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

CUMMINS ENGINE COMPANY, INC.

For the Quarter Ended March 30, 1997 Commission File Number 1-4949

Indiana	35-0257090
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

500 Jackson Street, Box 3005

Columbus, Indiana	47202-3005
(Address of Principal Executive Offices)	(Zip Code)

812-377-5000
(Registrant's Telephone Number)

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 proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days:

Yes [x]
No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

As of March 30, 1997, the number of shares outstanding of the registrant's only class of common stock was 42.0 million.

TABLE OF CONTENTS

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF EARNINGS
Unaudited

Millions, Except per Share Amounts	First Quarter Ended 3/30/97	3/31/96
Net sales	$1,304	$1,316
Cost of goods sold	1,018	1,000
Gross profit	286	316
Selling & administrative expenses	178	180
Research & engineering expenses	61	62
Net (income) expense from joint ventures and alliances	(7)	2
Interest expense	5	4
Other income, net	(7)	(3)
Earnings before income taxes	56	71
Provision for income taxes	15	22
Net earnings	$ 41	$ 49
Earnings per share	$ 1.06	$ 1.21
Cash dividends declared per share	.25	.25

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Unaudited

Millions, Except per Share Amounts	3/30/97	12/31/96
Assets		
Current assets:		
Cash and cash equivalents	$ 81	$ 108
Receivables	730	669
Inventories	615	587
Other current assets	196	189
	1,622	1,553
Investments and other assets	302	326
Property, plant & equipment less accumulated depreciation of $1,375	1,337	1,286
Intangibles, deferred taxes & deferred charges	205	204
Total assets	$3,466	$3,369
Liabilities and shareholders' investment		
Current liabilities:		
Loans payable	$ 23	$ 93
Current maturities of long-term debt	39	39
Accounts payable	378	380
Other current liabilities	543	509
	983	1,021
Long-term debt	459	283
Other liabilities	753	753
Shareholders' investment:		
Common stock, $2.50 par value, 47.8 and 43.9 shares issued	119	110
Additional contributed capital	1,103	929
Retained earnings	565	535
Common stock in treasury, at cost, 5.8 & 4.5 shares	(227)	(169)
Common stock held in trust for employee benefit plans	(181)	-
Unearned compensation (ESOP)	(42)	(46)
Cumulative translation adjustments	(66)	(47)

	1,271	1,312
Total liabilities & shareholders' investment	$3,466	$3,369

CUMMINS ENGINE COMPANY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

Millions	First Quarter Ended 3/30/97	3/31/96
Cash flows from operating activities:		
Net earnings	$ 41	$ 49
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	39	38
Restructuring actions	(4)	(18)
Accounts receivable	(71)	(13)
Inventories	(31)	(35)
Accounts payable and accrued expenses	44	(3)
Income taxes payable	4	13
Other	8	(6)
Total adjustments	(11)	(24)
Net cash provided by operating activities	30	25
Cash flows from investing activities:		
Property, plant and equipment:		
Additions	(104)	(36)
Disposals	7	2
Investments in joint ventures and alliances	3	26
Other	(2)	20
Net cash (used in) provided from investing activities	(96)	12
Net cash (used for) provided from operating and investing activities	(66)	37
Cash flows from financing activities:		
Proceeds from borrowings	189	109
Payments on borrowings	(9)	(7)
Net borrowings under credit agreements	(70)	(30)
Repurchases of common stock	(58)	(4)
Payments of dividends	(10)	(10)
Other	(2)	(1)
Net cash provided from financing activities	40	57
Effect of exchange rate changes on cash	(1)	(1)
Net change in cash and cash equivalents	(27)	93
Cash & cash equivalents at beginning of the year	108	60
Cash & cash equivalents at the end of the quarter	$ 81	$ 153

CUMMINS ENGINE COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Note 1. Accounting Policies: The Consolidated Financial Statements for the interim periods ended March 30, 1997 and March 31, 1996 have been prepared in accordance with the accounting policies described in the Company's Annual Report to Shareholders and Form 10-K. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods. Inventory values at interim reporting dates are based upon estimates of the annual adjustments for taking physical inventory and for the change in cost of LIFO inventories.

