses	**68**	75	7	9 %
Equity, royalty and interest income from investees	**21**	10	11	NM
Interest income [1]	**1**	2	(1)	(50)%
Segment EBITDA	**279**	325	(46)	(14)%
			Percentage Points	
Segment EBITDA as a percentage of total sales	**18.6 %**	17.5 %	1.1	

"NM" - not meaningful information

[1] "Interest income" is managed at the corporate level and allocated to each operating segment.

Sales for our Components segment by business were as follows:

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Emission solutions	**$ 664**	$ 854	$ (190)	(22) %
Filtration	**312**	325	(13)	(4) %
Turbo technologies	**270**	335	(65)	(19) %
Electronics and fuel systems	**174**	198	(24)	(12) %
Automated transmissions	**82**	149	(67)	(45) %
Total sales	**$ 1,502**	$ 1,861	$ (359)	(19) %

Sales

Components segment sales for the three months ended March 29, 2020, decreased $359 million versus the comparable period in 2019. The following were the primary drivers by business:

- Emission solutions sales decreased $190 million primarily due to weaker demand in North America and Western Europe.
- Automated transmissions sales decreased $67 million primarily due to lower heavy-duty truck demand in North America.
- Turbo technologies sales decreased $65 million mainly due to weaker market demand in North America and Western Europe.

Segment EBITDA

Components segment EBITDA for the three months ended March 29, 2020, decreased $46 million versus the comparable period in 2019, mainly due to lower gross margin, partially offset by lower selling, general and administrative expenses, increased equity, royalty and interest income from investees and decreased research, development and engineering expenses. The decrease in gross margin was mainly due to lower volumes, partially offset by restructuring actions resulting in lower compensation expenses. Selling, general and administrative expenses decreased due to restructuring actions resulting in lower compensation expenses and decreased consulting expenses. The decrease in research, development and engineering expenses was principally due to lower compensation expenses. The increase in equity, royalty and interest income from investees was primarily due to higher earnings at Fleetguard Filtration Systems India Pvt. due to a $14 million adjustment related to India Tax Law Changes passed in March 2020. See NOTE 6, "INCOME TAXES" to the *Condensed Consolidated Financial Statements* for additional information on India Tax Law Changes.

Power Systems Segment Results

Financial data for the Power Systems segment was as follows:

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
External sales	**$ 500**	$ 623	$ (123)	(20)%
Intersegment sales	**384**	454	(70)	(15)%
Total sales	**884**	1,077	(193)	(18)%
Research, development and engineering expenses	**54**	56	2	4 %
Equity, royalty and interest income from investees	**9**	15	(6)	(40)%
Interest income [(1)]	**1**	2	(1)	(50)%
Segment EBITDA	**77**	138	(61)	(44)%
			Percentage Points	
Segment EBITDA as a percentage of total sales	**8.7 %**	12.8 %	(4.1)	

[(1)] "Interest income" is managed at the corporate level and allocated to each operating segment.

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

In millions	Three months ended March 29, 2020	Three months ended March 31, 2019	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Power generation	**$ 519**	$ 567	$ (48)	(8) %
Industrial	**296**	420	(124)	(30) %
Generator technologies	**69**	90	(21)	(23) %
Total sales	**$ 884**	$ 1,077	$ (193)	(18) %

Sales

Power Systems segment sales for the three months ended March 29, 2020, decreased $193 million versus the comparable period in 2019. The following were the primary drivers by product line:

- Industrial sales decreased $124 million due to lower demand in international mining markets and decreased demand in oil and gas markets in North America and China.
- Power generation sales decreased $48 million due to lower demand in North America and India.
- Unfavorable foreign currency fluctuations primarily in the Brazilian real, Chinese renminbi and Indian rupee.

Segment EBITDA

Power Systems segment EBITDA for the three months ended March 29, 2020, decreased $61 million versus the comparable period in 2019, primarily due to lower gross margin and decreased equity, royalty and interest income from investees, partially offset by lower selling, general and administrative expenses. The decrease in gross margin was mainly due to lower volumes, partially offset by lower warranty expenses. Selling, general and administrative expenses decreased primarily due to restructuring actions resulting in lower compensation expenses and decreased travel expenses. The decrease in equity, royalty and interest income from investees was primarily due to lower earnings at Chongqing Cummins Engine Co., Ltd.

New Power Segment Results

The New Power segment designs, manufactures, sells and supports electrified power systems ranging from fully electric to hybrid along with innovative components and subsystems, including battery, fuel cell and hydrogen production technologies. The New Power segment is currently in the development phase with a primary focus on research and development activities for all of our power systems, components and subsystems. Financial data for the New Power segment was as follows:

	Three months ended		Favorable/ (Unfavorable)	
In millions	March 29, 2020	March 31, 2019	Amount	Percent
Total external sales	**$ 10**	$ 3	$ 7	NM
Research, development and engineering expenses	**29**	21	(8)	(38)%
Segment EBITDA	**(43)**	(29)	(14)	(48)%

"NM" - not meaningful information

Reconciliation of Segment EBITDA to Net Income Attributable to Cummins Inc.

The table below reconciles the segment information to the corresponding amounts in the*Condensed Consolidated Statements of Net Income:*

	Three months ended	
In millions	March 29, 2020	March 31, 2019
TOTAL SEGMENT EBITDA	**$ 836**	$ 1,043
Intersegment eliminations [(1)]	**10**	(10)
TOTAL EBITDA	**846**	1,033
Less:		
Interest expense	**23**	32
Depreciation and amortization [(2)]	**168**	156
INCOME BEFORE INCOME TAXES	**655**	845
Less: Income tax expense	**127**	176
CONSOLIDATED NET INCOME	**528**	669
Less: Net income attributable to noncontrolling interest	**17**	6
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 511**	$ 663

[(1)] Includes intersegment sales, intersegment profit in inventory eliminations and unallocated corporate expenses. There were no significant unallocated corporate expenses for the three months ended March 29, 2020 and March 31, 2019, respectively.

[(2)] 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 less than $1 million and $1 million for the three months ended March 29, 2020 and March 31, 2019, respectively.

OUTLOOK

Our outlook reflects the following cash savings measures and challenges to our business, in particular with respect to the ongoing COVID-19 pandemic, that we expect could impact our revenue and earnings potential for the remainder of 2020.

Cash Savings Measures

- We expect to realize annualized savings from restructuring and other actions of approximately $250million to $300 million. Actions related to this restructuring were substantially complete at the end of March 2020.
- In response to the unknown duration and severity of COVID-19, we are taking the following additional temporary actions to manage the use of cash:
    - We are reducing our planned capital expenditures by 25 percent.
    - We are working to reduce our inventory levels.
    - We implemented a tiered payroll cut across our workforce including the Board of Directors.

Challenges

- We expect customer shutdowns and the impact of lower economic activity, driven by COVID-19, will negatively impact our results of operations, financial position and cash flows.
- Supply chain constraints related to COVID-19 will likely impact our revenues negatively and result in increased costs.
- In response to COVID-19 we closed or slowed certain global manufacturing facilities for an undetermined period of time and will reopen when deemed appropriate for the safety of our employees.
- We may close or restructure additional manufacturing and distribution facilities as we evaluate the appropriate size and structure of our manufacturing and distribution capacity, which could result in additional charges.
- Due to the ongoing impact of COVID-19 and attempts to control its spread, we are expecting significantly weaker demand in the majority of our geographic markets and regions for the remainder of 2020.
- Uncertainty in the U.K. surrounding its ability to negotiate trade agreements as a sovereign country could have material negative impacts on our European operations in the long-term.

COVID-19

We expect the COVID-19 pandemic to negatively impact our financial performance. Because the magnitude and duration of the COVID-19 pandemic and its economic consequences are unclear, the pandemic's impact on our performance is difficult to predict. The three principle areas we anticipate COVID-19 to negatively impact our financial performance are through its impact on customer demand, the impact on our ability to procure parts from suppliers and our ability to operate our manufacturing, distribution and service facilities.

