UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2024

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 x No ☐

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

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

Large Accelerated Filer	x	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 x

As of September 30, 2024, there were 137,181,852 shares of common stock outstanding with a par value of $2.50 per share.

CUMMINS INC. AND SUBSIDIARIES
TABLE OF CONTENTS
QUARTERLY REPORT ON FORM 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

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

	Three months ended September 30,		Nine months ended September 30,	
In millions, except per share amounts	**2024**	**2023**	**2024**	**2023**
NET SALES (Notes 1 and 2)	**$ 8,456**	$ 8,431	**$ 25,655**	$ 25,522
Cost of sales	**6,285**	6,360	**19,250**	19,274
GROSS MARGIN	**2,171**	2,071	**6,405**	6,248
OPERATING EXPENSES AND INCOME				
Selling, general and administrative expenses	**807**	831	**2,474**	2,457
Research, development and engineering expenses	**359**	376	**1,107**	1,110
Equity, royalty and interest income from investees (Note 4)	**99**	118	**325**	370
Other operating expense, net	**54**	32	**131**	78
OPERATING INCOME	**1,050**	950	**3,018**	2,973
Interest expense	**83**	97	**281**	283
Other income, net (Note 14)	**76**	25	**1,504**	166
INCOME BEFORE INCOME TAXES	**1,043**	878	**4,241**	2,856
Income tax expense (Note 5)	**200**	188	**618**	623
CONSOLIDATED NET INCOME	**843**	690	**3,623**	2,233
Less: Net income attributable to noncontrolling interests	**34**	34	**95**	67
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 809**	$ 656	**$ 3,528**	$ 2,166
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CUMMINS INC.				
Basic	**$ 5.90**	$ 4.63	**$ 25.47**	$ 15.29
Diluted	**$ 5.86**	$ 4.59	**$ 25.31**	$ 15.19
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
Basic	**137.2**	141.8	**138.5**	141.7
Dilutive effect of stock compensation awards	**0.9**	1.0	**0.9**	0.9
Diluted	**138.1**	142.8	**139.4**	142.6

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
CONSOLIDATED NET INCOME	**$ 843**	$ 690	**$ 3,623**	$ 2,233
Other comprehensive income (loss), net of tax (Note 12)				
Change in pension and other postretirement defined benefit plans	**5**	3	**5**	(4)
Foreign currency translation adjustments	**165**	(163)	**22**	(191)
Unrealized (loss) gain on derivatives	**(7)**	19	**2**	28
Total other comprehensive income (loss), net of tax	**163**	(141)	**29**	(167)
COMPREHENSIVE INCOME	**1,006**	549	**3,652**	2,066
Less: Comprehensive income attributable to noncontrolling interests	**36**	27	**92**	61
COMPREHENSIVE INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 970**	$ 522	**$ 3,560**	$ 2,005

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	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,733**	$ 2,179
Marketable securities (Note 6)	**518**	562
Total cash, cash equivalents and marketable securities	**2,251**	2,741
Accounts and notes receivable, net	**5,387**	5,583
Inventories (Note 7)	**6,134**	5,677
Prepaid expenses and other current assets	**1,544**	1,197
Total current assets	**15,316**	15,198
Long-term assets		
Property, plant and equipment	**11,603**	11,674
Accumulated depreciation	**(5,427)**	(5,425)
Property, plant and equipment, net	**6,176**	6,249
Investments and advances related to equity method investees	**1,922**	1,800
Goodwill	**2,412**	2,499
Other intangible assets, net	**2,462**	2,519
Pension assets (Note 3)	**1,208**	1,197
Other assets (Note 8)	**2,556**	2,543
Total assets	**$ 32,052**	$ 32,005
LIABILITIES		
Current liabilities		
Accounts payable (principally trade)	**$ 4,206**	$ 4,260
Loans payable (Note 9)	**441**	280
Commercial paper (Note 9)	**1,636**	1,496
Current maturities of long-term debt (Note 9)	**654**	118
Accrued compensation, benefits and retirement costs	**1,011**	1,108
Current portion of accrued product warranty (Note 10)	**685**	667
Current portion of deferred revenue (Note 2)	**1,225**	1,220
Other accrued expenses (Note 8)	**1,745**	3,754
Total current liabilities	**11,603**	12,903
Long-term liabilities		
Long-term debt (Note 9)	**4,856**	4,802
Deferred revenue (Note 2)	**1,090**	966
Other liabilities (Note 8)	**3,162**	3,430
Total liabilities	**$ 20,711**	$ 22,101
Commitments and contingencies (Note 11)		
EQUITY		
Cummins Inc. shareholders' equity		
Common stock, $2.50 par value, 500 shares authorized, 222.5 and 222.5 shares issued	**$ 2,612**	$ 2,564
Retained earnings	**20,660**	17,851
Treasury stock, at cost, 85.4 and 80.7 shares	**(10,783)**	(9,359)
Accumulated other comprehensive loss (Note 12)	**(2,174)**	(2,206)
Total Cummins Inc. shareholders' equity	**10,315**	8,850
Noncontrolling interests	**1,026**	1,054
Total equity	**$ 11,341**	$ 9,904
Total liabilities and equity	**$ 32,052**	$ 32,005

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	Nine months ended September 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	**$ 3,623**	$ 2,233
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Gain related to divestiture of Atmus (Note 14)	**(1,333)**	—
Depreciation and amortization	**794**	760
Deferred income taxes	**(106)**	(238)
Equity in income of investees, net of dividends	**(74)**	(100)
Pension and OPEB expense (Note 3)	**28**	4
Pension contributions and OPEB payments (Note 3)	**(72)**	(115)
Changes in current assets and liabilities, net of acquisitions and divestiture		
Accounts and notes receivable	**109**	(447)
Inventories	**(726)**	(318)
Other current assets	**(370)**	(191)
Accounts payable	**27**	43
Accrued expenses (Notes 1 and 11)	**(2,000)**	543
Other, net	**165**	333
Net cash provided by operating activities	**65**	2,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(668)**	(694)
Acquisition of businesses, net of cash acquired (Note 15)	**(58)**	(127)
Investments in marketable securities—acquisitions	**(1,062)**	(976)
Investments in marketable securities—liquidations (Note 6)	**1,113**	1,002
Cash associated with Atmus divestiture	**(174)**	—
Other, net	**(220)**	(65)
Net cash used in investing activities	**(1,069)**	(860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**2,623**	779
Net borrowings (payments) of commercial paper	**140**	(566)
Payments on borrowings and finance lease obligations	**(1,386)**	(391)
Dividend payments on common stock	**(719)**	(683)
Payments for purchase of redeemable noncontrolling interests (Note 15)	**—**	(175)
Other, net	**(94)**	(33)
Net cash provided by (used in) financing activities	**564**	(1,069)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6)**	(67)
Net (decrease) increase in cash and cash equivalents	**(446)**	511
Cash and cash equivalents at beginning of year	**2,179**	2,101
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 1,733**	$ 2,612

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

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

		Three months ended							
In millions, except per share amounts	Redeemable Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE AT JUNE 30, 2024	**$ —**	**$ 556**	**$ 2,026**	**$ 20,101**	**$ (10,797)**	**$ (2,335)**	**$ 9,551**	**$ 1,025**	**$ 10,576**
Net income				**809**			**809**	**34**	**843**
Other comprehensive income, net of tax (Note 12)						**161**	**161**	**2**	**163**
Issuance of common stock			**7**				**7**	**—**	**7**
Cash dividends on common stock, $1.82 per share				**(250)**			**(250)**	**—**	**(250)**
Distributions to noncontrolling interests							**—**	**(35)**	**(35)**
Share-based awards			**2**		**13**		**15**	**—**	**15**
Other shareholder transactions			**21**		**1**		**22**	**—**	**22**
BALANCE AT SEPTEMBER 30, 2024	**$ —**	**$ 556**	**$ 2,056**	**$ 20,660**	**$ (10,783)**	**$ (2,174)**	**$ 10,315**	**$ 1,026**	**$ 11,341**
BALANCE AT JUNE 30, 2023	$ —	$ 556	$ 1,976	$ 19,102	$ (9,380)	$ (1,917)	$ 10,337	$ 1,019	$ 11,356
Net income				656			656	34	690
Other comprehensive loss, net of tax (Note 12)						(134)	(134)	(7)	(141)
Issuance of common stock			1				1	—	1
Cash dividends on common stock, $1.68 per share				(238)			(238)	—	(238)
Distributions to noncontrolling interests							—	(26)	(26)
Share-based awards			3		10		13	—	13
Other shareholder transactions			22		1		23	—	23
BALANCE AT SEPTEMBER 30, 2023	$ —	$ 556	$ 2,002	$ 19,520	$ (9,369)	$ (2,051)	$ 10,658	$ 1,020	$ 11,678

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

In millions, except per share amounts	Redeemable Noncontrolling Interests	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Cummins Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
	Nine months ended								
BALANCE AT DECEMBER 31, 2023	**$ —**	**$ 556**	**$ 2,008**	**$ 17,851**	**$ (9,359)**	**$ (2,206)**	**$ 8,850**	**$ 1,054**	**$ 9,904**
Net income				**3,528**			**3,528**	**95**	**3,623**
Other comprehensive loss, net of tax (Note 12)						**(29)**	**(29)**	**(3)**	**(32)**
Issuance of common stock			**8**				**8**	**—**	**8**
Cash dividends on common stock, $5.18 per share				**(719)**			**(719)**	**—**	**(719)**
Distributions to noncontrolling interests							**—**	**(68)**	**(68)**
Share-based awards			**(6)**		**106**		**100**	**—**	**100**
Divestiture of Atmus (Note 14)					**(1,532)**	**61**	**(1,471)**	**(19)**	**(1,490)**
Other shareholder transactions			**46**		**2**		**48**	**(33)**	**15**
BALANCE AT SEPTEMBER 30, 2024	**$ —**	**$ 556**	**$ 2,056**	**$ 20,660**	**$ (10,783)**	**$ (2,174)**	**$ 10,315**	**$ 1,026**	**$ 11,341**
BALANCE AT DECEMBER 31, 2022	$ 258	$ 556	$ 1,687	$ 18,037	$ (9,415)	$ (1,890)	$ 8,975	$ 992	$ 9,967
Net income	(20)			2,166			2,166	87	2,253
Other comprehensive loss, net of tax (Note 12)						(161)	(161)	(6)	(167)
Issuance of common stock			3				3	—	3
Cash dividends on common stock, $4.82 per share				(683)			(683)	—	(683)
Distributions to noncontrolling interests							—	(50)	(50)
Share-based awards			(1)		42		41	—	41
Fair value adjustment of redeemable noncontrolling interests	33		(33)				(33)	—	(33)
Acquisition of redeemable noncontrolling interests (Note 15)	(271)						—	—	—
Sale of Atmus stock (Note 14)			285				285	(3)	282
Other shareholder transactions			61		4		65	—	65
BALANCE AT SEPTEMBER 30, 2023	$ —	$ 556	$ 2,002	$ 19,520	$ (9,369)	$ (2,051)	$ 10,658	$ 1,020	$ 11,678

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

CUMMINS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Overview

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

Divestiture of Atmus

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

Settlement Agreements

In December 2023, we announced that we reached an agreement in principle with the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). In the second quarter of 2024, we made $1.9 billion of payments required by the Settlement Agreements. See NOTE 11, “COMMITMENTS AND CONTINGENCIES,” for additional information.

Interim Condensed Financial Statements

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

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

Reclassifications

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

Use of Estimates in Preparation of Financial Statements

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

Weighted-Average Diluted Shares Outstanding

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Options excluded	**767**	7,267	**1,878**	8,770

Related Party Transactions

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

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2024	2023	2024	2023
Sales to nonconsolidated equity investees	**$ 351**	$ 315	**$ 1,036**	$ 1,011
Purchases from nonconsolidated equity investees	**620**	602	**1,883**	1,993

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

In millions	September 30, 2024	December 31, 2023	Balance Sheet Location
Accounts receivable from nonconsolidated equity investees	**$ 472**	$ 530	Accounts and notes receivable, net
Accounts payable to nonconsolidated equity investees	**306**	324	Accounts payable (principally trade)

Supply Chain Financing

We currently have supply chain financing programs with financial intermediaries, which provide certain vendors the option to be paid by financial intermediaries earlier than the due date on the applicable invoice. When a vendor utilizes the program and receives an early payment from a financial intermediary, they take a discount on the invoice. We then pay the financial intermediary the face amount of the invoice on the original due date, which generally have 60 to 90 day payment terms. The maximum amount that we could have outstanding under these programs was $551 million at September 30, 2024. We do not reimburse vendors for any costs they incur for participation in the program, their participation is completely voluntary and there are no assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary. As a result, all amounts owed to the financial intermediaries are presented as accounts payable in our *Condensed Consolidated Balance Sheets*. Amounts due to the financial intermediaries reflected in accounts payable at September 30, 2024, and December 31, 2023, were $154 million and $199 million, respectively.