Note 2. Income Taxes: Income tax expense is reported during the interim reporting periods on the basis of the estimated annual effective tax rate for the taxable jurisdictions in which the Company operates.

Note 3. Long-term Debt: In February 1997, the Company issued $120 million of 6.75 percent debentures that mature in 2027. Net proceeds were used principally to repay commercial paper indebtedness incurred to repurchase shares of common stock. Holders of the debentures have a 1-time option in 2007 to redeem the debentures. The Company also has a recall right after ten years.

Note 4. Common Stock: In January 1997, the Company issued 3.75 million shares of its common stock to an employee benefits trust to fund obligations of employee benefit and compensation plans, principally retirement savings plans. Shares of the common stock held by this trust are not used in the calculation of the Company's earnings per share until distributed from the trust and allocated to a benefit plan. The Company also repurchased 1.3 million shares of its common stock from Ford Motor Company in January 1997 and was authorized by the Board of Directors to repurchase an additional 1.7 million shares from time-to-time in the open market.

On April 1, 1997, the Company announced an increase in its quarterly common stock dividend from 25 cents per share to 27.5 cents, effective with the dividend payment in June 1997.

Note 5. Earnings Per Share: Earnings per share are computed by dividing net earnings by the weighted-average number of common shares outstanding during the period. The weighted-average number of shares, which excludes shares of stock held by the employee benefits trust until distributed and allocated to a benefit plan, was 38.4 million in the first quarter of 1997 and 40.3 million in the first quarter of 1996. The Financial Accountings Standard Board recently released a new accounting rule on the calculation of earnings per share that is effective at year-end 1997. This rule, which does not permit early adoption, is not expected to have a material effect on the Company's reported earnings per share.

CUMMINS ENGINE COMPANY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, CASH FLOWS AND FINANCIAL CONDITION

OVERVIEW

Sales of $1.3 billion in the first quarter of 1997 were 1 percent lower, or nearly level, with the first quarter of 1996. However, the Company experienced a shift in sales mix from automotive to power generation and industrial markets. Automotive sales were down $86 million, primarily as a result of lower demand in North American heavy- and medium-duty truck markets. This decline in revenues was nearly offset by increased sales in other markets, with sales of power generation $23 million higher than the first quarter of 1996 and industrial sales $55 million higher than the year-ago period.

The Company shipped 86,200 engines in the first quarter of 1997, compared to 89,200 in the first quarter of 1996:

Engine Shipments	First Quarter 1997	1996
Midrange	63,100	62,600
Heavy-duty	20,800	24,600
High-horsepower	2,300	2,000
Total	86,200	89,200

Net earnings in the first quarter of 1997 were $41 million ($1.06 per share), compared to $49 million ($1.21 per share) in the first quarter 1996.

RESULTS OF OPERATIONS

The percentage relationships between net sales and other elements of the Company's Consolidated Statement of Earnings for the comparative reporting periods were:

Percent of Net Sales	First Quarter 1997	First Quarter 1996
Net sales	100.0	100.0
Cost of goods sold	78.1	76.0
Gross profit	21.9	24.0
Selling and administrative expenses	13.7	13.7
Research and engineering expenses	4.7	4.7
Net (income) expense from joint ventures & alliances	(.6)	.1
Interest expense	.4	.3
Other income, net	(.6)	(.2)
Earnings before income taxes	4.3	5.4
Provision for income taxes	1.2	1.7
Net earnings	3.1	3.7

Sales by Market

Sales for each of the Company's markets for the comparative reporting periods were:

Dollars in Millions	First Quarter 1997 Dollars	First Quarter 1997 Percent	First Quarter 1996 Dollars	First Quarter 1996 Percent
Automotive:				
Heavy-duty truck	295	23	364	28
Midrange truck	132	10	161	12
Bus and light commercial vehicles	171	13	159	12
Power generation	275	21	252	19
Industrial	257	20	202	15
Filtration and other	174	13	178	14
Net sales	1,304	100	1,316	100