Customer Demand – The majority of our major customers, including PACCAR, Navistar, Daimler and FCA have experienced extended production shutdowns related to COVID-19. Production shutdowns remained widespread in April and these shut-downs will have a significant impact on our second quarter revenues. We expect customers to ramp up their production over time as they reopen their facilities. The speed at which customers increase production is highly uncertain and will be determined by supply chain constraints, market demand and government decisions to reopen economies.

Supply Chain Impact – Supplier shutdowns may result in parts shortages and negatively impact our ability to manufacture products and meet aftermarket demand. In addition, industry parts shortages may impact the timing of when customer facilities reopen and the speed at which customers ramp up production, negatively impacting demand for our products. Lower demand increases the risk that certain suppliers will face financial issues, potentially impacting their ability to supply parts.

Operations Impact - Our manufacturing and distribution locations are generally considered critical services and the majority of our facilities remain open to meet customer demand. In an effort to contain the spread of COVID-19, maintain the well-being of our employees, ensure compliance with governmental requirements or respond to declines in demand from customers, we closed or partially shut down certain office, manufacturing and distribution facilities around the world. We have taken, and will continue to take, a variety of steps to reduce the risk of employees contracting COVID-19 at work. These steps include social distancing, expanded cleaning and sanitization, adjusting work hours and temperature checks.

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 attention. Working capital and balance sheet measures are provided in the following table:

Dollars in millions	March 29, 2020	December 31, 2019
Working capital [1]	**$ 2,808**	$ 3,127
Current ratio	**1.40**	1.50
Accounts and notes receivable, net	**$ 3,505**	$ 3,670
Days' sales in receivables	**65**	58
Inventories	**$ 3,579**	$ 3,486
Inventory turnover	**4.1**	4.7
Accounts payable (principally trade)	**$ 2,648**	$ 2,534
Days' payable outstanding	**63**	58
Total debt	**$ 3,351**	$ 2,367
Total debt as a percent of total capital	**29.5 %**	21.9 %

[1] Working capital includes cash and cash equivalents.

Cash Flows

Cash and cash equivalents were impacted as follows:

	Three months ended		
In millions	March 29, 2020	March 31, 2019	Change
Net cash provided by operating activities	**$ 379**	$ 412	$ (33)
Net cash used in investing activities	**(99)**	(71)	(28)
Net cash provided by (used in) financing activities	**234**	(347)	581
Effect of exchange rate changes on cash and cash equivalents	**48**	31	17
Net increase in cash and cash equivalents	**$ 562**	$ 25	$ 537

Net cash provided by operating activities decreased $33 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to lower consolidated net income of $141 million, lower foreign currency remeasurement and transaction exposure of $76 million and restructuring payments of $48 million, partially offset by lower working capital requirements of $167 million. During the first three months of 2020, the lower working capital requirements resulted in a cash outflow of $135 million compared to a cash outflow of $302 million in the comparable period in 2019, mainly due to lower notes and accounts receivable balances as the result of lower sales, partially offset by higher inventory balances.

Net cash used in investing activities increased $28 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to lower cash flows from derivatives not designated as hedges of $49 million and lower proceeds from the disposal of property, plant and equipment, partially offset by lower capital expenditures of $34 million.

Net cash provided by financing activities increased $581 million for the three months ended March 29, 2020, versus the comparable period in 2019, primarily due to higher net borrowings of commercial paper of $1,028 million, partially offset by higher repurchases of common stock of $450 million.

The effect of exchange rate changes on cash and cash equivalents for the three months ended March 29, 2020, versus the comparable period in 2019, increased $17 million primarily due to a favorable $39 million fluctuation in the British pound, partially offset by unfavorable fluctuations in the Chinese renminbi and Indian rupee.

Sources of Liquidity

We generate significant ongoing cash flow. Cash provided by operations is our principal source of liquidity with $379 million generated in the three months ended March 29, 2020. Our sources of liquidity included:

	March 29, 2020			
In millions	**Total**	**U.S.**	**International**	**Primary location of international balances**
Cash and cash equivalents	$ 1,691	$ 694	$ 997	China, Singapore, Belgium, Mexico, Australia
Marketable securities [(1)]	339	78	261	India
Total	$ 2,030	$ 772	$ 1,258	
Available credit capacity				
Revolving credit facilities [(2)]	$ 1,883			
International and other uncommitted domestic credit facilities	$ 213			

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

[(2)] The five-year credit facility for $2.0 billion and the 364-day credit facility for $1.5 billion, maturing August 2023 and August 2020, respectively, are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. At March 29, 2020, we had $1,617 million of commercial paper outstanding, which effectively reduced the available capacity under our revolving credit facilities to $1.9 billion.

Cash, Cash Equivalents 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.

Debt Facilities and Other Sources of Liquidity

We have access to committed credit facilities that total $3.5 billion, including a $1.5 billion 364-day facility that expires August 19, 2020 and a $2.0 billion five-year facility that expires on August 22, 2023. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities before expiration. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and for general corporate purposes.

We can issue up to $3.5 billion of unsecured, short-term promissory notes (commercial paper) pursuant to the Board of Directors (the Board) authorized commercial paper programs. The 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 general corporate purposes. The total combined borrowing capacity under the revolving credit facility and commercial program should not exceed $3.5 billion. See Note 9, "DEBT," to our *Condensed Consolidated Financial Statements* for additional information.

At March 29, 2020, we had $1.6 billion of commercial paper outstanding, which effectively reduced the available capacity under our revolving credit facilities to $1.9 billion.

On April 13, 2020, we registered for the Federal Reserve Bank of New York's Commercial Paper Funding Facility (CPFF) program to assure access to the commercial paper funding markets during more volatile credit market conditions. The CPFF was intended to provide a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle (SPV). We were approved on April 14, 2020. The facility allows us, based on our current short-term credit rating, to issue three-month unsecured commercial paper at a rate equal to a + 110 basis point spread over the three-month overnight index swap rate on the date of issuance. The maximum amount of commercial paper that we may issue at any time through this program is $1.5 billion less the total principal amount of all other outstanding commercial paper that we have issued. We retain full access to our Board authorized $3.5 billion commercial paper program, as reduced by any amounts issued under this facility. The SPV is currently scheduled to cease purchasing commercial paper on March 17, 2021. As of April 24, 2020, we issued $230 million of commercial paper under the CPFF program.

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 regularly scheduled due date. We do not reimburse vendors for any costs they incur for participation in the program and their participation is completely voluntary. As a result, all amounts owed to the financial intermediaries are presented as "Accounts payable" in our *Condensed Consolidated Balance Sheets*.

Uses of Cash

Stock Repurchases

In December 2019, the Board authorized the acquisition of up to $2.0 billion of additional common stock upon completion of the 2018 repurchase plan. In October 2018, the Board authorized the acquisition of up to $2.0 billion of additional common stock. In the first three months of 2020, we made the following purchases under the 2018 stock repurchase program:

In millions, except per share amounts	Shares Purchased	Average Cost Per Share	Total Cost of Repurchases	Remaining Authorized Capacity [1]
March 29	**3.5**	**$ 156.90**	**$ 550**	**$ 85**

[1] The remaining authorized capacity under these plans was calculated based on the cost to purchase the shares but excludes commission expenses in accordance with the authorized plan.

We may repurchase outstanding shares from time to time during 2020 to enhance shareholder value and to offset the dilutive impact of employee stock-based compensation plans.

Dividends

We paid dividends of $195 million during the three months ended March 29, 2020.

Restructuring Actions

In November 2019, we announced our intentions to reduce our global workforce in response to the continued deterioration in our global markets in the second half of 2019, as well as expected reductions in orders in most U.S. and international markets in 2020. In the fourth quarter of 2019, we began executing restructuring actions, primarily in the form of voluntary and involuntary employee separation programs. We incurred a charge of $119 million ($90 million after-tax) in the fourth quarter of 2019 for these actions which impacted approximately 2,300 employees. We expect to incur an additional $61 million in cash payments during the remainder of 2020. See Note 14, "RESTRUCTURING ACTIONS," to the *Condensed Consolidated Financial Statements,* for additional information.