Accounts Receivable Sales Program

In May 2024, we entered into an accounts receivable sales agreement with Wells Fargo Bank, N.A., to sell certain accounts receivable up to the Board of Directors (Board) approved limit of $500 million. We classify proceeds received from the sales of accounts receivable as an operating cash flow in the *Condensed Consolidated Statements of Cash Flows*, and we record the discount in other income, net in the *Condensed Consolidated Statements of Net Income.* There was no activity under the program during the nine months ended September 30, 2024.

NOTE 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Long-term Contracts

We have certain arrangements, primarily long-term maintenance agreements, construction contracts, product sales with associated performance obligations extending beyond a year, product sales with lead times extending beyond one year that are non-cancellable or for which the customer incurs a penalty for cancellation and extended warranty coverage arrangements that span a period in excess of one year. The aggregate amount of the transaction price for these contracts, excluding extended warranty coverage arrangements, as of September 30, 2024, was $3.8 billion. We expect to recognize the related revenue of $2.1 billion over the next 12 months and $1.7 billion over periods up to 10 years. See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional disclosures on extended warranty coverage arrangements. Our other contracts generally are for a duration of less than one year, include payment terms that correspond to the timing of costs incurred when providing goods and services to our customers or represent sales-based royalties.

Deferred and Unbilled Revenue

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

In millions	September 30, 2024	December 31, 2023
Unbilled revenue	**$ 346**	$ 303
Deferred revenue	**2,315**	2,186

We recognized revenue of $184 million and $682 million for the three and nine months ended September 30, 2024, compared with $126 million and $510 million for the comparable periods in 2023, that was included in the deferred revenue balance at the beginning of each year. We did not record any impairment losses on our unbilled revenues during the three and nine months ended September 30, 2024 or 2023.

Disaggregation of Revenue

Consolidated Revenue

The table below presents our consolidated net sales by geographic area based on the location of the customer:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2024	2023	2024	2023
United States	**$ 4,825**	$ 4,886	**$ 14,729**	$ 14,625
China	**727**	721	**2,197**	2,273
India	**416**	374	**1,285**	1,198
Other international	**2,488**	2,450	**7,444**	7,426
Total net sales	**$ 8,456**	$ 8,431	**$ 25,655**	$ 25,522

Segment Revenue

As previous announced, beginning in the second quarter of 2024, we realigned certain businesses within our Components segment to be consistent with how our segment manager now monitors performance. We reorganized the businesses to combine the engine components and software and electronics businesses into the newly formed components and software business. In addition, we rebranded our axles and brakes business as drivetrain and braking systems. We began reporting results for these changes within our Components segment effective April 1, 2024, and reflected these changes in the historical periods presented. The change had no impact on our consolidated results.

Components segment external sales by business were as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Drivetrain and braking systems	**$ 1,131**	$ 1,177	**$ 3,618**	$ 3,698
Emission solutions	**759**	803	**2,437**	2,584
Components and software	**249**	289	**828**	913
Automated transmissions	**148**	187	**475**	545
Atmus	**—**	324	**289** (1)	1,007
Total sales	**$ 2,287**	$ 2,780	**$ 7,647**	$ 8,747

(1) Included sales through the March 18, 2024, divestiture. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information.

Engine segment external sales by market were as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Heavy-duty truck	**$ 781**	$ 885	**$ 2,560**	$ 2,601
Medium-duty truck and bus	**806**	656	**2,336**	1,960
Light-duty automotive	**400**	451	**1,292**	1,336
Total on-highway	**1,987**	1,992	**6,188**	5,897
Off-highway	**228**	244	**735**	854
Total sales	**$ 2,215**	$ 2,236	**$ 6,923**	$ 6,751

Distribution segment external sales by region were as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
North America	**$ 1,947**	$ 1,719	**$ 5,568**	$ 5,195
Asia Pacific	**342**	292	**937**	796
Europe	**307**	200	**830**	607
China	**118**	110	**346**	323
Africa and Middle East	**80**	77	**194**	219
India	**77**	66	**223**	186
Latin America	**71**	55	**194**	168
Total sales	**$ 2,942**	$ 2,519	**$ 8,292**	$ 7,494

Distribution segment external sales by product line were as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Power generation	**$ 1,088**	$ 601	**$ 2,743**	$ 1,701
Parts	**1,000**	991	**2,985**	3,054
Service	**453**	420	**1,305**	1,249
Engines	**401**	507	**1,259**	1,490
Total sales	**$ 2,942**	$ 2,519	**$ 8,292**	$ 7,494

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

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Power generation	**$ 499**	$ 420	**$ 1,349**	$ 1,247
Industrial	**293**	263	**809**	670
Generator technologies	**120**	115	**350**	354
Total sales	**$ 912**	$ 798	**$ 2,508**	$ 2,271

NOTE 3. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

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

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Defined benefit pension contributions	**$ 9**	$ 8	**$ 56**	$ 102
OPEB payments, net	**4**	4	**16**	13
Defined contribution pension plans	**27**	29	**101**	102

We anticipate making additional defined benefit pension contributions during the remainder of 2024 of $14 million for our U.S. and U.K. qualified and non-qualified pension plans. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2024 annual net periodic pension cost to approximate $34 million.

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

	Pension					
	U.S. Plans		U.K. Plans		OPEB	
	Three months ended September 30,					
In millions	2024	2023	2024	2023	2024	2023
Service cost	**$ 35**	$ 29	**$ 4**	$ 4	**$ —**	$ —
Interest cost	**42**	42	**18**	18	**2**	2
Expected return on plan assets	**(72)**	(69)	**(26)**	(27)	**—**	—
Amortization of prior service cost	**—**	—	**1**	1	**—**	—
Recognized net actuarial loss (gain)	**3**	2	**3**	—	**(1)**	(1)
Net periodic benefit expense (income)	**$ 8**	$ 4	**$ —**	$ (4)	**$ 1**	$ 1

	Pension					
	U.S. Plans		U.K. Plans		OPEB	
	Nine months ended September 30,					
In millions	2024	2023	2024	2023	2024	2023
Service cost	**$ 106**	$ 87	**$ 13**	$ 12	**$ —**	$ —
Interest cost	**125**	126	**53**	53	**5**	6
Expected return on plan assets	**(217)**	(207)	**(76)**	(79)	**—**	—
Amortization of prior service cost	**1**	1	**1**	1	**—**	—
Recognized net actuarial loss (gain)	**10**	6	**9**	—	**(2)**	(2)
Net periodic benefit expense (income)	**$ 25**	$ 13	**$ —**	$ (13)	**$ 3**	$ 4

NOTE 4. 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 periods was as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Manufacturing entities				
Chongqing Cummins Engine Company, Ltd.	**$ 15**	$ 7	**$ 51**	$ 29
Dongfeng Cummins Engine Company, Ltd.	**14**	15	**51**	52
Beijing Foton Cummins Engine Co., Ltd.	**6**	8	**29**	33
Tata Cummins, Ltd.	**6**	6	**22**	21
All other manufacturers	**7**	18	**41**	69
Distribution entities				
Komatsu Cummins Chile, Ltda.	**15**	13	**42**	40
All other distributors	**3**	3	**10**	10
Cummins share of net income	**66**	70	**246**	254
Royalty and interest income	**33**	48	**79**	116
Equity, royalty and interest income from investees	**$ 99**	$ 118	**$ 325**	$ 370

In September 2023, our Accelera business signed an agreement to form a joint venture, Amplify Cell Technologies LLC, with Daimler Trucks and Buses US Holding LLC (Daimler Truck), PACCAR Inc. (PACCAR) and EVE Energy to accelerate and localize battery cell production and the battery supply chain in the U.S., including building a 21-gigawatt hour battery production facility in Marshall County, Mississippi. The joint venture will manufacture battery cells for electric commercial vehicles and industrial applications. The joint venture meets the definition of a variable interest entity since the equity-at-risk is not currently sufficient to support the future operations of the joint venture. Accelera, Daimler Truck and PACCAR will each own 30 percent of the joint venture and have two board positions, while EVE Energy will own 10 percent and have one board position. All significant decisions require majority or super-majority approval of the board. As a result, we are not the primary beneficiary of the joint venture, and the joint venture will not be consolidated. We will account for the joint venture using the equity method. Our maximum required contribution (the majority of which is expected to be contributed by 2028) to the joint venture is $830 million, which could be reduced by future government incentives received by the joint venture. As of September 30, 2024, we contributed $126 million. In addition, we are required to purchase 33 percent of the joint venture's output in the future or be subject to certain penalties. The joint venture received all government approvals and began operations in May 2024, but is not expected to begin production until 2027.

NOTE 5. INCOME TAXES

Our effective tax rates for the three and nine months ended September 30, 2024, were 19.2 percent and 14.6 percent, respectively. Our effective tax rates for the three and nine months ended September 30, 2023, were 21.4 percent and 21.8 percent, respectively.

The three months ended September 30, 2024, contained net favorable discrete tax items of $36 million, primarily due to $20 million of favorable adjustments from tax return amendments, $15 million of favorable return to provision adjustments and $2 million of favorable share-based compensation tax benefits, partially offset by $1 million of other unfavorable adjustments.

The nine months ended September 30, 2024, contained net favorable discrete tax items primarily due to the $1.3 billion non-taxable gain on the Atmus split-off. Other discrete tax items were net favorable by $66 million, primarily due to $21 million of favorable adjustments related to audit settlements, $20 million of favorable adjustments from tax return amendments, $18 million of favorable return to provision adjustments and $17 million of favorable share-based compensation tax benefits, partially offset by $7 million of unfavorable adjustments for uncertain tax positions and $3 million of other unfavorable adjustments.

The three months ended September 30, 2023, contained net favorable discrete tax items of $5 million, primarily due to $13 million of favorable return to provision adjustments and $1 million of favorable share-based compensation tax benefits, partially offset by $9 million of unfavorable adjustments for uncertain tax positions.

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

NOTE 6. MARKETABLE SECURITIES

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

	September 30, 2024			December 31, 2023		
In millions	**Cost**	**Gross unrealized gains/(losses) [1]**	**Estimated fair value**	**Cost**	**Gross unrealized gains/(losses) [1]**	**Estimated fair value**
Equity securities						
Level 1						
Publicly-traded shares	**$ 7**	**$ (5)**	**$ 2**	$ —	$ —	$ —
Level 2						
Certificates of deposit	**260**	**—**	**260**	246	—	246
Debt mutual funds	**213**	**2**	**215**	272	—	272
Equity mutual funds	**17**	**9**	**26**	22	6	28
Debt securities	**15**	**—**	**15**	16	—	16
Marketable securities	**$ 512**	**$ 6**	**$ 518**	$ 556	$ 6	$ 562

[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 our *Condensed Consolidated Statements of Net Income*.

The fair value of Level 1 securities is derived from the market price at the end of the period. 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 levels during the nine months ended September 30, 2024, or the year ended December 31, 2023. All debt securities are classified as available-for-sale.

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

- *Certificates of deposit* — These investments provide us with a contractual rate of return and generally range in maturity from three months to five years. The counterparties to these investments are reputable financial institutions with investment grade credit ratings. Since these instruments are not tradable and must be settled directly by us with the respective financial institution, our fair value measure is the financial institution's month-end statement.
- *Debt mutual funds* — The fair value measures for the vast majority of these investments are the daily net asset values published on a regulated governmental website. Daily quoted prices are available from the issuing brokerage and are used on a test basis to corroborate this Level 2 input measure.
- *Equity mutual funds* — The fair value measures for these investments are the net asset values published by the issuing brokerage. Daily quoted prices are available from reputable third-party pricing services and are used on a test basis to corroborate this Level 2 input measure.
- *Debt securities* — The fair value measures for these securities are broker quotes received from reputable firms. These securities are infrequently traded on a national exchange and these values are used on a test basis to corroborate our Level 2 input measure.

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

	Nine months ended September 30,	
In millions	**2024**	**2023**
Proceeds from sales of marketable securities	**$ 1,008**	$ 812
Proceeds from maturities of marketable securities	**105**	190
Investments in marketable securities - liquidations	**$ 1,113**	$ 1,002

NOTE 7. INVENTORIES

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

In millions	September 30, 2024	December 31, 2023
Finished products	**$ 2,964**	$ 2,770
Work-in-process and raw materials	**3,391**	3,156
Inventories at FIFO cost	**6,355**	5,926
Excess of FIFO over LIFO	**(221)**	(249)
Inventories	**$ 6,134**	$ 5,677

NOTE 8. SUPPLEMENTAL BALANCE SHEET DATA

Other assets included the following:

In millions	September 30, 2024	December 31, 2023
Deferred income taxes	**$ 1,073**	$ 1,082
Operating lease assets	**512**	501
Corporate owned life insurance	**446**	417
Other	**525**	543
Other assets	**$ 2,556**	$ 2,543

Other accrued expenses included the following:

In millions	September 30, 2024	December 31, 2023
Marketing accruals	**$ 349**	$ 399
Income taxes payable	**266**	242
Other taxes payable	**217**	296
Current portion of operating lease liabilities	**133**	138
Settlement Agreements [1]	**19**	1,938
Other	**761**	741
Other accrued expenses	**$ 1,745**	$ 3,754

[1] See NOTE 11, "COMMITMENTS AND CONTINGENCIES," for additional information.