Automotive

Sales of $295 million to the heavy-duty truck market were $69 million (almost 20 percent) lower than a year ago. Performance in this market is dominated by the North American market. Compared to the first quarter of 1996, North American shipments were 27 percent lower, due to the lower market size. There are, however, signs that the North American heavy-duty truck market has strengthened. First-quarter 1997 engine shipments to this market were 13 percent higher than in the fourth quarter of 1996. In international markets, engine shipments in the first quarter of 1997 were 26 percent higher than the first quarter of 1996, primarily due to strong demand in Mexico.

Compared to the first quarter of 1996, engine shipments for midrange trucks were 22 percent lower, primarily due to decreased demand in North America. Midrange truck engines for international markets were 12 percent higher than the first quarter of 1996. This increase was primarily in Brazil.

In the bus and light commercial vehicles market, sales of $171 million were 8 percent higher than the first quarter of 1996. First-quarter 1997 engine shipments to Chrysler were another record. In addition, demand for bus markets in the first quarter of 1997 was stronger, 5 percent higher than the first quarter of 1996.

Power Generation

Sales of $275 million to power generation markets represented 21 percent of the Company's net sales in the first quarter of 1997. This was $23 million higher than the first quarter of 1996. Strong genset sales in Asia and Mexico accounted for this 9-percent increase.

Industrial

Record quarterly sales of $257 million to industrial markets were 27 percent higher than first-quarter 1996, reflecting strong sales for construction equipment in North America and international agricultural markets. Engine shipments for marine markets also were 12 percent higher than the prior year.

Filtration and Other

Sales of $174 million for filtration and other products were 2 percent lower than the first quarter of 1996, due primarily to the lower level of demand in North American heavy-duty and midrange truck markets.

Gross Profit

Compared to the first quarter of 1996, the Company's gross margin of 21.9 percent of net sales was affected by several factors, the most significant of which was the lower level of heavy-duty truck engine production that resulted in lower fixed cost absorption. Gross profit also was affected by the softer market for midrange truck engines, higher sales of lower margin power generation products and product coverage expense, which at 2.7 percent of net sales was $2 million higher than the first quarter of 1996.

Operating Expenses

Selling and administrative expenses in the first quarter of 1997 were $178 million. This was $2 million lower than the first quarter of 1996 due to the effect of lower restructuring expense and benefits from completed restructuring actions.

Research and engineering expenses of $61 million in the first quarter were $1 million lower than the prior year. The first-quarter reduction in costs was due primarily to lower costs for new products that are nearing production.

Net income from joint ventures and alliances was $9 million higher than the first quarter of 1996 due to higher earnings from Kirloskar Cummins and the Company's joint venture with Komatsu and annual royalties and fees from the new joint venture with Dongfeng.

Interest and Other Income and Expense

Interest expense of $5 million in the first quarter of 1997 was $1 million higher than a year ago due to the higher level of long-term debt. Other income and expense includes a variety of items, such as foreign currency translation gains and losses, royalty and technical fees of licensees, interest income, and gains or losses associated with fixed asset dispositions. In the first quarter of 1997, other income was $7 million, which was $4 million higher than the first quarter of 1996 due to no longer having the fees associated with selling receivables, a net translation gain of $1 million (compared to a loss in the first quarter of 1996) and higher royalties from licensees.

Provision For Income Taxes

The estimated effective tax rate (ETR) is 28 percent for 1997. The ETR is lower than the US statutory rate of 35 percent because of lower taxes on US export income and the incremental research tax credit that expires May 31, 1997.