Capital Expenditures

Capital expenditures, including spending on internal use software, for the three months ended March 29, 2020, were $83 million versus $129 million in the comparable period in 2019. While we continue to make targeted investments, we reduced our planned 2020 spending (previously estimated at $675 million to $700 million) in response to the weaker outlook for global growth due to the impact of COVID-19. We plan to spend an estimated $500 million to $525 million in 2020 on capital expenditures, excluding internal use software, with approximately 40 percent of these expenditures are expected to be invested outside of the U.S. in 2020. In addition, we plan to spend an estimated $50 million to $60 million on internal use software in 2020.

Pensions

Our global pension plans, including our unfunded and non-qualified plans, were 113 percent funded at December 31, 2019. Our U.S. defined benefit plan, which represents approximately 53 percent of the worldwide pension obligation, was 133 percent funded, and our U.K. defined benefit plan was 109 percent funded. 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 three months of 2020, the investment loss on our U.S. pension trust was 7.3 percent while our U.K. pension trust gain was 2.7 percent. Investment performance in both trusts was negatively affected as a result of COVID-19's impact on capital markets. Approximately 72 percent of our pension plan assets are held in highly liquid investments such as fixed income and equity securities. The remaining 28 percent of our plan assets are held in less liquid, but market valued investments, including real estate, private equity, venture capital, opportunistic credit and insurance contracts. We anticipate making additional defined benefit pension contributions during the remainder of 2020 of $35 million for our U.S. and U.K. 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. Our 2020 annual net periodic pension cost is $102 million.

Current Maturities of Short and Long-Term Debt

We had $1.6 billion of commercial paper outstanding at March 29, 2020, that matures in less than one year. The maturity schedule of our existing long-term debt does not require significant cash outflows until 2023 when our 3.65% senior notes are due. Required annual long-term debt principal payments range from $5 million to $506 million over the next five years (including the remainder of 2020). See Note 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

Credit Ratings

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

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

(1) 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

Despite the downturn in the economy and volatility in the capital markets due to the COVID-19 pandemic, 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 operating cash flow, existing cash and marketable securities and liquidity provide us with the financial flexibility needed to fund working capital, targeted capital expenditures, dividend payments, projected pension obligations, debt service obligations and remaining restructuring payments through 2020 and beyond. We continue to generate cash from operations and maintain access to our expanded revolving credit facilities and commercial paper programs as noted above.

Other Matters

In July 2017, the U.K.'s Financial Conduct Authority, which regulates the London Interbank Offered Rate (LIBOR), announced it intends to phase out LIBOR by the end of 2021. Various central bank committees and working groups continue to discuss replacement of benchmark rates, the process for amending existing LIBOR-based contracts and the potential economic impacts of different alternatives. The Alternative Reference Rates Committee has identified the Secured Overnight Financing Rate (SOFR) as its preferred alternative rate for USD LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. We are evaluating the potential impact of the replacement of the LIBOR benchmark interest rate including risk management and internal operational readiness. As more fully described in Note 16, "RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS" to our *Condensed Consolidated Financial Statements*, the FASB recently released guidance aimed at easing the financial reporting implications of a transition from LIBOR to a new benchmark rate.

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 2019 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 our Board of Directors. Our critical accounting estimates disclosed in the Form 10-K address the estimation of liabilities for warranty programs, accounting for income taxes, pension benefits and goodwill impairment.

A discussion of our critical accounting estimates may be found in the “Management’s Discussion and Analysis” section of our 2019 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 three months of 2020.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note 16, "RECENTLY ADOPTED 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 2019 Form 10-K. There have been no material changes in this information since the filing of our 2019 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 has been no change in our internal control over financial reporting during the quarter ended March 29, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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; and environmental matters. 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 pursuant to U.S. generally accepted accounting principles 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 April 29, 2019, we announced that we were conducting a formal internal review of our emissions certification process and compliance with emission standards for our pick-up truck applications, following conversations with the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) regarding certification of our engines in model year 2019 RAM 2500 and 3500 trucks. This review is being conducted with external advisors to ensure the certification and compliance processes for all of our pick-up truck applications are consistent with our internal policies, engineering standards and applicable laws. In addition, we voluntarily disclosed our formal internal review to the regulators and to other government agencies, the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC), and have been working cooperatively with them to ensure a complete and thorough review. 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 discussions, the regulators have asked us to look at other model years and other engines, though the primary focus of our review has been the model year 2019 RAM. We are also fully cooperating with the DOJ's and the SEC's information requests and inquiries. Due to the continuing nature of our formal review, our ongoing cooperation with our regulators and other government agencies, and the presence of many unknown facts and circumstances, we cannot predict the final outcome of this review and these regulatory and agency processes, and we cannot provide assurance that the matter will not have a materially adverse impact on our results of operations and cash flows.

ITEM 1A. Risk Factors

Set forth below and elsewhere in this Quarterly Report on Form 10-Q are some of the principal risks and uncertainties that could cause our actual business results to differ materially from any forward-looking statements contained in this Report and could individually, or in combination, have a material adverse effect on our results of operations, financial position and cash flows. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties. Our separate section above, "CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION," should be considered in addition to the following statements. The risk factors below amend and supersede the risk factors previously disclosed in Item 1A to the Annual Report on Form 10-K of Cummins Inc.for the year ended December 31, 2019.

A sustained market slowdown due to the impacts from the COVID-19 pandemic, other public health crises, epidemics or pandemics or otherwise, could have a material and adverse effect on our results of operations, financial condition and cash flows.

The COVID-19 pandemic has triggered a significant downturn in our markets globally and these challenging market conditions could continue for an extended period of time. The U.S., European, Indian and other international economies have slowed, with much uncertainty as to when these markets will recover. The recovery in the China market just began and the rate of improvement, and whether such improvement will continue, is unclear at this time. If any or all of these major markets were to endure a sustained slowdown or recession due to the impacts of the COVID-19 pandemic, other public health crises, epidemics or pandemics or otherwise decline, it could have a material adverse effect on our results of operations, financial condition and cash flows.

Our manufacturing and supply chain abilities may be materially and adversely impacted by an extended shutdown or disruption of our operations due to the COVID-19 pandemic which could materially and adversely affect our results of operations, financial condition and cash flows.

During the first quarter of 2020, the outbreak of the coronavirus disease of 2019 (COVID-19) spread throughout the world and became a global pandemic. The pandemic triggered a significant downturn in our markets globally and these challenging market conditions could continue for an extended period of time. In an effort to contain the spread of COVID-19, maintain the well-being of our employees and stakeholders, match the reduced demand from our customers and in accordance with governmental requirements, we closed or partially shut down certain office, manufacturing and distribution facilities around the world. These closures expanded and continued into April 2020. While the global market downturn, closures and limitations on movement are expected to be temporary, the duration of the production and supply chain disruptions, and related financial impacts, cannot be estimated at this time. Should the manufacturing and distribution closures continue for an extended period of time or worsen, the impact on our production and supply chain could have a material adverse effect on our results of operations, financial condition and cash flows.

We are vulnerable to supply shortages from single-sourced suppliers, including suppliers that may be impacted by the COVID-19 pandemic, and any delay in receiving critical supplies could have a material adverse effect on our results of operations, financial condition and cash flows.

During 2019, we single sourced approximately 19 percent of the total types of parts in our product designs, compared to approximately 20 percent in 2018. Any delay in our suppliers' deliveries may adversely affect our operations at multiple manufacturing locations, forcing us to seek alternative supply sources to avoid serious disruptions. Delays may be caused by factors affecting our suppliers (including the COVID-19 pandemic, capacity constraints, labor disputes, economic downturns, availability of credit, the impaired financial condition), suppliers' allocations to other purchasers, weather emergencies, natural disasters, or acts of war or terrorism. In particular, if the COVID-19 pandemic continues and results in extended periods of travel, commercial and other restrictions, we could continue to incur global supply disruptions. Any extended delay in receiving critical supplies could impair our ability to deliver products to our customers and have a material adverse effect on our results of operations, financial condition and cash flows.

We face the challenge of accurately aligning our capacity with our demand.