Other liabilities included the following:

In millions	September 30, 2024	December 31, 2023
Accrued product warranty [1]	**$ 847**	$ 777
Pensions	**488**	530
Operating lease liabilities	**393**	374
Deferred income taxes	**386**	530
Accrued compensation	**187**	213
Other postretirement benefits	**120**	131
Mark-to-market valuation on interest rate derivatives	**81**	117
Long-term income taxes	**5**	111
Other	**655**	647
Other liabilities	**$ 3,162**	$ 3,430

[1] See NOTE 10, "PRODUCT WARRANTY LIABILITY," for additional information.

NOTE 9. DEBT

Loans Payable and Commercial Paper

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

In millions	September 30, 2024	December 31, 2023
Loans payable [1]	**$ 441**	$ 280
Commercial paper [2]	**1,636**	1,496

[1] Loans payable consist primarily of notes payable to various international and domestic financial institutions. It is not practicable to aggregate these notes and calculate a quarterly weighted-average interest rate.

[2] The weighted-average interest rate, inclusive of all brokerage fees, was 5.25 percent and 5.43 percent at September 30, 2024, and December 31, 2023, respectively.

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

Revolving Credit Facilities

On June 3, 2024, we entered into an amended and restated five-year credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 3, 2029. The credit agreement amended and restated the prior $2.0 billion five-year credit agreement that would have matured on August 18, 2026.

On June 3, 2024, we entered into an amended and restated 364-day credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 2, 2025. This credit agreement amended and restated the prior $2.0 billion 364-day credit facility that matured on June 3, 2024.

Our committed credit facilities provide access up to $4.0 billion, including our $2.0 billion 364-day facility that expires June 2, 2025, and our $2.0 billion five-year facility that expires on June 3, 2029. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities at or before expiration. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. There were no outstanding borrowings under these facilities at September 30, 2024, and December 31, 2023. At September 30, 2024, the $1.6 billion of outstanding commercial paper effectively reduced the $4.0 billion of revolving credit capacity to $2.4 billion.

At September 30, 2024, we also had an additional $527 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	September 30, 2024	December 31, 2023
Long-term debt			
Hydrogenics promissory notes, due 2024 and 2025	—%	**$ 160**	$ 160
Term loan, due 2025 [1] [2]	Variable	**—**	1,150
Senior notes, due 2025 [3]	0.75%	**500**	500
Atmus term loan, due 2027 [4]	Variable	**—**	600
Debentures, due 2027	6.75%	**58**	58
Debentures, due 2028	7.125%	**250**	250
Senior notes, due 2029	4.90%	**500**	—
Senior notes, due 2030 [3]	1.50%	**850**	850
Senior notes, due 2034	5.15%	**750**	—
Senior notes, due 2043	4.875%	**500**	500
Senior notes, due 2050	2.60%	**650**	650
Senior notes, due 2054	5.45%	**1,000**	—
Debentures, due 2098 [5]	5.65%	**165**	165
Other debt		**165**	94
Unamortized discount and deferred issuance costs		**(92)**	(72)
Fair value adjustments due to hedge on indebtedness		**(70)**	(96)
Finance leases		**124**	111
Total long-term debt		**5,510**	4,920
Less: Current maturities of long-term debt		**654**	118
Long-term debt		**$ 4,856**	$ 4,802

[1] During the first nine months of 2024, we repaid the outstanding balance of the term loan.

[2] In 2023, we entered into a series of interest rate swaps in order to trade a portion of the floating rate debt into fixed rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.

[3] In 2021, we entered into a series of interest rate swaps to effectively convert debt from a fixed rate to floating rate. See "Interest Rate Risk" in NOTE 13, "DERIVATIVES," for additional information.

[4] See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information.

[5] The effective interest rate is 7.48 percent.

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

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

In millions	2024	2025	2026	2027	2028
Principal payments	$ 60	$ 661	$ 66	$ 100	$ 290

Fair Value of Debt

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

In millions	September 30, 2024	December 31, 2023
Fair value of total debt [1]	**$ 7,426**	$ 6,375
Carrying value of total debt	**7,587**	6,696

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

NOTE 10. PRODUCT WARRANTY LIABILITY

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

	Nine months ended September 30,	
In millions	2024	2023
Balance at beginning of year	**$ 2,497**	$ 2,477
Provision for base warranties issued	**490**	458
Deferred revenue on extended warranty contracts sold	**263**	244
Provision for product campaigns issued	**48**	17
Payments made during period	**(533)**	(429)
Amortization of deferred revenue on extended warranty contracts	**(222)**	(226)
Changes in estimates for pre-existing product warranties and campaigns	**94**	19
Foreign currency translation adjustments and other	**(7)**	(2)
Balance at end of period	**$ 2,630**	$ 2,558

We recognized supplier recoveries of $4 million and $38 million for the three and nine months ended September 30, 2024, compared with $7 million and $19 million for the comparable periods in 2023.

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

In millions	September 30, 2024	December 31, 2023	Balance Sheet Location
Deferred revenue related to extended coverage programs			
Current portion	**$ 287**	$ 279	Current portion of deferred revenue
Long-term portion	**811**	774	Deferred revenue
Total	**$ 1,098**	$ 1,053	
Product warranty			
Current portion	**$ 685**	$ 667	Current portion of accrued product warranty
Long-term portion	**847**	777	Other liabilities
Total	**$ 1,532**	$ 1,444	
Total warranty accrual	**$ 2,630**	$ 2,497	

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

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

In December 2023, we announced that we reached an agreement in principle with the EPA, CARB, the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). As part of the Settlement Agreements, among other things, we agreed to pay civil penalties, complete recall requirements, undertake mitigation projects, provide extended warranties, undertake certain testing, take certain corporate compliance measures and make other payments. Failure to comply with the terms and conditions of the Settlement Agreements subjects us to stipulated penalties. We recorded a charge of $2.0 billion in the fourth quarter of 2023 to resolve the matters addressed by the Settlement Agreements involving approximately one million of our pick-up truck applications in the U.S. This charge was in addition to the previously announced charges of $59 million for the recalls of model years 2013 through 2018 RAM 2500 and 3500 trucks and model years 2016 through 2019 Titan trucks. We made $1.9 billion of payments required by the Settlement Agreements in the second quarter of 2024. In the third quarter of 2024, we have accrued immaterial amounts related to stipulated penalties we determined to be probable and estimable. Any further non-compliance with the Settlement Agreements will likely subject us to further stipulated penalties and other adverse consequences.

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

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

The consequences resulting from the resolution of the foregoing matters are uncertain and the related expenses and reputational damage could have a material adverse impact on our results of operations, financial condition and cash flows.

Guarantees and Commitments

Periodically, we enter into guarantee arrangements, including guarantees of non-U.S. distributor financings, residual value guarantees on equipment under operating leases and other miscellaneous guarantees of joint ventures or third-party obligations. At September 30, 2024, the maximum potential loss related to these guarantees was $52 million.

We have arrangements with certain suppliers that require us to purchase minimum volumes or be subject to monetary penalties. At September 30, 2024, if we were to stop purchasing from each of these suppliers, the aggregate amount of the penalty would be approximately $533 million. These arrangements enable us to secure supplies of critical components and IT services. We do not currently anticipate paying any penalties under these contracts.

We enter into physical forward contracts with suppliers of platinum, palladium and iridium to purchase certain volumes of the commodities at contractually stated prices for various periods, which generally fall within two years. At September 30, 2024, 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 $252 million at September 30, 2024.

Indemnifications

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

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

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

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

In millions	Change in pension and OPEB plans	Foreign currency translation adjustment	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at June 30, 2024	**$ (848)**	**$ (1,595)**	**$ 108**	**$ (2,335)**		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	**1**	**142**	**(3)**	**140**	**$ 2**	**$ 142**
Tax benefit	**—**	**21**	**1**	**22**	**—**	**22**
After-tax amount	**1**	**163**	**(2)**	**162**	**2**	**164**
Amounts reclassified from accumulated other comprehensive income (loss) [1]	**4**	**—**	**(5)**	**(1)**	**—**	**(1)**
Net current period other comprehensive income (loss)	**5**	**163**	**(7)**	**161**	**$ 2**	**$ 163**
Balance at September 30, 2024	**$ (843)**	**$ (1,432)**	**$ 101**	**$ (2,174)**		
Balance at June 30, 2023	$ (434)	$ (1,581)	$ 98	$ (1,917)		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	1	(154)	34	(119)	$ (7)	$ (126)
Tax expense	—	(2)	(9)	(11)	—	(11)
After-tax amount	1	(156)	25	(130)	(7)	(137)
Amounts reclassified from accumulated other comprehensive income (loss) [1]	2	—	(6)	(4)	—	(4)
Net current period other comprehensive income (loss)	3	(156)	19	(134)	$ (7)	$ (141)
Balance at September 30, 2023	$ (431)	$ (1,737)	$ 117	$ (2,051)		

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

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

In millions	Change in pension and OPEB plans	Foreign currency translation adjustment	Unrealized gain (loss) on derivatives	Total attributable to Cummins Inc.	Noncontrolling interests	Total
Balance at December 31, 2023	**$ (848)**	**$ (1,457)**	**$ 99**	**$ (2,206)**		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	**(14)**	**(56)**	**23**	**(47)**	**$ (3)**	**$ (50)**
Tax benefit (expense)	**3**	**20**	**(5)**	**18**	**—**	**18**
After-tax amount	**(11)**	**(36)**	**18**	**(29)**	**(3)**	**(32)**
Amounts reclassified from accumulated other comprehensive income (loss) [1]	**16**	**61** [2]	**(16)**	**61**	**—**	**61**
Net current period other comprehensive (loss) income	**5**	**25**	**2**	**32**	**$ (3)**	**$ 29**
Balance at September 30, 2024	**$ (843)**	**$ (1,432)**	**$ 101**	**$ (2,174)**		
Balance at December 31, 2022	$ (427)	$ (1,552)	$ 89	$ (1,890)		
Other comprehensive income (loss) before reclassifications						
Before-tax amount	(12)	(190)	49	(153)	$ (6)	$ (159)
Tax benefit (expense)	2	5	(10)	(3)	—	(3)
After-tax amount	(10)	(185)	39	(156)	(6)	(162)
Amounts reclassified from accumulated other comprehensive income (loss) [1]	6	—	(11)	(5)	—	(5)
Net current period other comprehensive (loss) income	(4)	(185)	28	(161)	$ (6)	$ (167)
Balance at September 30, 2023	$ (431)	$ (1,737)	$ 117	$ (2,051)		

[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 the divestiture of Atmus. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information.

NOTE 13. DERIVATIVES

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

Foreign Currency Exchange Rate Risk

We had foreign currency forward contracts with notional amounts of $4.3 billion at September 30, 2024, with the following currencies comprising 84 percent of outstanding foreign currency forward contracts: British pound, Chinese renminbi, Australian dollar, Canadian dollar and Euro. We had foreign currency forward contracts with notional amounts of $4.5 billion at December 31, 2023, with the following currencies comprising 85 percent of outstanding foreign currency forward contracts: British pound, Chinese renminbi, Canadian dollar, Australian dollar and Swedish krona.

We are further exposed to foreign currency exchange risk as many of our subsidiaries are subject to fluctuations as the functional currencies of the underlying entities are not our U.S. dollar reporting currency. To help reduce volatility in the equity value of our subsidiaries, we enter into foreign exchange forwards designated as net investment hedges for certain of our investments. Under the current terms of our foreign exchange forwards, we agreed with third parties to sell British pounds, Chinese renminbi and Euros in exchange for U.S. dollar currency at a specified rate at the maturity of the contract. The notional amount of these hedges at September 30, 2024, was $1.6 billion.

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

	Three months ended September 30,				Nine months ended September 30,			
In millions	**2024**		**2023**		**2024**		**2023**	
Type of Derivative	**Gain (Loss) Recognized in AOCL**	**Gain (Loss) Reclassified from AOCL into Earnings**	**Gain (Loss) Recognized in AOCL**	**Gain (Loss) Reclassified from AOCL into Earnings**	**Gain (Loss) Recognized in AOCL**	**Gain (Loss) Reclassified from AOCL into Earnings**	**Gain (Loss) Recognized in AOCL**	**Gain (Loss) Reclassified from AOCL into Earnings**
Foreign exchange forwards	**$ (44)**	**$ —**	$ 22	$ —	**$ (41)**	**$ —**	$ (6)	$ —

Interest Rate Risk

In September 2023, we entered into a series of interest rate swaps with a total notional value of $500 million in order to trade a portion of the floating rate into a fixed rate on our term loan, due in 2025. The weighted-average interest rate of the interest rate swaps was 5.72 percent. We designated the swaps as cash flow hedges. The gains and losses on these derivative instruments are initially recorded in other comprehensive income and reclassified into earnings as interest expense in the *Condensed Consolidated Financial Statements* as each interest payment is accrued. We settled $400 million of interest rate swaps in the second quarter of 2024 and the remaining $100 million in the third quarter of 2024. The losses recognized on settlements were immaterial. The interest rate swap activity in AOCL was immaterial for the three and nine months ended September 30, 2023.