CASH FLOW AND FINANCIAL CONDITION

Key elements of the Consolidated Statement of Cash Flows were:

Dollars in Millions	First Quarter 1997	1996
Net cash provided by operating activities	$ 30	$ 25
Net cash (used in) provided from investing activities	(96)	12
Net cash (used for) provided from operating and investing activities	(66)	37
Net cash provided from financing activities	40	57
Effect of exchange rate changes on cash	(1)	(1)
Net change in cash and cash equivalents	$(27)	$ 93

Net cash used for operating and investing activities was $66 million in the first quarter of 1997. In the second quarter of 1996, the Company elected not to renew an agreement for the sale of up to $110 million in accounts receivable, which resulted in an increase in receivables. Days sales outstanding were 50 at the end of the first quarter of 1997, compared to 49 in the first quarter of 1996, adjusted for discontinuing the receivables sale program. Investing activities required net cash resources of $96 million in the first quarter of 1996. Capital expenditures were $104 million, compared to $36 million in the first quarter of 1996. The increased level of expenditures in 1997 was related to continued investments for new products.

Net cash provided from financing activities was $40 million in the first quarter of 1997. As disclosed in Note 3 to the Consolidated Financial Statements, the Company issued $120 million in debentures under its shelf registration statement in February 1997.

In January 1997, the Company repurchased 1.3 million shares of its common stock from Ford Motor Company and was authorized by the Board of Directors to repurchase an additional 1.7 million shares in the open market. In January 1997, the Company also issued 3.75 million shares of its common stock to an employee benefits trust.

On April 1, 1997, the Company announced a 10-percent increase in its quarterly common stock dividend from 25 cents per share to 27.5 cents, effective with the dividend payment in June 1997.

Forward-looking Statements

The Company has included certain forward-looking statements in this Management's Discussion and Analysis of Results of Operations, Cash Flows and Financial Condition. These statements are based on current expectations, estimates and projections about the industries in which the Company operates, management's beliefs and various assumptions made by management which are difficult to predict. Among the factors that could affect the outcome of the statements are general industry and market conditions and growth rates. Therefore, actual outcomes and their impact on the Company may differ materially from what is expressed or forecasted. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of security holders on April 1, 1997 at which security holders elected 12 directors of the Company for the ensuing year and ratified the appointment of Arthur Andersen LLP as auditors for the year 1997.

Results of the voting in connection with each of the items were as follows:

Voting on Directors:

	For	Withheld
H. Brown	34,563,096	528,586
R. Darnall	34,569,086	522,596
W. Y. Elisha	34,569,374	522,308
H. H. Gray	34,514,238	577,444
J. A. Henderson	34,562,667	529,015
W. I. Miller	34,578,197	513,485
D. S. Perkins	34,567,033	524,649
W. D. Ruckelshaus	34,568,116	523,566
H. B. Schacht	34,562,402	529,280
T. M. Solso	34,539,676	552,006
F. A. Thomas	34,572,809	518,873
J. L. Wilson	34,573,758	517,924

Ratify Appointment of Auditors:

For	Against	Abstain
34,710,312	251,389	129,981

With regard to the election of directors, votes were cast in favor of or withheld from each nominee; votes that were withheld were excluded entirely from the vote and had no effect. Abstentions on the ratification of the appointment of Arthur Andersen LLP were counted as present for purposes of determining the existence of a quorum. Under the rules of the New York Stock Exchange, brokers who held shares in street names had the authority to vote on certain items when they did not receive instructions from beneficial owners. Brokers that did not receive instructions were entitled to vote on the election of directors. Under applicable Indiana law, a broker non-vote had no effect on the outcome of the election of directors.

Item 6. Exhibits and Reports on Form 8-K:

(a) See the Index to Exhibits on Page 13 for a list of exhibits filed herewith.

(b) On February 14, 1997, the Company filed a Form 8-K Other Event to define the calculation of the ratio of earnings to fixed charges disclosed in the Company's Prospectus Supplement dated February 14, 1997 to the Prospectus dated November 17, 1993 relating to issuance of 6.75 percent debentures, due February 15, 2027.

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 ENGINE COMPANY, INC.

By: /s/Rick J. Mills   April 21, 1997

Rick J. Mills
Vice President - Corporate Controller
(Chief Accounting Officer)

CUMMINS ENGINE COMPANY, INC.