Our markets are cyclical in nature and we face periods when demand fluctuates significantly higher or lower than our normal operating levels, including COVID-19 related shut-downs. Accurately forecasting our expected volumes and appropriately adjusting our capacity are important factors in determining our results of operations and cash flows. We manage our capacity by adjusting our manufacturing workforce, capital expenditures and purchases from suppliers. In periods of weak demand we may face under-utilized capacity and un-recovered overhead costs, while in periods of strong demand we may experience unplanned costs and could fail to meet customer demand. We cannot guarantee that we will be able to adequately adjust our manufacturing capacity in response to significant changes in customer demand, which could harm our business. In addition, the COVID-19 pandemic and related reductions in demand forced certain of our customer’s facilities around the world to close or partially shut down operations, inhibiting our ability to forecast demand and caused related closures and partial shut-downs of certain of our manufacturing facilities. If we overestimate our demand and overbuild our capacity, we may have significantly underutilized assets and we may experience reduced margins. If we do not accurately align our manufacturing capabilities with demand it could have a material adverse effect on our results of operations, financial condition and cash flows.

Financial distress, particularly related to the COVID-19 pandemic, or a change-in-control of one of our large truck OEM customers could have a material adverse impact on our results of operations, financial condition and cash flows.

We recognize significant sales of engines and components to a few large on-highway truck OEM customers in North America which have been an integral part of our positive business results for several years. If one of our large truck OEM customers experiences financial distress due to the COVID-19 pandemic, bankruptcy or a change-in-control, such circumstance could likely lead to significant reductions in our sales volumes, commercial disputes, receivable collection issues, and other negative consequences that could have a material adverse impact on our results of operations, financial condition and cash flows.

We are conducting a formal internal review of our emission certification process and compliance with emission standards with respect to our pick-up truck applications and working with the EPA and CARB, as well as the Department of Justice (DOJ) and SEC, to address their questions about these applications. The results of this formal review and regulatory and government agency processes, or the discovery of any noncompliance issues, could have a material adverse impact on our 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 discussions, the regulators have asked us to look at other model years and other engines, though the primary focus of our review has been the model year 2019 RAM. We will continue to work together closely with the relevant regulators to develop and implement recommendations for improvement as part of our ongoing commitment to compliance. We are also fully cooperating with the DOJ's and the SEC's information requests and inquiries.Due to the continuing nature of the formal review, our ongoing cooperation with the regulators and other government agencies, and the presence of many unknown facts and circumstances, we are not yet able to estimate the financial impact of these matters. It is possible that the consequences of any remediation plans resulting from our formal review and these regulatory and agency processes could have a material adverse impact on our results of operations and cash flows in the periods in which these emissions certification issues are addressed.

Our products are subject to extensive statutory and regulatory requirements that can significantly increase our costs and, along with increased scrutiny from regulatory agencies and unpredictability in the adoption, implementation and enforcement of increasingly stringent emission standards by multiple jurisdictions around the world, could have a material adverse impact on our results of operations, financial condition and cash flows.

Our engines are subject to extensive statutory and regulatory requirements governing emissions and noise, including standards imposed by the EPA, the EU, state regulatory agencies (such as the CARB) and other regulatory agencies around the world. Regulatory agencies are making certification and compliance with emissions and noise standards more stringent and subjecting diesel engine products to an increasing level of scrutiny. The discovery of noncompliance issues could have a material adverse impact on our results of operations, financial condition and cash flows.

Developing engines and components to meet more stringent and changing regulatory requirements, with different implementation timelines and emission requirements, makes developing engines efficiently for multiple markets complicated and could result in substantial additional costs that may be difficult to recover in certain markets. While we have met previous deadlines, our ability to comply with existing and future regulatory standards will be essential for us to maintain our competitive advantage in the engine markets we serve. The successful development and introduction of new and enhanced products in order to comply with new regulatory requirements are subject to other risks, such as delays in product development, cost over-runs and unanticipated technical and manufacturing difficulties.

In addition to these risks, the nature and timing of government implementation and enforcement of increasingly stringent emission standards in our worldwide markets are unpredictable and subject to change. Any delays in implementation or enforcement could result in a loss of our competitive advantage and could have a material adverse impact on our results of operations, financial condition and cash flows.

The COVID-19 pandemic created disruptions and turmoil in global credit and financial markets and the ongoing impacts could have a material adverse effect on our results of operations, financial condition and cash flows.

The COVID-19 pandemic created disruptions and turmoil in the global credit and financial markets and made it more difficult and costly for us to access capital on favorable terms to meet our liquidity needs. The disruptions to the global credit and financial markets could also have material negative impacts on business operations and financial positions of our customers and suppliers, which may negatively impact our orders, sales and supply chain. If the impact of the COVID-19 pandemic on global credit financial markets continues, or worsens, it could negatively impact our business, along with the financial condition of our customers and suppliers, and it could have a material adverse impact on our results of operations, financial condition and cash flows.

Government actions to stabilize credit markets and financial institutions or other industries may not be effective.

The U.S. government recently enacted legislation, and created several programs, to help preserve and stabilize credit markets and financial institutions and restore liquidity, including the Emergency Economic Stabilization Act of 2008, the Federal Reserve's Commercial Paper Funding Facility (CPFF) and Money Market Investor Funding Facility and the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program. There is no assurance that these programs will have beneficial effects in the credit markets or on general economic conditions, will address credit or liquidity issues of companies that participate in the programs or will reduce volatility or uncertainty in the financial markets. The failure of these programs to have their intended effects could have a material adverse effect on the financial markets and economies in general, which in turn could have material adverse affects our financial condition and cash flows. To the extent that we participate in these programs or other programs, there is no assurance that we will continue to be eligible or qualify to participate or that such programs will remain available for sufficient periods of time or on acceptable terms to benefit us, and the expiration of such programs could have unintended material adverse effects on us. Further, as a condition to participating in any such program, we may need to accept terms and limitations that could adversely affect us in other ways.

Our products are subject to recall for performance or safety-related issues.

Our products are subject to recall for performance or safety-related issues. Product recalls subject us to reputational risk, loss of current and future customers, reduced revenue and product recall costs. Product recall costs are incurred when we decide, either voluntarily or involuntarily, to recall a product through a formal campaign to solicit the return of specific products due to known or suspected performance or safety issues. Any significant product recalls could have material adverse effects on our results of operations, financial condition and cash flows. See Note 10, "PRODUCT WARRANTY LIABILITY" to the *Condensed Consolidated Financial Statements* for additional information.

The development of new technologies may materially reduce the demand for our current products and services.

We are investing in new products and technologies, including electrified powertrains, hydrogen generation and fuel cells, for planned introduction into certain existing and new markets. Given the early stages of development of some of these new products and technologies, there can be no guarantee of the future market acceptance and investment returns with respect to these planned products. The increased adoption of electrified powertrains in some market segments could result in lower demand for current diesel or natural gas engines and components and, over time, reduce the demand for related parts and service revenues from diesel or natural gas powertrains. Furthermore, it is possible that we may not be successful in developing segment-leading electrified powertrains and some of our existing customers could choose to develop their own electrified or alternate fuel powertrains, or source from other manufacturers, and any of these factors could have a material adverse impact on our results of operations, financial condition and cash flows.

We operate our business on a global basis and policy changes affecting international trade could adversely impact the demand for our products and our competitive position.

We manufacture, sell and service products globally and rely upon a global supply chain to deliver the raw materials, components, systems and parts that we need to manufacture and service our products. Changes in government policies on foreign trade and investment can affect the demand for our products and services, cause non-U.S. customers to shift preferences toward domestically manufactured or branded products and impact the competitive position of our products or prevent us from being able to sell products in certain countries. Our business benefits from free trade agreements, such as the new United States-Mexico-Canada Agreement and the U.S. trade relationship with China, Brazil and France and efforts to withdraw from, or substantially modify such agreements or arrangements, in addition to the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs (including, but not limited to, additional tariffs on the import of steel or aluminum) import or export licensing requirements, exchange controls or new barriers to entry, could adversely impact our production costs, customer demand and our relationships with customers and suppliers. Any of these consequences could have a material adverse effect on our results of operations, financial condition and cash flows.

A slowdown in infrastructure development and/or depressed commodity prices could adversely affect our business.