In 2021, we entered into a series of interest rate swaps to effectively convert our $500 million senior notes, due in 2025, from a fixed rate of 0.75 percent to a floating rate equal to the three-month London Interbank Offered Rate (LIBOR) plus a spread (subsequently adjusted to Secured Overnight Financing Rate (SOFR) under a fallback protocol in our derivative agreements in the third quarter of 2023), and $400 million of the notional amount remained unsettled at September 30, 2024. We also entered into a series of interest rate swaps to effectively convert $765 million of our $850 million senior notes, due in 2030, from a fixed rate of 1.50 percent to a floating rate equal to the three-month LIBOR plus a spread (also similarly adjusted to SOFR). We designated the swaps as fair value hedges. The gain or loss on these derivative instruments, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current income as interest expense. The net swap settlements that accrue each period are also reported in the *Condensed Consolidated Financial Statements* as interest expense.

The following table summarizes the gains and losses:

In millions	Three months ended September 30, 2024		Three months ended September 30, 2023		Nine months ended September 30, 2024		Nine months ended September 30, 2023	
Type of Swap	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings	Gain (Loss) on Swaps	Gain (Loss) on Borrowings
Interest rate swaps [1]	**$ 38**	**$ (35)**	$ (17)	$ 19	**$ 31**	**$ (27)**	$ (10)	$ 13

[1] The difference between the gain (loss) on swaps and borrowings represents hedge ineffectiveness.

Derivatives Not Designated as Hedging Instruments

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

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
(Loss) gain recognized in income - Cost of sales [1]	**$ (2)**	$ 1	**$ (1)**	$ (2)
Gain (loss) recognized in income - Other income (expense), net [1]	**104**	(60)	**60**	(77)

[1] Includes foreign currency forward contracts.

Fair Value Amount and Location of Derivative Instruments

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

In millions	Derivatives Designated as Hedging Instruments September 30, 2024	Derivatives Designated as Hedging Instruments December 31, 2023	Derivatives Not Designated as Hedging Instruments September 30, 2024	Derivatives Not Designated as Hedging Instruments December 31, 2023
Notional amount	**$ 3,869**	$ 2,997	**$ 3,286**	$ 3,610
Derivative assets				
Prepaid expenses and other current assets [1]	**$ 21**	$ 14	**$ 56**	$ 16
Derivative liabilities				
Other accrued expenses	**$ 32**	$ 43	**$ 16**	$ 14
Other liabilities	**86**	117	**—**	—
Total derivative liabilities [1]	**$ 118**	$ 160	**$ 16**	$ 14

[1] Estimates of the fair value of all derivative assets and liabilities above are derived from Level 2 inputs, which are estimated using actively quoted prices for similar instruments from brokers and observable inputs where available, including market transactions and third-party pricing services, or net asset values provided to investors. We do not currently have any Level 3 input measures and there were no transfers into or out of Level 2 or 3 during the nine months ended September 30, 2024, or the year ended December 31, 2023.

We elected to present our derivative contracts on a gross basis in our *Condensed Consolidated Balance Sheets*. Had we chosen to present on a net basis, we would have derivatives in a net asset position of $31 million and $4 million and derivatives in a net liability position of $88 million and $148 million at September 30, 2024, and December 31, 2023, respectively.

NOTE 14. ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE

IPO

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

In connection with the completion of the IPO, through a series of asset and equity contributions, we transferred the filtration business to Atmus. In exchange, Atmus transferred consideration of $650 million to Cummins, which consisted primarily of the net proceeds from a term loan facility and revolver executed by Atmus during May 2023. The commercial paper issued and retired through the IPO proceeds, coupled with the $650 million received, was used for the retirement of our historical debt and payment of dividends. The difference between the commercial paper retired from the IPO, other IPO related fees and the net book value of our divested interest was $285 million and recorded as an offset to additional paid-in capital. Of our consolidated cash and cash equivalents at December 31, 2023, $166 million was retained by Atmus for its working capital purposes.

Divestiture

On March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus common stock through a tax-free split-off. The transaction involved the exchange of our shares in Atmus for shares of Cummins stock with a 7.0 percent discount on the exchange ratio for Atmus shares. The exchange ratio was determined based on each entity's respective stock price using the daily volume weighted-average stock price for three days preceding the final exchange offer date. Based on the final exchange ratio, we exchanged all 67 million of our Atmus shares for 5.6 million shares of Cummins stock, which was recorded as treasury stock based on the fair value of the Cummins shares obtained.

We evaluated the full divestiture of Atmus and determined the transaction did not qualify for discontinued operation presentation. We recognized a gain related to the divestiture of approximately $1.3 billion (based on the difference between the fair value of the Cummins shares obtained less the carrying value of our Atmus investment), which was recorded in other income, net in the *Condensed Consolidated Statements of Net Income* for the nine months ended September 30, 2024. Approximately $114 million of goodwill was included in the carrying value of the Atmus investment for purposes of calculating the gain. The operating results of Atmus were reported in the *Condensed Consolidated Financial Statements* through March 18, 2024, the date of divestiture.

As part of the divestiture, the $600 million term loan remained with Atmus after the split. In addition, a net $61 million of other comprehensive income and $19 million of noncontrolling interests related to Atmus were written-off and netted against the gain recognized upon the split.

We entered into a transitional services agreement (TSA) with Atmus that is designed to facilitate the orderly transfer of various services to Atmus. The TSA relates primarily to administrative services, which are generally to be provided over the next 24 months. This agreement is not material and does not confer upon us the ability to influence the operating and/or financial policies of Atmus subsequent to March 18, 2024.

NOTE 15. ACQUISITIONS

Acquisitions for the nine months ended September 30, 2024 and 2023, were as follows:

Entity Acquired (Dollars in millions)	Date of Acquisition	Additional Percent Interest Acquired	Payments to Former Owners	Acquisition Related Debt Retirements	Total Purchase Consideration	Type of Acquisition[1]	Goodwill Acquired	Intangibles Recognized[2]
2024								
Engendren Corporation	**02/16/24**	**100%**	**$ 65**	**$ —**	**$ 65**	**COMB**	**$ 33**	**$ 8**
2023 [3]								
Hydrogenics Corporation	06/29/23	19%	$ 287	$ 48	$ 335 [4]	EQUITY	$ —	$ —
Teksid Hierro de Mexico, S.A. de C.V.	04/03/23	100%	143	—	143	COMB	18	—

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

[2] Intangible assets acquired in the business combination were mostly customer and trade name related.

[3] See NOTE 24, "ACQUISITIONS," of the Notes to the Consolidated Financial Statements of our 2023 Form 10-K for additional information on prior year acquisitions.

[4] Hydrogenics entered into three non-interest-bearing promissory notes with $175 million paid on July 31, 2023, and the remaining $160 million due in three installments through 2025.

NOTE 16. OPERATING SEGMENTS

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

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

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

The accounting policies of our operating segments are the same as those applied in our *Condensed Consolidated Financial Statements.* We prepared the financial results of our operating segments on a basis that is consistent with the manner in which we internally disaggregate financial information to assist in making internal operating decisions. We allocate certain common costs and expenses, primarily corporate functions, among segments differently than we would for stand-alone financial information prepared in accordance with GAAP. These include certain costs and expenses of shared services, such as information technology, human resources, legal, finance and supply chain management. We do not allocate gains or losses of corporate owned life insurance and the gain and certain costs related to the divestiture of Atmus. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information. EBITDA may not be consistent with measures used by other companies.

Summarized financial information regarding our reportable operating segments for the three and nine months ended September 30, 2024 and 2023 is shown in the table below:

In millions	Components	Engine	Distribution	Power Systems	Accelera	Total Segments
Three months ended September 30, 2024						
External sales	**$ 2,287**	**$ 2,215**	**$ 2,942**	**$ 912**	**$ 100**	**$ 8,456**
Intersegment sales	**437**	**698**	**10**	**775**	**10**	**1,930**
Total sales	**2,724**	**2,913**	**2,952**	**1,687**	**110**	**10,386**
Research, development and engineering expenses	**85**	**147**	**13**	**57**	**57**	**359**
Equity, royalty and interest income (loss) from investees	**12**	**53**	**25**	**20**	**(11)**	**99**
Interest income	**4**	**2**	**7**	**1**	**—**	**14**
Segment EBITDA	**351**	**427**	**370**	**328**	**(115)**	**1,361**
Depreciation and amortization [(1)]	**121**	**62**	**31**	**33**	**16**	**263**
Three months ended September 30, 2023						
External sales	$ 2,780	$ 2,236	$ 2,519	$ 798	$ 98	$ 8,431
Intersegment sales	456	695	16	646	5	1,818
Total sales	3,236	2,931	2,535	1,444	103	10,249
Research, development and engineering expenses	93	159	14	60	50	376
Equity, royalty and interest income (loss) from investees	26	62	22	11	(3)	118
Interest income	8	4	9	3	—	24
Segment EBITDA	441 [(2)]	395	306	234	(114)	1,262
Depreciation and amortization [(1)]	120	59	28	30	18	255
Nine months ended September 30, 2024						
External sales	**$ 7,647**	**$ 6,923**	**$ 8,292**	**$ 2,508**	**$ 285**	**$ 25,655**
Intersegment sales	**1,391**	**2,069**	**24**	**2,157**	**29**	**5,670**
Total sales	**9,038**	**8,992**	**8,316**	**4,665**	**314**	**31,325**
Research, development and engineering expenses	**250**	**468**	**41**	**180**	**166**	**1,105**
Equity, royalty and interest income (loss) from investees	**51**	**158**	**73**	**65**	**(22)**	**325**
Interest income	**21**	**16**	**29**	**7**	**—**	**73**
Segment EBITDA	**1,230** [(2)]	**1,286**	**978**	**866**	**(333)**	**4,027**
Depreciation and amortization [(1)]	**367**	**181**	**92**	**99**	**45**	**784**
Nine months ended September 30, 2023						
External sales	$ 8,747	$ 6,751	$ 7,494	$ 2,271	$ 259	$ 25,522
Intersegment sales	1,471	2,154	42	1,973	14	5,654
Total sales	10,218	8,905	7,536	4,244	273	31,176
Research, development and engineering expenses	287	441	43	189	150	1,110
Equity, royalty and interest income (loss) from investees	71	198	70	42	(11)	370
Interest income	21	14	24	7	1	67
Segment EBITDA	1,434 [(2)]	1,277	940	654	(322)	3,983
Depreciation and amortization [(1)]	368	166	84	91	47	756

(1) 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 $10 million and $4 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. A portion of depreciation expense is included in research, development and engineering expenses.

(2) Included $21 million of costs associated with the divestiture of Atmus for the nine months ended September 30, 2024. Included $20 million and $50 million of costs associated with the divestiture of Atmus for the three and nine months ended September 30, 2023. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information.

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
TOTAL SEGMENT EBITDA	**$ 1,361**	$ 1,262	**$ 4,027**	$ 3,983
Intersegment eliminations and other [(1)]	**28**	(32) [(2)]	**1,279** [(3)]	(88) [(2)]
Less:				
Interest expense	**83**	97	**281**	283
Depreciation and amortization	**263**	255	**784**	756
INCOME BEFORE INCOME TAXES	**$ 1,043**	$ 878	**$ 4,241**	$ 2,856

[(1)] Included intersegment sales, intersegment profit in inventory and unallocated corporate expenses.

[(2)] Included $6 million and $17 million of costs associated with the divestiture of Atmus for the three and nine months ended September 30, 2023.

[(3)] Included a $1.3 billion gain related the divestiture of Atmus and $14 million of costs associated with the divestiture of Atmus (included in corporate expenses) for the nine months ended September 30, 2024. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," for additional information.