INDEX TO EXHIBITS

10(k)	Retirement Plan for Non-employee Directors of Cummins Engine Company, Inc., as amended February 1997 (filed herewith)
10(m)	Three Year Performance Plan, as amended February 1997 (filed herewith)
10(p)	Restricted Stock Plan for Non-employee Directors, as amended February 11, 1997 (filed herewith)
10(t)	Senior Executive Three Year Performance Plan, as amended February 11, 1997 (filed herewith)
11	Schedule of Computation of Per Share Earnings for the First Quarter Ended March 30, 1997 and March 31, 1996 (filed herewith)
27	Financial Data Schedule (filed herewith)

EXHIBIT 10(t)

CUMMINS ENGINE COMPANY, INC.
SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

(As Amended February 11, 1997)

1. Objectives. The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interests, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

b) "Change of Control" means the occurrence of any of the following : (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

c) "Committee" means the Compensation Committee of the Board of Directors of the Company.

d) "Company" means Cummins Engine Company, Inc.

e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award. The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to affect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award Cycle shall be expressed in terms of a threshold, target and maximum dollar amount or, in the discretion of the Committee, as a threshold, target and maximum number of award units ("Award Units") with each Award Unit having a cash value equal to the average of closing prices of the Company's common stock on the New York Stock Exchange during the 180 days preceding the payout date as described in Section 6 or Section 9 of the Plan.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of that Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's re-evaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule. On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount or number of Award Units (collectively, "the Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount or number of Award Units will be earned if performance is fifty percent (50%) and the maximum dollar amount or number of Award Units will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount or value of Award Units that may be paid by the Plan with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards. For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments. Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration. The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment. If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control. Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount (the Target Award assuming a 1.0 Payout Factor). The full Targeted Amount shall be paid notwithstanding the fact that only a portion of the Award Cycle may have elapsed prior to the Change of Control.

10. Effective Date. The Plan shall be effective for the Award Cycle beginning January 1, 1996, subject to its approval by the Company's shareholders.

11. Amendment and Termination. The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the laws of the State of Indiana and construed accordingly.

EXHIBIT 10(t)

CUMMINS ENGINE COMPANY, INC.
SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

(As Amended February 11, 1997)

1. Objectives. The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interests, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

b) "Change of Control" means the occurrence of any of the following : (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

c) "Committee" means the Compensation Committee of the Board of Directors of the Company.

d) "Company" means Cummins Engine Company, Inc.

e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award. The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to affect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award Cycle shall be expressed in terms of a threshold, target and maximum dollar amount or, in the discretion of the Committee, as a threshold, target and maximum number of award units ("Award Units") with each Award Unit having a cash value equal to the average of closing prices of the Company's common stock on the New York Stock Exchange during the 180 days preceding the payout date as described in Section 6 or Section 9 of the Plan.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of that Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's re-evaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule. On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount or number of Award Units (collectively, "the Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount or number of Award Units will be earned if performance is fifty percent (50%) and the maximum dollar amount or number of Award Units will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount or value of Award Units that may be paid by the Plan with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards. For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments. Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration. The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment. If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control. Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount (the Target Award assuming a 1.0 Payout Factor). The full Targeted Amount shall be paid notwithstanding the fact that only a portion of the Award Cycle may have elapsed prior to the Change of Control.

10. Effective Date. The Plan shall be effective for the Award Cycle beginning January 1, 1996, subject to its approval by the Company's shareholders.

11. Amendment and Termination. The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the laws of the State of Indiana and construed accordingly.