Infrastructure development and strong commodity prices have been significant drivers of our historical growth, but as the pace of investment in infrastructure slowed in recent years (especially in China and Brazil), commodity prices were significantly lower and demand for our products in off-highway markets was weak. Weakness in commodity prices, including any negative impacts on commodity prices driven by the recent COVID-19 pandemic, such as oil, gas and coal, adversely impacted mining industry participants' demand for vehicles and equipment that contain our engines and other products over the past several years. Deterioration in infrastructure and commodities markets could adversely affect our customers' demand for vehicles and equipment and, as a result, could adversely affect our business.

The U.K.'s exit from the European Union (EU) could materially and adversely impact our results of operations, financial condition and cash flows.

On January 31, 2020, the U.K. exited from the EU (BREXIT). Additionally, the results of the U.K.'s BREXIT has caused, and may continue to cause, volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. Although it is unknown what the terms of the U.K.'s future relationship with the EU will be, it is possible that there will be higher tariffs or greater restrictions on imports and exports between the U. K. and the EU and increased regulatory complexities. The effects of BREXIT will depend on any agreements the U.K. makes to retain access to EU markets either during a transitional period or on a permanent basis. These measures could potentially disrupt our supply chain, including delays of imports and exports, limited access to human capital within some of the target markets and jurisdictions in which we operate and adverse changes to tax benefits or liabilities in these or other jurisdictions. In addition, BREXIT could lead to legal uncertainty and potentially divergent national laws and regulations, including with respect to emissions and similar certifications granted to us by the EU, as the U.K. determines which EU laws to replace or replicate. Any of these effects of BREXIT, among others, could have a material adverse impact on our results of operations, financial condition and cash flows.

We may be adversely impacted by work stoppages and other labor matters.

At December 31, 2019, we employed approximately 61,615 persons worldwide. Approximately 19,048 of our employees worldwide were represented by various unions under collective bargaining agreements that expire between 2020 and 2024. While we have no reason to believe that we will be materially impacted by work stoppages or other labor matters, there can be no assurance that future issues with our labor unions will be resolved favorably or that we will not encounter future strikes, work stoppages, or other types of conflicts with labor unions or our employees. Any of these consequences may have an adverse effect on us or may limit our flexibility in dealing with our workforce. In addition, many of our customers and suppliers have unionized work forces. Work stoppages or slowdowns experienced by us, our customers or suppliers, including any work stoppages or slowdowns related to the COVID-19 pandemic, could result in slowdowns or closures that would have a material adverse effect on our results of operations, financial condition and cash flow.

We rely on our executive leadership team and other key personnel.

We depend on the skills, institutional knowledge, working relationships, and continued services and contributions of key personnel, including our executive leadership team. In addition, our ability to achieve our operating and strategic goals depends on our ability to identify, hire, train and retain qualified individuals. We compete with other companies both within and outside of our industry for talented personnel and we may lose key personnel or fail to attract, train and retain other talented personnel. Any such loss or failure could have material adverse effects on our results of operations, financial condition and cash flows.

In particular, our continued success will depend in part on our ability to retain the talents and dedication of key employees. If key employees terminate their employment, become ill as a result of the COVID-19 pandemic or otherwise, our business activities may be adversely affected and our management team's attention may be diverted. In addition, we may not be able to locate suitable replacements for any key employees who leave.

Lower-than-anticipated market acceptance of our new or existing products or services, including reductions in demand for diesel engines, could have a material adverse impact on our results of operations, financial condition and cash flows.

Although we conduct market research before launching new or refreshed engines and introducing new services, many factors both within and outside our control affect the success of new or existing products and services in the marketplace. Offering engines and services that customers desire and value can mitigate the risks of increasing price competition and declining demand, but products and services that are perceived to be less than desirable (whether in terms of price, quality, overall value, fuel efficiency or other attributes) can exacerbate these risks. With increased consumer interconnectedness through the internet, social media and other media, mere allegations relating to poor quality, safety, fuel efficiency, corporate responsibility or other key attributes can negatively impact our reputation or market acceptance of our products or services, even if such allegations prove to be inaccurate or unfounded.

Our truck manufacturers and OEM customers may discontinue outsourcing their engine supply needs.

Several of our engine customers, including PACCAR, Volvo, Navistar, Chrysler, Daimler, Dongfeng and Tata, are truck manufacturers or OEMs that manufacture engines for some of their own vehicles. Despite their own engine manufacturing abilities, these customers have historically chosen to outsource certain types of engine production to us due to the quality of our engine products, our emission compliance capabilities, our systems integration, their customers' preferences, their desire for cost reductions, their desire for eliminating production risks and their desire to maintain company focus. However, there can be no assurance that these customers will continue to outsource, or outsource as much of, their engine production in the future. In addition, increased levels of OEM vertical integration could result from a number of factors, such as shifts in our customers' business strategies, acquisition by a customer of another engine manufacturer, the inability of third-party suppliers to meet product specifications and the emergence of low-cost production opportunities in foreign countries. Any significant reduction in the level of engine production outsourcing from our truck manufacturer or OEM customers could have a material adverse effect on our results of operations, financial condition and cash flows.

Our plan to reposition our portfolio of product offerings through exploration of strategic acquisitions and divestitures may expose us to additional costs and risks.

Part of our strategic plan is to improve our revenue growth, gross margins and earnings by exploring the repositioning of our portfolio of product line offerings through the pursuit of potential strategic acquisitions and/or divestitures to provide future strategic, financial and operational benefits and improve shareholder value. There can be no assurance that we will be able to identify suitable candidates or consummate these transactions on favorable terms. The successful identification and completion of any strategic transaction depends on a number of factors that are not entirely within our control, including the availability of suitable candidates and our ability to negotiate terms acceptable to all parties involved, conclude satisfactory agreements and obtain all necessary regulatory approvals. Accordingly, we may not be able to successfully negotiate and complete specific transactions. The exploration, negotiation and consummation of strategic transactions may involve significant expenditures by us, which may adversely affect our results of operations at the time such expenses are incurred, and may divert management's attention from our existing business. Strategic transactions also may have adverse effects on our existing business relationships with suppliers and customers.If required, the financing for strategic acquisitions could result in an increase in our indebtedness, dilute the interests of our shareholders or both. Any acquisition may not be accretive to us for a significant period of time following the completion of such acquisition. Also, our ability to effectively integrate any potential acquisition into our existing business and culture may not be successful, which could jeopardize future financial and operational performance for the combined businesses. In addition, if an acquisition results in any additional goodwill or increase in other intangible assets on our balance sheet and subsequently becomes impaired, we would be required to record a non-cash impairment charge, which could result in a material adverse effect on our financial condition, results of operations and cash flows.Similarly, any strategic divestiture of a product line or business may reduce our revenue and earnings, reduce the diversity of our business, result in substantial costs and expenses and cause disruption to our employees, customers, vendors and communities in which we operate.

Our information technology systems and our products are exposed to potential security breaches or other disruptions which may adversely impact our competitive position, reputation, results of operations, financial condition and cash flows.

We rely on the capacity, reliability and security of our information technology systems and data security infrastructure in connection with various aspects of our business activities. We also rely on our ability to expand and continually update these systems and related infrastructure in response to the changing needs of our business. As we implement new systems, they may not perform as expected. We face the challenge of supporting our older systems and implementing necessary upgrades. In addition, some of these systems are managed by third-party service providers and are not under our direct control. If we experience a problem with an important information technology system, including during system upgrades and/or new system implementations, the resulting disruptions could have an adverse effect on our business and reputation. As customers adopt and rely on cloud-based digital technologies and services we offer, any disruption of the confidentiality, integrity or availability of those services could have an adverse effect on our business and reputation.

The data handled by our information technology systems is vulnerable to security threats. Our operations routinely involve receiving, storing, processing and transmitting sensitive information pertaining to our business, customers, dealers, suppliers, employees and other sensitive matters. While we continually work to safeguard our systems and mitigate potential risks, there is no assurance that these actions will be sufficient to prevent information technology security threats, such as security breaches, computer malware, computer viruses and other "cyber attacks," which are increasing in both frequency and sophistication, along with power outages or hardware failures. These threats could result in unauthorized public disclosures of information, create financial liability, subject us to legal or regulatory sanctions, disrupt our ability to conduct our business, result in the loss of intellectual property or damage our reputation with customers, dealers, suppliers and other stakeholders. As a result of the COVID-19 pandemic and resulting government actions to restrict movement, a large percentage of our salaried employees are working remotely. This remote working environment may pose a heightened risk for security breaches or other disruptions of our information technology systems.