NOTE 17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements in Income Tax Disclosures," to enhance the transparency and decision usefulness of income tax disclosures. This amendment requires public companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Additionally, under the amendment, entities are required to disclose the amount of income taxes paid disaggregated by federal, state and foreign taxes, as well as disaggregated by material individual jurisdictions. Finally, the amendment requires entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and income tax expense from continuing operations disaggregated by federal, state and foreign. The new rules are effective for annual periods beginning after December 15, 2024. We will adopt this standard on a prospective basis as allowed by the standard beginning with our 2025 Form 10-K. The adoption of this standard is not expected to have a material impact on our *Condensed Consolidated Financial Statements.*

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

GOVERNMENT REGULATION

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

BUSINESS CONDITIONS / DISRUPTIONS

- failure to successfully integrate and / or failure to fully realize all of the anticipated benefits of the acquisition of Meritor, Inc.;
- raw material, transportation and labor price fluctuations and supply shortages;
- aligning our capacity and production with our demand;
- the actions of, and income from, joint ventures and other investees that we do not directly control;
- large truck manufacturers' and original equipment manufacturers' customers discontinuing outsourcing their engine supply needs or experiencing financial distress, or change in control;

PRODUCTS AND TECHNOLOGY

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

GENERAL

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

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

ORGANIZATION OF INFORMATION

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

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

EXECUTIVE SUMMARY AND FINANCIAL HIGHLIGHTS

Overview

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

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

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

Divestiture of Atmus

On March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus Filtration Technologies Inc. (Atmus) common stock through a tax-free split-off. The exchange resulted in a reduction of shares of our common stock outstanding by 5.6 million shares and a gain of approximately $1.3 billion. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

Settlement Agreements

In December 2023, we announced that we reached an agreement in principle with the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024 (collectively, the Settlement Agreements). In the second quarter of 2024, we made $1.9 billion of payments required by the Settlement Agreements. See NOTE 11, "COMMITMENTS AND CONTINGENCIES," to our *Condensed Consolidated Financial Statements* for additional information.

2024 Third Quarter and Year-to-Date Results

A summary of our results is as follows:

In millions, except per share amounts	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024 [(1)]	Nine months ended September 30, 2023
Net sales	**$ 8,456**	$ 8,431	**$ 25,655**	$ 25,522
Net income attributable to Cummins Inc.	**809**	656	**3,528**	2,166
Earnings per common share attributable to Cummins Inc.				
Basic	**$ 5.90**	$ 4.63	**$ 25.47**	$ 15.29
Diluted	**5.86**	4.59	**25.31**	15.19

(1) Net income and earnings per common share included the non-taxable gain associated with the divestiture of Atmus for the nine months ended September 30, 2024.

The table below presents our consolidated net sales by geographic area based on the location of the customer:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
United States and Canada	**$ 5,177**	$ 5,210	$ (33)	(1)%	**$ 15,789**	$ 15,612	$ 177	1 %
International	**3,279**	3,221	58	2 %	**9,866**	9,910	(44)	— %
Total net sales	**$ 8,456**	$ 8,431	$ 25	— %	**$ 25,655**	$ 25,522	$ 133	1 %

Worldwide revenues were relatively flat in the three months ended September 30, 2024, compared to the same period in 2023, as increased power generation demand (primarily data center markets) was mostly offset by the divestiture of Atmus. International sales (excludes the U.S. and Canada) improved 2 percent primarily due to higher sales in India and Asia Pacific, partially offset by lower sales in Latin America. The increase in international sales was primarily due to higher demand for power generation products (especially in China and India), partially offset by the divestiture of Atmus. Net sales in the U.S. and Canada declined 1 percent primarily due to the divestiture of Atmus, partially offset by higher demand in power generation markets. Unfavorable foreign currency fluctuations impacted international sales by 2 percent (primarily the Brazilian real).

Worldwide revenues increased by 1 percent in the nine months ended September 30, 2024, compared to the same period in 2023, due to increased power generation demand (mostly data center markets) and higher demand in North American medium-duty truck and bus markets, partially offset by the divestiture of Atmus, lower emission solutions demand (mainly in China) and weaker demand in global construction markets. Net sales in the U.S. and Canada improved 1 percent primarily due to higher demand in power generation markets and medium-duty truck and bus markets, partially offset by the divestiture of Atmus. International sales (excludes the U.S. and Canada) were relatively flat as lower sales in Europe and China were mostly offset with higher sales in Latin America and India. The decrease in international sales was primarily due to the divestiture of Atmus and lower emission solutions demand (mainly in China), largely offset by increased demand in power generation markets (mainly Europe, Asia Pacific, China and India). Unfavorable foreign currency fluctuations impacted international sales by 1 percent (primarily the Chinese renminbi, Brazilian real and Indian rupee).

The following tables contain sales and EBITDA (defined as earnings or losses before interest expense, income taxes, depreciation and amortization and noncontrolling interests) by operating segment for the three and nine months ended September 30, 2024 and 2023. See NOTE 16, "OPERATING SEGMENTS," to the *Condensed Consolidated Financial Statements* for additional information and a reconciliation of our segment information to the corresponding amounts in our *Condensed Consolidated Statements of Net Income*.

Operating Segments	**Three months ended September 30,**							
	2024			**2023**			**Percent change 2024 vs. 2023**	
In millions	**Sales**	**Percent of Total**	**EBITDA**	**Sales**	**Percent of Total**	**EBITDA**	**Sales**	**EBITDA**
Components	**$ 2,724**	**32 %**	**$ 351**	$ 3,236	38 %	$ 441	(16)%	(20)%
Engine	**2,913**	**35 %**	**427**	2,931	35 %	395	(1)%	8 %
Distribution	**2,952**	**35 %**	**370**	2,535	30 %	306	16 %	21 %
Power Systems	**1,687**	**20 %**	**328**	1,444	17 %	234	17 %	40 %
Accelera	**110**	**1 %**	**(115)**	103	1 %	(114)	7 %	(1)%
Intersegment eliminations	**(1,930)**	**(23)%**	**28**	(1,818)	(21)%	(32)	6 %	NM
Total	**$ 8,456**	**100 %**	**$ 1,389**	$ 8,431	100 %	$ 1,230 [(1)]	— %	13 %

"NM" - not meaningful information

(1) EBITDA included $26 million of costs associated with the IPO and divestiture of Atmus for the three months ended September 30, 2023.

Net income attributable to Cummins Inc. was $809 million, or $5.86 per diluted share, on sales of $8.5 billion for the three months ended September 30, 2024, versus the comparable prior year period net income attributable to Cummins Inc. of $656 million, or $4.59 per diluted share, on sales of $8.4 billion. The increases in net income attributable to Cummins Inc. and earnings per diluted share were driven by improved gross margin and favorable changes in corporate owned life insurance. The increase in gross margin was primarily due to favorable pricing and higher volumes, partially offset by the divestiture of Atmus and higher compensation expenses.

Operating Segments	**Nine months ended September 30,**							
	2024			**2023**			**Percent change 2024 vs. 2023**	
In millions	**Sales**	**Percent of Total**	**EBITDA**	**Sales**	**Percent of Total**	**EBITDA**	**Sales**	**EBITDA**
Components	**$ 9,038**	**35 %**	**$ 1,230**	$ 10,218	40 %	$ 1,434	(12)%	(14)%
Engine	**8,992**	**35 %**	**1,286**	8,905	35 %	1,277	1 %	1 %
Distribution	**8,316**	**33 %**	**978**	7,536	29 %	940	10 %	4 %
Power Systems	**4,665**	**18 %**	**866**	4,244	17 %	654	10 %	32 %
Accelera	**314**	**1 %**	**(333)**	273	1 %	(322)	15 %	(3)%
Intersegment eliminations	**(5,670)**	**(22)%**	**1,279**	(5,654)	(22)%	(88)	— %	NM
Total	**$ 25,655**	**100 %**	**$ 5,306** [(1)]	$ 25,522	100 %	$ 3,895 [(2)]	1 %	36 %

"NM" - not meaningful information

(1) EBITDA included a $1.3 billion gain recognized on the divestiture of Atmus and $35 million of costs associated with the divestiture of Atmus for the nine months ended September 30, 2024.

(2) EBITDA included $67 million of costs associated with the IPO and divestiture of Atmus for the nine months ended September 30, 2023.

Net income attributable to Cummins Inc. was $3.5 billion, or $25.31 per diluted share, on sales of $25.7 billion for the nine months ended September 30, 2024, versus the comparable prior year period net income attributable to Cummins Inc. of $2.2 billion, or $15.19 per diluted share, on sales of $25.5 billion. The increases in net income attributable to Cummins Inc. and earnings per diluted share were driven by the gain recognized on the divestiture of Atmus. Diluted earnings per common share for the nine months ended September 30, 2024, benefited $0.71 from fewer weighted-average shares outstanding due to treasury shares reacquired in the Atmus divestiture.

2024 Highlights

We generated $65 million of cash from operations for the nine months ended September 30, 2024, compared to generating $2.5 billion for the comparable period in 2023. See the section titled "Cash Flows" in the "LIQUIDITY AND CAPITAL RESOURCES" section for a discussion of items impacting cash flows.

Our debt to capital ratio (total capital defined as debt plus equity) at September 30, 2024, was 40.1 percent, compared to 40.3 percent at December 31, 2023. The decrease was primarily due to the increased equity balance from strong earnings since December 31, 2023, partially offset by higher debt balances at September 30, 2024. At September 30, 2024, we had $2.3 billion in cash and marketable securities on hand and access to our $4.0 billion credit facilities (net of $1.6 billion of commercial paper outstanding), if necessary, to meet working capital, investment, acquisition and funding needs.

In July 2024, we settled the remaining $100 million of interest rate swaps and repaid the outstanding $100 million of our related term loan due in 2025. See NOTE 9, “DEBT,” and NOTE 13, "DERIVATIVES," to our *Condensed Consolidated Financial Statements* for additional information.

In July 2024, the Board of Directors (Board) authorized an increase to our quarterly dividend of approximately 8 percent from $1.68 per share to $1.82 per share.

On June 3, 2024, we entered into an amended and restated five-year credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 3, 2029. The credit agreement amended and restated the prior $2.0 billion five-year credit agreement that would have matured on August 18, 2026.

On June 3, 2024, we entered into an amended and restated 364-day credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 2, 2025. This credit agreement amended and restated the prior $2.0 billion 364-day credit facility that matured on June 3, 2024.

In May 2024, we entered into an accounts receivable sales agreement with Wells Fargo Bank, N.A., to sell certain accounts receivable up to $500 million. See NOTE 1, "NATURE OF OPERATIONS AND BASIS OF PRESENTATION," to our *Condensed Consolidated Financial Statements* for additional information.

In the second quarter of 2024, we made $1.9 billion of required payments towards the Settlement Agreements. See NOTE 11, “COMMITMENTS AND CONTINGENCIES,” to our *Condensed Consolidated Financial Statements* for additional information.

In the second quarter of 2024, we settled $400 million of interest rate swaps and paid $400 million of our related term loan due in 2025. See NOTE 9, “DEBT,” and NOTE 13, "DERIVATIVES," to our *Condensed Consolidated Financial Statements* for additional information.

On February 20, 2024, we issued $2.25 billion aggregate principal amount of senior unsecured notes consisting of $500 million aggregate principal amount of 4.90 percent senior unsecured notes due in 2029, $750 million aggregate principal amount of 5.15 percent senior unsecured notes due in 2034 and $1.0 billion aggregate principal amount of 5.45 percent senior unsecured notes due in 2054. We received net proceeds of $2.2 billion. See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

In the first nine months of 2024, the investment gain on our U.S. pension trusts was 6.3 percent, while our U.K. pension trusts' loss was 3.3 percent. We anticipate making additional defined benefit pension contributions during the remainder of 2024 of $14 million for our U.S. and U.K. qualified and non-qualified pension plans. We expect our 2024 annual net periodic pension cost to approximate $34 million.

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

RESULTS OF OPERATIONS

In millions, except per share amounts	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/ (Unfavorable) Amount	Favorable/ (Unfavorable) Percent	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/ (Unfavorable) Amount	Favorable/ (Unfavorable) Percent
NET SALES	**$ 8,456**	$ 8,431	$ 25	— %	**$ 25,655**	$ 25,522	$ 133	1 %
Cost of sales	**6,285**	6,360	75	1 %	**19,250**	19,274	24	— %
GROSS MARGIN	**2,171**	2,071	100	5 %	**6,405**	6,248	157	3 %
OPERATING EXPENSES AND INCOME								
Selling, general and administrative expenses	**807**	831	24	3 %	**2,474**	2,457	(17)	(1)%
Research, development and engineering expenses	**359**	376	17	5 %	**1,107**	1,110	3	— %
Equity, royalty and interest income from investees	**99**	118	(19)	(16)%	**325**	370	(45)	(12)%
Other operating expense, net	**54**	32	(22)	(69)%	**131**	78	(53)	(68)%
OPERATING INCOME	**1,050**	950	100	11 %	**3,018**	2,973	45	2 %
Interest expense	**83**	97	14	14 %	**281**	283	2	1 %
Other income, net	**76**	25	51	NM	**1,504**	166	1,338	NM
INCOME BEFORE INCOME TAXES	**1,043**	878	165	19 %	**4,241**	2,856	1,385	48 %
Income tax expense	**200**	188	(12)	(6)%	**618**	623	5	1 %
CONSOLIDATED NET INCOME	**843**	690	153	22 %	**3,623**	2,233	1,390	62 %
Less: Net income attributable to noncontrolling interests	**34**	34	—	— %	**95**	67	(28)	(42)%
NET INCOME ATTRIBUTABLE TO CUMMINS INC.	**$ 809**	$ 656	$ 153	23 %	**$ 3,528**	$ 2,166	$ 1,362	63 %
Diluted Earnings Per Common Share Attributable to Cummins Inc.	**$ 5.86**	$ 4.59	$ 1.27	28 %	**$ 25.31**	$ 15.19	$ 10.12	67 %

"NM" - not meaningful information

Percent of sales	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/ (Unfavorable) Percentage Points	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/ (Unfavorable) Percentage Points
Gross margin	**25.7 %**	24.6 %	1.1	**25.0 %**	24.5 %	0.5
Selling, general and administrative expenses	**9.5 %**	9.9 %	0.4	**9.6 %**	9.6 %	—
Research, development and engineering expenses	**4.2 %**	4.5 %	0.3	**4.3 %**	4.3 %	—

Net Sales

Net sales for the three months ended September 30, 2024, increased by $25 million versus the comparable period in 2023. The primary drivers were as follows:

- Distribution segment sales increased 16 percent principally due to higher demand in power generation markets, especially in North America and Europe.
- Power Systems segment sales increased 17 percent primarily due to higher demand in power generation markets, especially in China and North America.