EXHIBIT 10(t)

CUMMINS ENGINE COMPANY, INC.
SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

(As Amended February 11, 1997)

1. Objectives. The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interests, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

b) "Change of Control" means the occurrence of any of the following : (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

c) "Committee" means the Compensation Committee of the Board of Directors of the Company.

d) "Company" means Cummins Engine Company, Inc.

e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

f) "Payout Factor" means the percentage determined by the Committee and applied to a Target Award to determine the amount of an award to be paid as described in Section 4 of the Plan.

g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

h) "Performance Measures" means the Company's return on equity, return on sales, net income, sales growth, return on assets, total shareholder return, or any combination thereof.

i) "Plan" means the Senior Executive Three Year Performance Plan described herein.

j) "Target Award" means the amount of targeted compensation described in Section 3 of the Plan.

3. Target Award. The Committee shall assign each Participant a Target Award for each Award Cycle, in its discretion, based upon, but not limited to, the scope and breadth of the Participant's position, ability to affect the Company's medium-term financial performance, and his or her working relationships within the Company. The Target Award for an Award Cycle shall be expressed in terms of a threshold, target and maximum dollar amount or, in the discretion of the Committee, as a threshold, target and maximum number of award units ("Award Units") with each Award Unit having a cash value equal to the average of closing prices of the Company's common stock on the New York Stock Exchange during the 180 days preceding the payout date as described in Section 6 or Section 9 of the Plan.

The Target Award for each Award Cycle shall be assigned and communicated to each Participant as soon as practicable thereafter, but in no event later than the 270th day of that Award Cycle. Target Awards may be changed during the course of an Award Cycle based on the Committee's re-evaluation of the criteria described in the preceding paragraph, provided however, a Target Award shall not be increased following commencement of the Award Cycle.

4. Payout Schedule. On or before the 270th day of each Award Cycle, the Committee shall establish the Performance Measures to be used in determining a Payout Factor applicable to the Award Cycle. The Committee may determine the Payout Factor based upon the attainment of one or more different Performance Measures, provided the measures, when established, are stated as alternatives to one another.

Under the Payout Factor schedule, the targeted dollar amount or number of Award Units (collectively, "the Targeted Amount") of a Target Award will be earned by a Participant if the Company's performance against the Performance Measures equals the median of the performance of the Peer Group during the same period against the same measures. The threshold dollar amount or number of Award Units will be earned if performance is fifty percent (50%) and the maximum dollar amount or number of Award Units will be earned if performance is two hundred percent (200%) of the median performance of the Peer Group. The maximum dollar amount or value of Award Units that may be paid by the Plan with respect to any Award Cycle is $2,000,000.

5. Change in Accounting Standards. For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments. Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration. The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

8. Termination of Employment. If a Participant's employment with the Company terminates during the first year of an Award Cycle, other than by reason of retirement, death or disability, the Participant will not receive any payout for that Award Cycle. If a Participant's employment so terminates during the second or third years of an Award Cycle, the Committee, in its discretion, shall determine whether the Participant will receive a proportionate payout of any payment with respect to the Award Cycle based on the period of employment during the cycle.

If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

9. Change of Control. Notwithstanding any other provision herein to the contrary, in the event of a Change of Control, an amount shall be immediately payable from the Plan to each Participant equal to the Targeted Amount (the Target Award assuming a 1.0 Payout Factor). The full Targeted Amount shall be paid notwithstanding the fact that only a portion of the Award Cycle may have elapsed prior to the Change of Control.

10. Effective Date. The Plan shall be effective for the Award Cycle beginning January 1, 1996, subject to its approval by the Company's shareholders.

11. Amendment and Termination. The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the laws of the State of Indiana and construed accordingly.

EXHIBIT 10(t)

CUMMINS ENGINE COMPANY, INC.
SENIOR EXECUTIVE THREE YEAR PERFORMANCE PLAN

(As Amended February 11, 1997)

1. Objectives. The objectives of the Plan are to: (i) serve as a balance against the short-term compensation provided by base salary and bonus payments of the Company, (ii) emphasize the medium-term performance of the Company as compared to its industry competitors, (iii) strengthen the relationship between Company management and shareholder interests, and (iv) encourage participants to remain with the Company through important business cycles.

The size of grants under the Plan are intended to reflect the degrees of influence participating executive officers have in their functional positions on the medium-term (three year) performance of the Company. The calculation of payments from the Plan is intended to reflect the Company's performance against certain performance measures designated by the Compensation Committee.