In addition, our products, including our engines, contain interconnected and increasingly complex systems that control various processes and these systems are potentially subject to "cyber attacks" and disruption. The impact of a significant information technology event on either of our information technology systems or our products could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flows.

We may experience difficulties and delays or unexpected costs in completing our cost reduction actions and announced restructuring initiatives, including achieving any anticipated savings and other benefits of these initiatives.

During the fourth quarter of 2019 and the first quarter of 2020 we are undertaking cost reduction actions and announced restructuring initiatives to respond to the slowdown in our global markets. As we implement these initiatives, we may not realize anticipated savings or other benefits from one or more of the initiatives in the amounts or within the time periods we expect. Other events or circumstances, such as implementation difficulties and delays or unexpected costs, may occur which could result in us not realizing our targeted cost reductions. We are also subject to the risks of negative publicity and business disruption in connection with our restructuring and other cost reduction initiatives. If we are unable to realize the expected savings or benefits from these initiatives, certain aspects of our business may be adversely affected. If we experience any of these circumstances or otherwise fail to realize the anticipated savings or benefits from our restructuring and cost reduction initiatives, our results of operations could be materially and adversely affected.

We may fail to realize all of the expected enhanced revenue, earnings and cash flow from our investment in the Eaton Cummins Automated Transmission Technologies joint venture.

Our ability to realize all of the expected enhanced revenue, earnings, and cash flow from our 2017 investment in the Eaton Cummins Automated Transmission Technologies joint venture will depend, in substantial part, on our ability to successfully launch the automated transmission products in North America and China and achieve our projected market penetration in those regions. While we believe we will ultimately achieve these objectives, it is possible that we will be unable to achieve all of the goals within our anticipated time frame or in the anticipated amounts. If we are not able to successfully complete our automated transmission strategy, the anticipated enhanced revenue, earnings, and cash flows resulting from this joint venture may not be realized fully or may take longer to realize than expected. As part of the purchase accounting associated with the formation of the joint venture, significant goodwill and intangible asset balances were recorded on the consolidated balance sheet. If cash flows from the joint venture fall short of our anticipated amounts, these assets could be subject to non-cash impairment charges, negatively impacting our earnings.

We are exposed to political, economic and other risks that arise from operating a multinational business.

Our business is subject to the political, economic and other risks that are inherent in operating in numerous countries. These risks include:

- public health crises, including the spread of a contagious disease, such as COVID-19, and other catastrophic events;
- the difficulty of enforcing agreements and collecting receivables through foreign legal systems;
- trade protection measures and import or export licensing requirements;
- the imposition of taxes on foreign income and tax rates in certain foreign countries that exceed those in the U.S.;
- the imposition of tariffs, exchange controls or other restrictions;
- difficulty in staffing and managing widespread operations and the application of foreign labor regulations;
- required compliance with a variety of foreign laws and regulations; and
- changes in general economic and political conditions in countries where we operate, particularly in emerging markets.

As we continue to operate our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other related risks. There can be no assurance that the consequences of these and other factors relating to our multinational operations will not have a material adverse effect upon us.

We face significant competition in the markets we serve.

The markets in which we operate are highly competitive. We compete worldwide with a number of other manufacturers and distributors that produce and sell similar products. We primarily compete in the market with diesel engines and related diesel products; however, new technologies continue to be developed for gasoline, natural gas, electrification and other technologies and we will continue to face new competition from these expanding technologies. Our products primarily compete on the basis of price, performance, fuel economy, emissions compliance, speed of delivery, quality and customer support. We also face competitors in some emerging markets who have established local practices and long standing relationships with participants in these markets. There can be no assurance that our products will be able to compete successfully with the products of other companies and in other markets.

Increasing global competition among our customers may affect our existing customer relationships and restrict our ability to benefit from some of our customers' growth.

As our customers in emerging markets continue to grow in size and scope, they are increasingly seeking to export their products to other countries. This has meant greater demand for our advanced engine technologies to help these customers meet the more stringent emissions requirements of developed markets, as well as greater demand for access to our distribution systems for purposes of equipment servicing. As these emerging market customers enter into, and begin to compete in more developed markets, they may increasingly begin to compete with our existing customers in these markets. Our further aid to emerging market customers could adversely affect our relationships with developed market customers. In addition, to the extent the competition does not correspond to overall growth in demand, we may see little or no benefit from this type of expansion by our emerging market customers.

We are subject to foreign currency exchange rate and other related risks.

We conduct operations in many areas of the world involving transactions denominated in a variety of currencies. We are subject to foreign currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, since our financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations, financial condition and cash flows. The U.S. dollar strengthened in recent years resulting in material unfavorable impacts on our revenues in those years. If the U.S. dollar continues strengthening against other currencies, we will experience additional volatility in our financial statements.While we customarily enter into financial transactions that attempt to address these risks and many of our supply agreements with customers include foreign currency exchange rate adjustment provisions, there can be no assurance that foreign currency exchange rate fluctuations will not adversely affect our future results of operations and cash flows. In addition, while the use of currency hedging instruments may provide us with some protection from adverse fluctuations in foreign currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in foreign currency exchange rates.We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Foreign exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. See Management's Discussion and Analysis for additional information.

Our products are exposed to variability in material and commodity costs.

Our businesses establish prices with our customers in accordance with contractual time frames; however, the timing of material and commodity market price increases may prevent us from passing these additional costs on to our customers through timely pricing actions. Additionally, higher material and commodity costs around the world may offset our efforts to reduce our cost structure. While we customarily enter into financial transactions and contractual pricing adjustment provisions with our customers that attempt to address some of these risks (notably with respect to copper, platinum and palladium), there can be no assurance that commodity price fluctuations will not adversely affect our results of operations and cash flows. In addition, while the use of commodity price hedging instruments and contractual pricing adjustments may provide us with some protection from adverse fluctuations in commodity prices, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in price. As a result, higher material and commodity costs, as well as hedging these commodity costs during periods of decreasing prices, could result in declining margins.

We derive significant earnings from investees that we do not directly control, with more than 50 percent of these earnings from our China-based investees.

For 2019, we recognized $330 million of equity, royalty and interest income from investees, compared to $394 million in 2018. Approximately half of our equity, royalty and interest income from investees is from four of our 50 percent owned joint ventures in China - Beijing Foton Cummins Engine Co., Ltd., Dongfeng Cummins Engine Company, Ltd., Chongqing Cummins Engine Company, Ltd. and Dongfeng Cummins Emission Solutions Co. Ltd. and all of which experienced reduced levels of production and earnings in the first quarter due to the COVID-19 pandemic. As a result, although a significant percentage of our net income is derived from these unconsolidated entities, we do not unilaterally control their management or their operations, which puts a substantial portion of our net income at risk from the actions or inactions of these entities. A significant reduction in the level of contribution by these entities to our net income would likely have a material adverse effect on our results of operations and cash flows.

Unanticipated changes in our effective tax rate, the adoption of new tax legislation or exposure to additional income tax liabilities could adversely affect our profitability.

We are subject to income taxes in the U.S. and numerous international jurisdictions. Our income tax provision and cash tax liability in the future could be adversely affected by changes in earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. The carrying value of deferred tax assets, which are predominantly in the U.S., is dependent on our ability to generate future taxable income in the U.S. We are also subject to ongoing tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly judgmental. Tax authorities may disagree with certain tax reporting positions taken by us and, as a result, assess additional taxes against us. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. The amounts ultimately paid upon resolution of these or subsequent tax audits could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our tax provision.

Our global operations are subject to laws and regulations that impose significant compliance costs and create reputational and legal risk.

Due to the international scope of our operations, we are subject to a complex system of commercial and trade regulations around the world. Recent years have seen an increase in the development and enforcement of laws regarding trade compliance and anti-corruption, such as the U.S. Foreign Corrupt Practices Act and similar laws from other countries, as well as new regulatory requirements regarding data privacy, such as the European Union General Data Protection Regulation. Our numerous foreign subsidiaries, affiliates and joint venture partners are governed by laws, rules and business practices that differ from those of the U.S. The activities of these entities may not comply with U.S. laws or business practices or our Code of Business Conduct. Violations of these laws may result in severe criminal or civil sanctions, could disrupt our business and result in an adverse effect on our reputation, business and results of operations, financial condition and cash flows. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted.