These increases were partially offset by the following:

- Components segment sales decreased 16 percent mainly due to the divestiture of Atmus on March 18, 2024.
- Engine segment sales decreased 1 percent largely due to lower demand in North American heavy-duty and light-duty automotive truck markets, partially offset by stronger demand in North American medium-duty truck and bus markets.

Net sales for the nine months ended September 30, 2024, increased $133 million versus the comparable period in 2023. The primary drivers were as follows:

- Distribution segment sales increased 10 percent principally due to higher demand in power generation markets, especially in North America and Europe.
- Power Systems segment sales increased 10 percent primarily due to higher demand in power generation markets, especially in North America and China.

- Engine segment sales increased 1 percent largely due to stronger demand in North American medium-duty truck markets, partially offset by lower demand in global construction markets and North American heavy-duty and light-duty automotive truck markets.

These increases were partially offset by decreased Components segment sales of 12 percent mainly due to the divestiture of Atmus on March 18, 2024.

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

Cost of Sales

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

Gross Margin

Gross margin increased $100 million for the three months ended September 30, 2024, and increased 1.1 points as a percentage of net sales versus the comparable period in 2023. The increases in gross margin and gross margin as a percentage of sales were primarily due to favorable pricing and higher volumes, partially offset by the divestiture of Atmus and higher compensation expenses. Compensation and related expenses included salaries, fringe benefits and variable compensation.

Gross margin increased $157 million for the nine months ended September 30, 2024, and increased 0.5 points as a percentage of sales versus the comparable period in 2023. The increases in gross margin and gross margin as a percentage of sales were primarily due to favorable pricing, lower material costs and higher volumes, partially offset by higher compensation expenses, the divestiture of Atmus and increased product coverage.

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $24 million for the three months ended September 30, 2024, versus the comparable period in 2023, primarily due to lower consulting expenses. Selling, general and administrative expenses increased $17 million for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to higher compensation expenses. Compensation and related expenses included salaries, fringe benefits and variable compensation.

Research, Development and Engineering Expenses

Research, development and engineering expenses decreased $17 million for the three months ended September 30, 2024, versus the comparable period in 2023, primarily due to lower spending on prototypes and external testing and decreased compensation expenses, partially offset by lower expense recoveries. Research, development and engineering expenses decreased $3 million for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to lower spending on external testing. Compensation and related expenses included salaries, fringe benefits and variable compensation.

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

Equity, Royalty and Interest Income from Investees

Equity, royalty and interest income from investees decreased $19 million for the three months ended September 30, 2024, versus the comparable period in 2023, primarily due to lower royalty and interest income from investees and start-up costs at Amplify Cell Technologies LLC, partially offset by higher earnings at Chongqing Cummins Engine Co., Ltd. See NOTE 4, "EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES," to the *Condensed Consolidated Financial Statements* for additional information.

Equity, royalty and interest income from investees decreased $45 million for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to lower royalty and interest income from investees, the absence of earnings from joint ventures associated with the divestiture of Atmus Filtration Technologies Inc. and start-up costs at Amplify Cell Technologies LLC, partially offset by higher earnings at Chongqing Cummins Engine Co., Ltd.

Other Operating Expense, Net

Other operating expense, net was as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	**2024**	**2023**	**2024**	**2023**
Amortization of intangible assets	**$ (32)**	$ (34)	**$ (97)**	$ (100)
Flood damage expenses	**(10)**	—	**(10)**	—
Loss on write-off of assets	**(2)**	(1)	**(15)**	(3)
Royalty income, net	**2**	1	**7**	12
Other, net	**(12)**	2	**(16)**	13
Total other operating expense, net	**$ (54)**	$ (32)	**$ (131)**	$ (78)

Interest Expense

Interest expense was $83 million and $281 million for the three and nine months ended September 30, 2024, versus $97 million and $283 million for the comparable periods in 2023. Interest expense decreased $14 million for the three months ended September 30, 2024, primarily due to lower weighted-average interest rates on borrowings. Interest expense decreased $2 million for the nine months ended September 30, 2024, primarily due to lower average debt balances, partially offset by higher weighted-average interest rates.

Other Income, Net

Other income, net was as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	**2024**	**2023**	**2024**	**2023**
Non-service pension and OPEB income	**$ 30**	$ 32	**$ 82**	$ 94
Gain (loss) on corporate owned life insurance	**29**	(28)	**30**	(8)
Interest income	**14**	24	**73**	67
Gain on sale of marketable securities, net	**6**	—	**10**	8
Gain related to divestiture of Atmus [1]	**—**	—	**1,333**	—
Foreign currency loss, net	**(10)**	(5)	**(33)**	(4)
Other, net	**7**	2	**9**	9
Total other income, net	**$ 76**	$ 25	**$ 1,504**	$ 166

[1] See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," to our *Condensed Consolidated Financial Statements* for additional information.

Income Tax Expense

Our effective tax rate for 2024, excluding discrete items, is expected to approximate 23.5 percent.

Our effective tax rates for the three and nine months ended September 30, 2024, were 19.2 percent and 14.6 percent, respectively. Our effective tax rates for the three and nine months ended September 30, 2023, were 21.4 percent and 21.8 percent, respectively.

The three months ended September 30, 2024, contained net favorable discrete tax items of $36 million, primarily due to $20 million of favorable adjustments from tax return amendments, $15 million of favorable return to provision adjustments and $2 million of favorable share-based compensation tax benefits, partially offset by $1 million of other unfavorable adjustments.

The nine months ended September 30, 2024, contained net favorable discrete tax items primarily due to the $1.3 billion non-taxable gain on the Atmus split-off. Other discrete tax items were net favorable by $66 million, primarily due to $21 million of favorable adjustments related to audit settlements, $20 million of favorable adjustments from tax return amendments, $18 million of favorable return to provision adjustments and $17 million of favorable share-based compensation tax benefits, partially offset by $7 million of unfavorable adjustments for uncertain tax positions and $3 million of other unfavorable adjustments.

The three months ended September 30, 2023, contained net favorable discrete tax items of $5 million, primarily due to $13 million of favorable return to provision adjustments and $1 million of favorable share-based compensation tax benefits, partially offset by $9 million of unfavorable adjustments for uncertain tax positions.

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

Noncontrolling Interests

Noncontrolling interests eliminate the income or loss attributable to non-Cummins ownership interests in our consolidated entities. Noncontrolling interests in income of consolidated subsidiaries for the three and nine months ended September 30, 2024, was flat and increased $28 million versus the comparable periods in 2023. For the three months ended September 30, 2024, higher earnings at Cummins India Limited were offset by the divestiture of Atmus. The increase for the nine months ended September 30, 2024, was primarily due to higher earnings at Cummins India Limited and the absence of losses at Hydrogenics Corporation resulting from the June 2023 acquisition, partially offset by lower earnings at Eaton Cummins Joint Venture and the divestiture of Atmus.

Comprehensive Income - Foreign Currency Translation Adjustment

The foreign currency translation adjustment was a net gain of $165 million and $22 million, for the three and nine months ended September 30, 2024, respectively, compared to a net loss of $163 million and $191 million, for the three and nine months ended September 30, 2023, respectively, driven by the following:

	Three months ended September 30,			
	2024		2023	
In millions	Translation adjustment	Primary currency driver vs. U.S. dollar	Translation adjustment	Primary currency driver vs. U.S. dollar
Wholly-owned subsidiaries	**$ 134**	Chinese renminbi, Euro	$ (142)	British pound, Brazilian real, Chinese renminbi, Indian rupee
Equity method investments	**29**	Chinese renminbi	(14)	Chinese renminbi, Indian rupee, Brazilian real
Consolidated subsidiaries with a noncontrolling interest	**2**	Chinese renminbi	(7)	Indian rupee, Chinese renminbi
Total	**$ 165**		$ (163)	

	Nine months ended September 30,			
	2024		2023	
In millions	Translation adjustment	Primary currency driver vs. U.S. dollar	Translation adjustment	Primary currency driver vs. U.S. dollar
Wholly-owned subsidiaries	**$ 11**	British pound, Euro, partially offset by Brazilian real	$ (141)	Chinese renminbi, partially offset by Brazilian real
Equity method investments	**14**	Indian rupee	(44)	Chinese renminbi, partially offset by Brazilian real
Consolidated subsidiaries with a noncontrolling interest	**(3)**	Indian rupee	(6)	Chinese renminbi, Indian rupee
Total	**$ 22**		$ (191)	

OPERATING SEGMENT RESULTS

Our reportable operating segments consist of the Components, Engine, Distribution, Power Systems and Accelera segments. This reporting structure is organized according to the products and markets each segment serves. We use segment EBITDA as the basis for the Chief Operating Decision Maker to evaluate the performance of each of our reportable operating segments. We believe EBITDA is a useful measure of our operating performance as it assists investors and debt holders in comparing our performance on a consistent basis without regard to financing methods, capital structure, income taxes or depreciation and amortization methods, which can vary significantly depending upon many factors. Segment amounts exclude certain expenses not specifically identifiable to segments. See NOTE 16, "OPERATING SEGMENTS," to the *Condensed Consolidated Financial Statements* for additional information and a reconciliation of our segment information to the corresponding amounts in our *Condensed Consolidated Statements of Net Income*.

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

Components Segment Results

Financial data for the Components segment was as follows:

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	2024	2023	Amount	Percent	2024	2023	Amount	Percent
External sales	**$ 2,287**	$ 2,780	$ (493)	(18)%	**$ 7,647**	$ 8,747	$ (1,100)	(13)%
Intersegment sales	**437**	456	(19)	(4)%	**1,391**	1,471	(80)	(5)%
Total sales	**2,724**	3,236	(512)	(16)%	**9,038**	10,218	(1,180)	(12)%
Research, development and engineering expenses	**85**	93	8	9 %	**250**	287	37	13 %
Equity, royalty and interest income from investees	**12**	26	(14)	(54)%	**51**	71	(20)	(28)%
Interest income	**4**	8	(4)	(50)%	**21**	21	—	— %
Segment EBITDA[(1)]	**351**	441	(90)	(20)%	**1,230**	1,434	(204)	(14)%
			Percentage Points				Percentage Points	
Segment EBITDA as a percentage of total sales	**12.9 %**	13.6 %	(0.7)		**13.6 %**	14.0 %	(0.4)	

(1) Included $21 million of costs associated with the divestiture of Atmus for the nine months ended September 30, 2024. Included $20 million and $50 million of costs associated with the divestiture of Atmus for the three and nine months ended September 30, 2023, respectively.

On March 18, 2024, we completed the divestiture of our remaining 80.5 percent ownership of Atmus common stock through a tax-free split-off. See NOTE 14, "ATMUS INITIAL PUBLIC OFFERING (IPO) AND DIVESTITURE," to the *Condensed Consolidated Financial Statements* for additional information.

As previous announced, beginning in the second quarter of 2024, we realigned certain businesses within our Components segment to be consistent with how our segment manager now monitors performance. We reorganized the businesses to combine the engine components and software and electronics businesses into the newly formed components and software business. In addition, we rebranded our axles and brakes business as drivetrain and braking systems. We began reporting results for these changes within our Components segment effective April 1, 2024, and reflected these changes in the historical periods presented. The change had no impact on our consolidated results.

Sales for our Components segment by business were as follows:

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Drivetrain and braking systems	**$ 1,131**	$ 1,177	$ (46)	(4)%	**$ 3,619**	$ 3,698	$ (79)	(2)%
Emission solutions	**864**	893	(29)	(3)%	**2,776**	2,913	(137)	(5)%
Components and software	**581**	583	(2)	— %	**1,815**	1,832	(17)	(1)%
Automated transmissions	**148**	187	(39)	(21)%	**475**	545	(70)	(13)%
Atmus	**—**	396	(396)	(100)%	**353** [(1)]	1,230	(877)	(71)%
Total sales	**$ 2,724**	$ 3,236	$ (512)	(16)%	**$ 9,038**	$ 10,218	$ (1,180)	(12)%

(1) Included sales through the March 18, 2024, divestiture.