2. Definitions.

a) "Award Cycle" means the three-year period upon which a particular year's payout is calculated. A new Award Cycle commences with the beginning of each of the Company's fiscal years. Payments, if any, under the Plan to Participants during a fiscal year are based upon the Company's performance during the most recently completed Award Cycle.

b) "Change of Control" means the occurrence of any of the following : (i) there shall be consummated (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted in whole or in part into cash, other securities or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (ii) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as such term is used in Sections 13(d) (3) and 14(d) (2) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")), other than the Company or a subsidiary thereof or any employee benefit plan sponsored by the Company or a subsidiary thereof or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, shall become the beneficial owners (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors ("Voting Shares"), as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, or (iv) at any time during a period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such two-year period was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of such two-year period, or (v) any other event shall occur that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A or Regulation 14A promulgated under the Exchange Act.

c) "Committee" means the Compensation Committee of the Board of Directors of the Company.

d) "Company" means Cummins Engine Company, Inc.

e) "Participants" means the Company's Chief Executive Officer and other executive officers designated annually by the Committee to participate in the Plan for the ensuing Award Cycle.

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g) "Peer Group" means the group of companies selected by the Committee whose primary industry is similar to that of the Company. As of the effective date of the Plan, the Peer Group consists of the following companies: (i) Arvin Industries, Inc., (ii) Caterpillar, Inc., (iii) Dana Corporation, (iv) Deere & Company, (v) Dresser Industries, Inc., (vi) Eaton Corporation, (vii) Ford Motor Company, (viii) General Motors Corporation, (ix) Ingersoll-Rand Company, (x) Navistar International Corporation, and (xi) Paccar, Inc.

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5. Change in Accounting Standards. For purposes of determining the Payout Factor, the Company's actual performance under the Performance Measures will exclude extraordinary charges and credits which result from a change in accounting standards of the Company.

6. Plan Payments. Any payout under the Plan will be made as soon as practicable following audits of the Company's financial statements applicable to all fiscal years of the Award Cycle and written certification by the Committee of attainment of the applicable Performance Measures and corresponding Payout Factor. Payments under the Plan may be deferred pursuant to the Company's Deferred Compensation Plan.

7. Administration. The Plan shall be administered by the Compensation Committee. No member of the Committee shall be eligible for a Target Award while serving on the Committee. The Committee shall have authority to interpret the Plan and to establish, amend and rescind rules and regulations for the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all persons. Notwithstanding any other provision of the Plan to the contrary, the Committee may impose such conditions on participation in, awards under and payments from the Plan as it deems appropriate.

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If a Participant retires, dies or becomes disabled during an Award Cycle, the Participant or such Participant's estate, as the case may be, shall receive a proportionate share of any payment with respect to the Award Cycle based on the period of employment during the cycle, regardless of the length of time of such employment.

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10. Effective Date. The Plan shall be effective for the Award Cycle beginning January 1, 1996, subject to its approval by the Company's shareholders.

11. Amendment and Termination. The Board of Directors of the Company may at any time amend, modify, alter or terminate this Plan.

12. Governing Law. This Plan and all determinations made and actions taken pursuant hereto, shall be governed by the laws of the State of Indiana and construed accordingly.

EXHIBIT 11

CUMMINS ENGINE COMPANY, INC.
SCHEDULE OF COMPUTATION OF PER SHARE EARNINGS
FOR THE FIRST QUARTER ENDED MARCH 30, 1997 and MARCH 31, 1996
Unaudited

Millions, Except per Share Amounts	Weighted Average Shares	Net Earnings	Calculated Per Share
1997			
Basic earnings per share	38.3	$41	$1.07
Options	.1	-	
Primary and fully diluted earnings per common share	38.4	$41	$1.06
1996			
Basic earnings per share	40.2	$49	$1.21
Options	.1	-	
Primary and fully diluted earnings per common share	40.3	$49	$1.21

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