Our business is exposed to potential product liability claims.

We face an inherent business risk of exposure to product liability claims in the event that our products' failure to perform to specification results, or is alleged to result, in property damage, bodily injury and/or death. At any given time, we are subject to various and multiple product liability claims, any one of which, if decided adversely to us, may have a material adverse effect on our reported results of operation in the period in which our liability with respect to any such claim is recognized. While we maintain insurance coverage with respect to certain product liability claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability claims. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. Furthermore, even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

Our operations are subject to increasingly stringent environmental laws and regulations.

Our plants and operations are subject to increasingly stringent environmental laws and regulations in all of the countries in which we operate, including laws and regulations governing air emission, discharges to water and the generation, handling, storage, transportation, treatment and disposal of waste materials. While we believe that we are in compliance in all material respects with these environmental laws and regulations, there can be no assurance that we will not be adversely impacted by costs, liabilities or claims with respect to existing or subsequently acquired operations, under either present laws and regulations or those that may be adopted or imposed in the future. We are also subject to laws requiring the cleanup of contaminated property. If a release of hazardous substances occurs at or from any of our current or former properties or at a landfill or another location where we have disposed of hazardous materials, we may be held liable for the contamination and the amount of such liability could be material.

Significant declines in future financial and stock market conditions, particularly those related to the sustained slowdown of the global economy due to the COVID-19 pandemic, could diminish our pension plan asset performance and adversely impact our results of operations, financial condition and cash flow.

We sponsor both funded and unfunded domestic and foreign defined benefit pension and other retirement plans. Our pension cost and the required contributions to our pension plans are directly affected by the value of plan assets, the projected and actual rates of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value. We could experience increased pension cost due to a combination of factors, including the decreased investment performance of pension plan assets, decreases in the discount rate and changes in our assumptions relating to the expected return on plan assets.Significant declines in current and future financial and stock market conditions related to the COVID-19 pandemic could cause material losses in our pension plan assets, which could result in increased pension cost in future years and adversely impact our results of operations, financial condition and cash flow. Depending upon the severity and length of market declines and government regulatory changes, we may be legally obligated to make pension payments in the U.S. and perhaps other countries and these contributions could be material.

Future bans or limitations on the use of diesel-powered vehicles or other applications could have a material adverse impact on our business over the long term.

In an effort to limit greenhouse gas emissions and combat climate change, multiple countries and cities have announced that they plan to implement a ban on the use in their cities or countries of diesel-powered products in the near or distant future. These countries include China, India and Germany. In addition, California government officials have called for the state to phase out sales of diesel-powered vehicles by 2040. To the extent that these types of bans are actually implemented in the future on a broad basis, or in one or more of our key markets, our business over the long-term could experience material adverse impacts.

We are exposed to risks arising from the price and availability of energy.

The level of demand for our products and services is influenced in multiple ways by the price and availability of energy. High energy costs generally drive greater demand for better fuel economy in almost all countries in which we operate. Some of our engine products have been developed with a primary purpose of offering fuel economy improvements, and if energy costs decrease or increase less than expected, demand for these products may likewise decrease. The relative unavailability of electricity in some emerging market countries also influences demand for our electricity generating products, such as our diesel generators. If these countries add energy capacity by expanding their power grids at a rate equal to or faster than the growth in demand for energy, the demand for our generating products could also decrease or increase less than would otherwise be the case.

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

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

	Issuer Purchases of Equity Securities			
Period	**Total Number of Shares Purchased [1]**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [2]**
January 1 - February 2	392,632	$ 166.93	392,632	21,707
February 3 - March 1	1,744,969	163.15	1,743,548	21,990
March 2 - March 29	1,369,525	146.11	1,368,785	88,751
Total	3,507,126	156.92	3,504,965	

[1] Shares purchased represent shares under our Key Employee Stock Investment Plan established in 1969 (there is no maximum repurchase limitation in this plan) and the Board authorized share repurchase program.

[2] These values reflect the sum of shares held in loan status under our Key Employee Stock Investment Plan. The repurchase program authorized by the Board does not limit the number of shares that may be purchased and was excluded from this column. The dollar value remaining available for future purchases under the 2018 program at March 29, 2020, was $85 million.

In December 2019, the Board authorized the acquisition of up to $2.0 billion of additional common stock upon completion of the 2018 repurchase plan. In October 2018, the Board authorized the acquisition of up to $2.0 billion of additional common stock. During the three months ended March 29, 2020, we repurchased $550 million of common stock under the 2018 authorization.

During the three months ended March 29, 2020, we repurchased 2,161 shares of common stock from employees in connection with the Key Employee Stock Investment Plan which allows certain employees, other than officers, to purchase shares of common stock on an installment basis up to an established credit limit. Loans are issued for five-year terms at a fixed interest rate established at the date of purchase and may be refinanced after their initial five-year period for an additional five-year period. Participants must hold shares for a minimum of six months from date of purchase. If the shares are sold before the loan is paid off, the employee must wait six months before another share purchase may be made. We hold participants' shares as security for the loans and would, in effect, repurchase shares if the participant defaulted in repayment of the loan. There is no maximum amount of shares that we may purchase under this plan.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

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

CUMMINS INC.
EXHIBIT INDEX

Exhibit No.	Description of Exhibit
10(a)	Key Employee Stock Investment Plan.
10(b)	Form of Long-Term Grant Notice under the 2012 Omnibus Incentive Plan.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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).

* Filed with this quarterly report on Form 10-Q are the following documents formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Net Income for the three months ended March 29, 2020 and March 31, 2019, (ii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 29, 2020 and March 31, 2019, (iii) the Condensed Consolidated Balance Sheets at March 29, 2020 and December 31, 2019, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 29, 2020 and March 31, 2019, (v) the Condensed Consolidated Statements of Changes in Equity for the three months ended March 29, 2020 and March 31, 2019 and (vi) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

Cummins Inc.

Date: April 28, 2020

By:	/s/ MARK A. SMITH	By:	/s/ CHRISTOPHER C. CLULOW
	Mark A. Smith		Christopher C. Clulow
	Vice President and Chief Financial Officer		*Vice President-Corporate Controller*
	(Principal Financial Officer)		*(Principal Accounting Officer)*

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

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

The date of this document is April 1, 2020.

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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 Plan 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 of 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 Plan 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).
- 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 of 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.
- A Participant may not purchase or sell Shares under the Plan during a "blackout period."

  "Blackout periods" are based on the Company's Accounting Calendar and its earnings release dates.

  The dates for the blackout periods are posted on Cummins Connect and can be found here: https://cummins365.sharepoint.com/sites/CS2951/SitePages/Insider-Trading.aspx Posted dates are subject to change without advance notice.

  Blackout periods may also occur at the discretion of the Company's Vice President - General Counsel. Participants will be notified if this is the case when they request a purchase or sale.

Share Pricing

- Purchases:
  - Purchases are processed by the KESIP Plan 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 in the 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.

- Sales:
    - Sales are administered by the Plan's third-party broker, 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 (other than vesting) 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 Federal income 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 Plan Administrator at kesip@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

- Payments are made via payroll deduction. During any period in which a U.S. payroll Participant is on unpaid leave, he or she will make loan payments on a quarterly basis.
- 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.
- 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. The timing of the repayment is determined as follows:
  - Payment is due and payable either:
    - 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 or 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 retired 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

- The Participant completes the "KESIP SHARE PURCHASE" form and sends it to the KESIP Plan Administrator at kesip@cummins.com. The Company will set up payroll deductions to start the next available payroll period.

- Loan contract documents will be emailed to the Participant for signature. The Loan contract documents must be signed and returned within ten business days. The Participant will complete any authorizations that the Company determines are appropriate to provide for the collateralization of the Shares.

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 Plan Administrator for loan balance details and payoff instructions. The KESIP Plan Administrator will provide the Participant the date the payoff must be received to avoid the accrual of additional interest.