Sales

Components segment sales for the three months ended September 30, 2024, decreased $512 million versus the comparable period in 2023. The following were the primary drivers by business:

- Sales decreased $396 million due to the Atmus divestiture on March 18, 2024.
- Drivetrain and braking systems decreased $46 million primarily due to lower demand in North American heavy-duty truck markets.

Components segment sales for the nine months ended September 30, 2024, decreased $1.2 billion versus the comparable period in 2023. The following were the primary drivers by business:

- Sales decreased $877 million due to the Atmus divestiture on March 18, 2024.
- Emission solutions sales decreased $137 million principally due to lower demand in China.

Segment EBITDA

Components segment EBITDA for the three months ended September 30, 2024, decreased $90 million versus the comparable period in 2023, mainly due to the divestiture of Atmus and lower volumes.

Components segment EBITDA for the nine months ended September 30, 2024, decreased $204 million versus the comparable period in 2023, primarily due to the divestiture of Atmus, increased product coverage costs and higher compensation expenses, partially offset by lower material costs.

Engine Segment Results

Financial data for the Engine segment was as follows:

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	**2024**	**2023**	**Amount**	**Percent**	**2024**	**2023**	**Amount**	**Percent**
External sales	**$ 2,215**	$ 2,236	$ (21)	(1)%	**$ 6,923**	$ 6,751	$ 172	3 %
Intersegment sales	**698**	695	3	— %	**2,069**	2,154	(85)	(4)%
Total sales	**2,913**	2,931	(18)	(1)%	**8,992**	8,905	87	1 %
Research, development and engineering expenses	**147**	159	12	8 %	**468**	441	(27)	(6)%
Equity, royalty and interest income from investees	**53**	62	(9)	(15)%	**158**	198	(40)	(20)%
Interest income	**2**	4	(2)	(50)%	**16**	14	2	14 %
Segment EBITDA	**427**	395	32	8 %	**1,286**	1,277	9	1 %

			Percentage Points			Percentage Points
Segment EBITDA as a percentage of total sales	**14.7 %**	13.5 %	1.2	**14.3 %**	14.3 %	—

Sales for our Engine segment by market were as follows:

In millions	Three months ended September 30, 2024	2023	Favorable/(Unfavorable) Amount	Percent	Nine months ended September 30, 2024	2023	Favorable/(Unfavorable) Amount	Percent
Heavy-duty truck	**$ 1,021**	$ 1,116	$ (95)	(9)%	**$ 3,264**	$ 3,347	$ (83)	(2)%
Medium-duty truck and bus	**1,073**	931	142	15 %	**3,142**	2,776	366	13 %
Light-duty automotive	**395**	455	(60)	(13)%	**1,294**	1,339	(45)	(3)%
Total on-highway	**2,489**	2,502	(13)	(1)%	**7,700**	7,462	238	3 %
Off-highway	**424**	429	(5)	(1)%	**1,292**	1,443	(151)	(10)%
Total sales	**$ 2,913**	$ 2,931	$ (18)	(1)%	**$ 8,992**	$ 8,905	$ 87	1 %
			Percentage Points				Percentage Points	
On-highway sales as percentage of total sales	**85 %**	85 %	—		**86 %**	84 %	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 September 30, 2024	2023	Favorable/(Unfavorable) Amount	Percent	Nine months ended September 30, 2024	2023	Favorable/(Unfavorable) Amount	Percent
Heavy-duty	**32,400**	36,300	(3,900)	(11)%	**103,500**	107,400	(3,900)	(4)%
Medium-duty	**79,200**	71,300	7,900	11 %	**234,600**	226,200	8,400	4 %
Light-duty	**41,400**	53,300	(11,900)	(22)%	**153,400**	161,900	(8,500)	(5)%
Total unit shipments	**153,000**	160,900	(7,900)	(5)%	**491,500**	495,500	(4,000)	(1)%

Sales

Engine segment sales for the three months ended September 30, 2024, decreased $18 million versus the comparable period in 2023. The following were the primary drivers by market:

- Heavy-duty truck sales decreased $95 million mainly due to weaker demand in North America with shipments down 16 percent.
- Light-duty automotive sales decreased $60 million primarily due to lower demand in North America with shipments down 31 percent, partially offset by a customer agreement providing for a price adjustment for certain units sold beginning January 1, 2024, and recorded in the third quarter.

These decreases were partially offset by increased medium-duty truck and bus sales of $142 million primarily in the North American truck market with shipments up 14 percent.

Engine segment sales for the nine months ended September 30, 2024, increased $87 million versus the comparable period in 2023. The primary driver by market was an increase in medium-duty truck and bus sales of $366 million principally due to higher medium-duty truck demand, especially in North America with shipments up 15 percent, and favorable pricing.

The increase was partially offset by the following:

- Off-highway sales decreased $151 million mainly due to lower demand in global construction markets, especially in China and Western Europe.
- Heavy-duty truck sales decreased $83 million primarily due to weaker demand in North America with shipments down 7 percent.
- Light-duty automotive sales decreased $45 million principally due to lower demand in North America with shipments down 9 percent, partially offset by a customer agreement providing for a price adjustment for certain units sold beginning January 1, 2024 and recorded in the third quarter.

Segment EBITDA

Engine segment EBITDA for the three months ended September 30, 2024, increased $32 million versus the comparable period in 2023, primarily due to favorable pricing, partially offset by lower volumes, increased product coverage costs, higher compensation expenses and lower equity, royalty and interest income from investees.

Engine segment EBITDA for the nine months ended September 30, 2024, increased $9 million versus the comparable period in 2023, primarily due to favorable pricing and lower material costs, partially offset by higher compensation expenses, lower volumes, increased product coverage, higher managed expenses, lower equity, royalty and interest income from investees and unfavorable mix.

Distribution Segment Results

Financial data for the Distribution segment was as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
External sales	**$ 2,942**	$ 2,519	$ 423	17 %	**$ 8,292**	$ 7,494	$ 798	11 %
Intersegment sales	**10**	16	(6)	(38)%	**24**	42	(18)	(43)%
Total sales	**2,952**	2,535	417	16 %	**8,316**	7,536	780	10 %
Research, development and engineering expenses	**13**	14	1	7 %	**41**	43	2	5 %
Equity, royalty and interest income from investees	**25**	22	3	14 %	**73**	70	3	4 %
Interest income	**7**	9	(2)	(22)%	**29**	24	5	21 %
Segment EBITDA	**370**	306	64	21 %	**978**	940	38	4 %
			Percentage Points				Percentage Points	
Segment EBITDA as a percentage of total sales	**12.5 %**	12.1 %	0.4		**11.8 %**	12.5 %	(0.7)	

Sales for our Distribution segment by region were as follows:

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
North America	**$ 1,950**	$ 1,731	$ 219	13 %	**$ 5,574**	$ 5,223	$ 351	7 %
Asia Pacific	**343**	292	51	17 %	**938**	798	140	18 %
Europe	**310**	200	110	55 %	**835**	608	227	37 %
China	**120**	112	8	7 %	**352**	327	25	8 %
Africa and Middle East	**80**	77	3	4 %	**194**	219	(25)	(11)%
India	**78**	68	10	15 %	**228**	192	36	19 %
Latin America	**71**	55	16	29 %	**195**	169	26	15 %
Total sales	**$ 2,952**	$ 2,535	$ 417	16 %	**$ 8,316**	$ 7,536	$ 780	10 %

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

In millions	Three months ended September 30, 2024	Three months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent	Nine months ended September 30, 2024	Nine months ended September 30, 2023	Favorable/(Unfavorable) Amount	Favorable/(Unfavorable) Percent
Power generation	**$ 1,091**	$ 606	$ 485	80 %	**$ 2,752**	$ 1,712	$ 1,040	61 %
Parts	**1,004**	995	9	1 %	**2,995**	3,071	(76)	(2)%
Service	**455**	423	32	8 %	**1,309**	1,255	54	4 %
Engines	**402**	511	(109)	(21)%	**1,260**	1,498	(238)	(16)%
Total sales	**$ 2,952**	$ 2,535	$ 417	16 %	**$ 8,316**	$ 7,536	$ 780	10 %

Sales

Distribution segment sales for the three months ended September 30, 2024, increased $417 million versus the comparable period in 2023. The following were the primary drivers by region:

- North American sales increased $219 million principally due to higher demand in power generation markets, especially data center and commercial markets, partially offset by lower demand for engines.
- European sales increased $110 million mainly due to favorable demand in power generation markets.

Distribution segment sales for the nine months ended September 30, 2024, increased $780 million versus the comparable period in 2023. The following were the primary drivers by region:

- North American sales increased $351 million principally due to higher demand in power generation markets, especially data center and commercial markets, partially offset by lower demand for engines and aftermarket products.
- European sales increased $227 million mainly due to favorable demand in power generation markets.
- Asia Pacific sales increased $140 million primarily due to strong demand in power generation markets, especially data center markets and service volume.

Segment EBITDA

Distribution segment EBITDA for the three months ended September 30, 2024, increased $64 million versus the comparable period in 2023, primarily due to increased volumes, partially offset by higher compensation expenses.

Distribution segment EBITDA for the nine months ended September 30, 2024, increased $38 million versus the comparable period in 2023, primarily due to favorable pricing, partially offset by higher compensation expenses and unfavorable mix.

Power Systems Segment Results

Financial data for the Power Systems segment was as follows:

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	2024	2023	Amount	Percent	2024	2023	Amount	Percent
External sales	**$ 912**	$ 798	$ 114	14 %	**$ 2,508**	$ 2,271	$ 237	10 %
Intersegment sales	**775**	646	129	20 %	**2,157**	1,973	184	9 %
Total sales	**1,687**	1,444	243	17 %	**4,665**	4,244	421	10 %
Research, development and engineering expenses	**57**	60	3	5 %	**180**	189	9	5 %
Equity, royalty and interest income from investees	**20**	11	9	82 %	**65**	42	23	55 %
Interest income	**1**	3	(2)	(67)%	**7**	7	—	— %
Segment EBITDA	**328**	234	94	40 %	**866**	654	212	32 %
			Percentage Points				Percentage Points	
Segment EBITDA as a percentage of total sales	**19.4 %**	16.2 %	3.2		**18.6 %**	15.4 %	3.2	

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

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Power generation	**$ 1,055**	$ 850	$ 205	24 %	**$ 2,895**	$ 2,474	$ 421	17 %
Industrial	**508**	475	33	7 %	**1,406**	1,398	8	1 %
Generator technologies	**124**	119	5	4 %	**364**	372	(8)	(2)%
Total sales	**$ 1,687**	$ 1,444	$ 243	17 %	**$ 4,665**	$ 4,244	$ 421	10 %

Sales

Power Systems segment sales for the three and nine months ended September 30, 2024, increased $243 million and $421 million, respectively, versus the comparable periods in 2023, primarily due to an increase in global power generation sales (especially in data center markets).

Segment EBITDA

Power Systems segment EBITDA for the three and nine months ended September 30, 2024, increased $94 million and $212 million, respectively, versus the comparable periods in 2023, mainly due to favorable pricing and higher volumes, partially offset by higher compensation expenses.

Accelera Segment Results

Financial data for the Accelera segment was as follows:

	Three months ended September 30,		Favorable/ (Unfavorable)		Nine months ended September 30,		Favorable/ (Unfavorable)	
In millions	**2024**	**2023**	**Amount**	**Percent**	**2024**	**2023**	**Amount**	**Percent**
External sales	**$ 100**	$ 98	$ 2	2 %	**$ 285**	$ 259	$ 26	10 %
Intersegment sales	**10**	5	5	100 %	**29**	14	15	NM
Total sales	**110**	103	7	7 %	**314**	273	41	15 %
Research, development and engineering expenses	**57**	50	(7)	(14)%	**166**	150	(16)	(11)%
Equity, royalty and interest loss from investees	**(11)**	(3)	(8)	NM	**(22)**	(11)	(11)	(100)%
Interest income	**—**	—	—	— %	**—**	1	(1)	(100)%
Segment EBITDA	**(115)**	(114)	(1)	(1)%	**(333)**	(322)	(11)	(3)%

"NM" - not meaningful information

Accelera segment sales for the three and nine months ended September 30, 2024, increased $7 million and $41 million versus the comparable periods in 2023 primarily due to improved sales of electrolyzers, partially offset by lower electrified powertrain sales.

OUTLOOK

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

Positive Trends

- We expect demand for medium-duty trucks in North America to remain strong.
- We believe market demand for trucks in India will continue to be strong.
- We expect demand within our Power Systems business to remain strong, including the power generation and mining markets.
- We anticipate demand in our aftermarket business will continue to be robust, driven primarily by strong demand in our Engine and Power Systems businesses.
- We expect demand for trucks in China to remain stable in 2024.