- The Participant should complete the "KESIP LOAN PAYOFF" form. If the payoff is made via check, the form should accompany payment. If the Participant is completing the payoff by wire transfer, the form should be emailed to the KESIP Plan Administrator at kesip@cummins.com on the date the wire is initiated.

- The Participant will make check payable to "Cummins Business Services" and send it to the KESIP Plan 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.

- Upon receipt of payment in full for the entire outstanding loan balance, including all interest accrued to the date of repayment, the KESIP Plan 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).

- Loans are otherwise 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.

Selling Shares

- The Participant can initiate a sale online on the Morgan Stanley webpage or by calling Morgan Stanley at 1-312-419-3264.

- The KESIP Plan Administrator will:

    - Apply the proceeds of the sale of the Shares to any outstanding balance, including all interest accrued to the date of repayment, on the loan used to purchase the Shares; and

    - Send the Participant a check (or make direct deposit, if applicable), 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.

RESPONSIBILITIES OF PARTICIPANTS AND THE PLAN

Participants must:

- Submit transaction requests to the KESIP Plan Administrator.

- Sign and return paperwork 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 loan balances when he or she ceases to be eligible (terminates, retires or moves off of an eligible payroll) or sells Shares.

The KESIP Plan 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-work day, 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.

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”). Anyone may read and copy any reports, statements or other information on file at the SEC’s public reference room in Washington D.C., and may call the SEC at 1 800 SEC 0330 for further information on the public reference room. The Company’s SEC filings are also available to the public on the SEC’s web site located at http://www.sec.gov.

- 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 Plan 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.

  - 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.

* * *

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 1st day of April, 2020.

CUMMINS INC.

By: /s/ David Weed
Name: David Weed
Title: Director – Executive Compensation

To: Name Date: ________

From: T. Linebarger

Subject: Your 20__ Total Compensation

I am pleased to inform you of the details of your 20__ compensation as recently approved by the Compensation Committee of the Board of Directors. In determining individual Officer compensation, senior management and the Compensation Committee incorporated the following objectives with a review of market benchmarks for each Officer's position:

- We want to motivate you to help us meet our key financial and strategic objectives;
- We want to link your compensation to shareholder return and make you feel and act like owners of the company;
- We want you to know that we see you as a critical part of our company; and
- We consider your performance in determining compensation, both what you do and how you do it.

[Explanation of how compensation is structured.]

Your 20__ Compensation

This memo provides details about your base salary for 20__, confirms your target Variable Compensation participation and includes information on your 20__ Long Term Grant award.

[Summary of attachments]

Should you have any questions regarding your compensation package, please discuss with your manager. Thank you for your efforts and hard work over the past year. I look forward to working together and making 20__ successful.

T. Linebarger
Chairman and Chief Executive Officer

Name: ___________

20__ Compensation Summary

Your 20__ Base Salary

Your base salary information for 20__ is:

Base Salary	$___

Your 20__ Variable Compensation

For 20__, plan payouts will be based on our _________ performance. Your participation rate is indicated below.

20___ Annual Incentive Plan	

Your 20__ Long Term Grant

The following table provides the details of your 20__ Long Term Grant. **Attachment ___** provides additional plan detail.

		For 20__
Total Annual Grant Value		$________
Performance Cash Target Award		$______
Performance Share Target Award		____
Stock Options (Grant Date: ____ __ 20__)		____

Termination Impact on Grants – Please review all termination language included in pages __ and __ of this document.

Attachment __

20__-20__ Long Term Grants

Long Term Grant

Your Long Term Grant is made up of three equal elements:

- Performance Cash
- Performance Shares
- Stock Options

Performance Cash & Performance Shares
Performance Cash is a cash-based award and expressed as a U.S. dollar amount. Performance Shares are expressed as a number of shares of Cummins Common Stock. Your grant will follow a ____-year performance period and will be payable in ___ __.

Performance Cash and Performance Shares are measured on ______ and ________.

The plan places a ____% weighting on ____ and a ___% weighting on ________.
Performance Cash and Shares are subject to the _____ and ____ Payout Factor Tables in **Attachment ____**.

The payout factor ranges from ___ to ____ and is measured on both ___ and ____ performance over the ____ year (20__- 20__) performance period. The payout factor will be based on the Payout Factor Tables and the Company's final ____ and ____ performance. However, all payout amounts are ultimately determined by the Compensation Committee of the Board of Directors in its discretion.

Each metric is assessed independently and then combined into a single payout factor. An example of the payout factor calculation is as follows:

Metric	Payout Factor	Weighting	Weighted Factor
		Unrounded Factor:	
		Final Factor:	

Stock Options
The Stock Option portion of your grant is intended to link your compensation to long-term stock price growth. Stock options are the right to purchase a specific number of shares of the Company's stock at a set price. The options included with your 20___ grant will be granted on ____ __, 20__ (the "grant date"), will vest ___ years after the grant date and will expire ___ years after the grant date. The grant price for your options will be the closing price of Cummins stock on the grant date.

After _____ ___, 20___, you can log onto ______ to review and accept the terms of your Performance Cash, Performance Share awards and Stock Options. You will not be able to exercise your Stock Options or sell your stock until you complete this online acceptance process.

Your Long Term Grants are made under the Company's 2012 Omnibus Incentive Plan, and the terms of that Plan apply to your Grants. Your Stock Options are also subject to the terms of the Stock Option Agreement you will receive through the _________ website. In the event of a conflict between this document, on the one hand, and the Plan or the Stock Option Agreement, on the other, the Plan or the Stock Option Agreement, as applicable, will govern.

Termination Details – Performance Cash and Shares
Performance Cash and Performance Shares will be forfeited in the case of voluntary or involuntary termination if not employed on the date of payout, subject to the exceptions for death, disability or a qualified retirement described below.

Death or Disability. In the case of death or disability, Performance Cash and Performance Shares will be prorated based on months of active service in the performance period. If death or disability occurs in:

- ***Year __ of the performance period***, the payout is based on ______.
- ***Year ___ of the performance period***, the payout factor is calculated by ______.
- ***Year ___ of the performance period***, the payout is processed according to the original payout schedule, based on _____.

Disability is defined for this purpose as eligibility for benefits under the Company's Long-Term Disability Plan.

Retirement. A qualified retirement is defined as ___________.

Employees who retire, having met the service and seniority requirements described above, will receive a prorated amount of Performance Cash and Shares based on months of active service in the performance period. The payout is processed according to the original payout schedule, based on the actual payout factor.

Termination Details – Stock Options

Stock options, even those which are vested, are forfeited immediately in the case of voluntary or involuntary termination, subject to the exceptions for death, disability or a qualified retirement described below.

Stock options vest immediately upon death or disability and at qualified retirement, with the expiration date adjusting to the sooner of the original expiration date or 12 months (death) or 60 months (disability or qualified retirement).

Leave of Absence Details – Performance Cash and Shares and Stock Options

Unless applicable country legislation or regulation requires a deviation, the following leaves of absence will be treated as described below:

- Employees on Military Leave will not be treated as having an involuntary or voluntary termination of employment for purposes of their Long-Term Grants.

- Employees on leave (paid or unpaid) for less than six months will not be treated as having an involuntary or voluntary termination of employment for purposes of their Long Term Grants.

- Employees on unpaid leave greater than six months will be treated as having an involuntary termination of employment for purposes of their Long Term Grants at the time the unpaid leave extends beyond six months.

Attachment ____

20__-20___ Long Term Grant Payout Factor Table

[Payout Factor Table]

20__ Annual Bonus Plan Payout Factors

[Payout Factors]

EXHIBIT 31(a)

Certification

I, N. Thomas Linebarger, 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: April 28, 2020

/s/ N. THOMAS LINEBARGER

N. Thomas Linebarger

Chairman 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: April 28, 2020

/s/ MARK A. SMITH

Mark A. Smith

Vice President and Chief Financial Officer

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 March 29, 2020, 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.

April 28, 2020	/s/ N. THOMAS LINEBARGER
	N. Thomas Linebarger
	Chairman and Chief Executive Officer
April 28, 2020	/s/ MARK A. SMITH
	Mark A. Smith
	Vice President and Chief Financial Officer