Challenges

- We expect demand for heavy-duty trucks in North America to weaken modestly during the remainder of 2024.
- Increases in costs, as well as other inflationary pressures, could negatively impact earnings.
- The financial implications resulting from our Settlement Agreements will result in incremental interest expense for debt utilized in funding the civil penalty.

LIQUIDITY AND CAPITAL RESOURCES

Key Working Capital and Balance Sheet Data

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

Dollars in millions	September 30, 2024	December 31, 2023
Working capital [1]	**$ 3,713**	$ 2,295
Current ratio	**1.32**	1.18
Accounts and notes receivable, net	**$ 5,387**	$ 5,583
Days' sales in receivables	**59**	58
Inventories	**$ 6,134**	$ 5,677
Inventory turnover	**4.2**	4.5
Accounts payable (principally trade)	**$ 4,206**	$ 4,260
Days' payable outstanding	**61**	62
Total debt	**$ 7,587**	$ 6,696
Total debt as a percent of total capital	**40.1 %**	40.3 %

[1] Working capital included cash and cash equivalents.

Cash Flows

Cash and cash equivalents were impacted as follows:

In millions	Nine months ended September 30, 2024	2023	Change
Net cash provided by operating activities	**$ 65**	$ 2,507	$ (2,442)
Net cash used in investing activities	**(1,069)**	(860)	(209)
Net cash provided by (used in) financing activities	**564**	(1,069)	1,633
Effect of exchange rate changes on cash and cash equivalents	**(6)**	(67)	61
Net (decrease) increase in cash and cash equivalents	**$ (446)**	$ 511	$ (957)

Net cash provided by operating activities decreased $2.4 billion for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to higher working capital requirements of $2.6 billion. The higher working capital requirements resulted in a cash outflow of $3.0 billion compared to a cash outflow of $370 million in the comparable period of 2023, mainly due to $1.9 billion of payments required by the Settlement Agreements.

Net cash used in investing activities increased $209 million for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to cash associated with the Atmus divestiture.

Net cash provided by financing activities increased $1.6 billion for the nine months ended September 30, 2024, versus the comparable period in 2023, primarily due to higher proceeds from borrowings of $1.8 billion (principally related to our 2024 note issuance) and increased net borrowings of commercial paper of $706 million, partially offset by higher payments on borrowings and finance lease obligations of $995 million (largely related to increased early payments of $950 million on our term loan, due 2025, compared to the prior year).

The effect of exchange rate changes on cash and cash equivalents for the nine months ended September 30, 2024, versus the comparable period in 2023, changed $61 million primarily due to favorable fluctuations in the British pound and Chinese renminbi.

Sources of Liquidity

We generate significant ongoing cash flow. Cash provided by operations is generally our principal source of liquidity. In February, we issued $2.25 billion in long-term debt to pay down higher cost debt, finance Settlement Agreement payments and improve our overall liquidity. Our sources of liquidity include the following:

	September 30, 2024			
In millions	**Total**	**U.S.**	**International**	**Primary location of international balances**
Cash and cash equivalents	$ 1,733	$ 843	$ 890	Singapore, Australia, Mexico, China, Belgium
Marketable securities [1]	518	87	431	India
Total	$ 2,251	$ 930	$ 1,321	
Available credit capacity				
Revolving credit facilities [2]	$ 2,364			
International and other uncommitted domestic credit facilities	$ 527			

[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 $2.0 billion, maturing June 2029 and June 2025, respectively, are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. At September 30, 2024, we had $1.6 billion of commercial paper outstanding, which effectively reduced our available capacity under our revolving credit facilities to $2.4 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.

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

Debt Facilities and Other Sources of Liquidity

On June 3, 2024, we entered into an amended and restated five-year credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 3, 2029. The credit agreement amended and restated the prior $2.0 billion five-year credit agreement that would have matured on August 18, 2026.

On June 3, 2024, we entered into an amended and restated 364-day credit agreement that allows us to borrow up to $2.0 billion of unsecured funds at any time prior to June 2, 2025. This credit agreement amended and restated the prior $2.0 billion 364-day credit facility that matured on June 3, 2024.

On February 20, 2024, we issued $2.25 billion aggregate principal amount of senior unsecured notes consisting of $500 million aggregate principal amount of 4.90 percent senior unsecured notes due in 2029, $750 million aggregate principal amount of 5.15 percent senior unsecured notes due in 2034 and $1.0 billion aggregate principal amount of 5.45 percent senior unsecured notes due in 2054. We received net proceeds of $2.2 billion. See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

Our committed credit facilities provide access up to $4.0 billion, including our $2.0 billion 364-day facility that expires June 2, 2025, and our $2.0 billion five-year facility that expires on June 3, 2029. These revolving credit facilities are maintained primarily to provide backup liquidity for our commercial paper borrowings and general corporate purposes. We intend to maintain credit facilities at the current or higher aggregate amounts by renewing or replacing these facilities at or before expiration. There were no outstanding borrowings under these facilities at September 30, 2024.

Our committed credit facilities provide access up to $4.0 billion of unsecured, short-term promissory notes (commercial paper) pursuant to the Board authorized commercial paper programs. These programs facilitate the private placement of unsecured short-term debt through third-party brokers. We intend to use the net proceeds from the commercial paper borrowings for general corporate purposes. The total combined borrowing capacity under the revolving credit facilities and commercial paper programs should not exceed $4.0 billion. At September 30, 2024, we had $1.6 billion of commercial paper outstanding, which effectively reduced our available capacity under our revolving credit facilities to $2.4 billion. See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

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

Supply Chain Financing

We currently have supply chain financing programs with financial intermediaries, which provide certain vendors the option to be paid by financial intermediaries earlier than the due date on the applicable invoice. When a vendor utilizes the program and receives an early payment from a financial intermediary, they take a discount on the invoice. We then pay the financial intermediary the face amount of the invoice on the original due date, which generally have 60 to 90 day payment terms. The maximum amount that we could have outstanding under these programs was $551 million. We do not reimburse vendors for any costs they incur for participation in the program, their participation is completely voluntary and there are no assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary. As a result, all amounts owed to the financial intermediaries are presented as accounts payable in our *Condensed Consolidated Balance Sheets*. Amounts due to the financial intermediaries reflected in accounts payable at September 30, 2024, were $154 million.

Accounts Receivable Sales Program

In May 2024, we entered into an accounts receivable sales agreement with Wells Fargo Bank, N.A., to sell certain accounts receivable up to the Board approved limit of $500 million. There was no activity under the program during the nine months ended September 30, 2024. See NOTE 1, "NATURE OF OPERATIONS AND BASIS OF PRESENTATION," to the *Condensed Consolidated Financial Statements* for additional information.

Uses of Cash

Settlement Agreements

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

Dividends

We paid dividends of $719 million during the nine months ended September 30, 2024. In July 2024, the Board authorized an increase to our quarterly dividend of approximately 8 percent from $1.68 per share to $1.82 per share.

Capital Expenditures

Capital expenditures for the nine months ended September 30, 2024, were $668 million versus $694 million in the comparable period in 2023. We continue to invest in new product lines and targeted capacity expansions. We plan to spend an estimated $1.2 billion to $1.3 billion in 2024 on capital expenditures with over 65 percent of these expenditures expected to be invested in North America.

Current Maturities of Short and Long-Term Debt

We had $1.6 billion of commercial paper outstanding at September 30, 2024, that matures in less than one year. The maturity schedule of our existing long-term debt requires significant cash outflows in 2025 when our 0.75 percent senior notes are due. Required annual long-term debt principal payments range from $60 million to $661 million over the next five years (including the remainder of 2024). We intend to retain our strong investment credit ratings. See NOTE 9, "DEBT," to the *Condensed Consolidated Financial Statements* for additional information.

Pensions

Our global pension plans, including our unfunded and non-qualified plans, were 113 percent funded at December 31, 2023. Our U.S. defined benefit plans (qualified and non-qualified), which represented approximately 69 percent of the worldwide pension obligation, were 113 percent funded, and our U.K. defined benefit plans were 113 percent funded at December 31, 2023. The funded status of our pension plans is dependent upon a variety of variables and assumptions including return on invested assets, market interest rates and levels of voluntary contributions to the plans. In the first nine months of 2024, the investment gain on our U.S. pension trusts was 6.3 percent, while our U.K. pension trusts' loss was 3.3 percent. We anticipate making additional defined benefit pension contributions during the remainder of 2024 of $14 million for our U.S. and U.K. qualified and non-qualified pension plans. These contributions may be made from trusts or company funds either to increase pension assets or to make direct benefit payments to plan participants. We expect our 2024 annual net periodic pension cost to approximate $34 million.

Stock Repurchases

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

Amplify Cell Technologies LLC Joint Venture

In September 2023, our Accelera business signed an agreement to form a joint venture, Amplify Cell Technologies LLC, with Daimler Trucks and Buses US Holding LLC (Daimler Truck), PACCAR Inc. (PACCAR) and EVE Energy to accelerate and localize battery cell production and the battery supply chain in the U.S., including building a 21-gigawatt hour battery production facility in Marshall County, Mississippi. The joint venture will manufacture battery cells for electric commercial vehicles and industrial applications. At September 30, 2024, our maximum remaining required contribution to the joint venture was $704 million, which could be reduced by future government incentives received by the joint venture. The majority of the contribution is expected to be made by the end of 2028. See NOTE 4, "EQUITY, ROYALTY AND INTEREST INCOME FROM INVESTEES," to the *Condensed Consolidated Financial Statements* for additional information.

Credit Ratings

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

Credit Rating Agency [1]	Long-Term Senior Debt Rating	Short-Term 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

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

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 2023 Form 10-K, which discusses accounting policies that we have selected from acceptable alternatives.

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

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

A discussion of our critical accounting estimates may be found in the “Management’s Discussion and Analysis” section of our 2023 Form 10-K under the caption “APPLICATION OF CRITICAL ACCOUNTING ESTIMATES.” Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported in the first nine months of 2024.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See NOTE 17, "RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS," in the *Notes to Condensed Consolidated Financial Statements* for additional information.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2024, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

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

GOVERNMENT REGULATION

While we have reached Settlement Agreements with the EPA, CARB, the Environmental and Natural Resources Division of the U.S. Department of Justice and the California Attorney General's Office to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., we have incurred, and likely will incur, other additional claims, costs and expenses in connection with the matters covered by the Settlement Agreements and other matters related to our compliance with emission standards for our engines, including with respect to additional regulatory action and collateral litigation related to these matters. Those and related expenses and reputational damage could have a material adverse impact on our results of operations, financial condition and cash flows.

In December 2023, we announced that we reached the agreement in principle and recorded a charge of $2.0 billion in the fourth quarter of 2023 to resolve certain regulatory civil claims regarding our emissions certification and compliance process for certain engines primarily used in pick-up truck applications in the U.S., which became final and effective in April 2024. This fourth quarter of 2023 charge was in addition to the previously announced charges of $59 million for the recalls of model years 2013 through 2018 RAM 2500 and 3500 trucks and model years 2016 through 2019 Titan trucks. Failure to comply with the terms and conditions of the Settlement Agreements subjects us to stipulated penalties. In the third quarter of 2024, we have accrued immaterial amounts related to stipulated penalties we determined to be probable and estimable. Any further non-compliance with the Settlement Agreements will likely subject us to further stipulated penalties and other adverse consequences.

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

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

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

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

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

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

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

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

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

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

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

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
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 and nine months ended September 30, 2024 and 2023*, (ii) the *Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2024 and 2023*, (iii) the *Condensed Consolidated Balance Sheets at September 30, 2024 and December 31, 2023*, (iv) the *Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023*, (v) the *Condensed Consolidated Statements of Changes in Redeemable Noncontrolling Interests and Equity for the three and nine months ended September 30, 2024 and 2023,* (vi) *Notes to Condensed Consolidated Financial Statements and (vii) the information included in Part II. Item 5(c).*

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: November 5, 2024

By:	/s/ MARK A. SMITH	By:	/s/ LUTHER E. PETERS
	Mark A. Smith		Luther E. Peters
	Vice President and Chief Financial Officer		*Vice President-Controller*
	(Principal Financial Officer)		*(Principal Accounting Officer)*

EXHIBIT 31(a)

Certification

I, Jennifer Rumsey, certify that:

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

Date: November 5, 2024

/s/ JENNIFER RUMSEY
Jennifer Rumsey
Chair and Chief Executive Officer

EXHIBIT 31(b)

Certification

I, Mark A. Smith, certify that:

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

Date: November 5, 2024

/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 September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2024	/s/ JENNIFER RUMSEY
	Jennifer Rumsey
	Chair and Chief Executive Officer
November 5, 2024	/s/ MARK A. SMITH
	Mark A. Smith
	Vice President and Chief Financial Officer