

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1998

CUMMINS ENGINE COMPANY, INC.

(Name of issuer of the securities held pursuant to the plan)

Commission File Number 1-4949.

Incorporated in the State of Indiana I.R.S. Employer Identification  
No. 35-0257090

500 Jackson Street, Box 3005, Columbus, Indiana 47202-3005  
(Address of Principal Executive Office)

Telephone Number: (812) 377-5000

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1998 AND 1997  
TOGETHER WITH AUDITORS' REPORT  
(Full title of the plan)

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
INDEX TO FINANCIAL STATEMENTS

	Page
Report of Independent Public Accountants	1
Combining Statements of Net Assets by Plan	2-3
Combining Statements of Changes in Net Assets by Plan	4-6
Combining Statements of Net Assets by Fund	7-8
Combining Statements of Changes in Net Assets by Fund	9-11
Notes to Financial Statements	12-20
	Schedule
Assets Held for Investment Purposes	I
Reportable Transactions	II
Matching Contribution Formulas	III
Employing Locations by Plan	IV
Loans or Fixed Income Obligations	V
	Exhibit
Consent of Independent Public Accountants	23

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Pension Policy Committee  
Of Cummins Engine Company, Inc.:

We have audited the accompanying combining statements of net assets by plan and by fund, of the CUMMINS ENGINE COMPANY, INC. AND AFFILIATES RETIREMENT AND SAVINGS PLANS (the Plans) as of December 31, 1998 and 1997, and the related statements of changes in net assets by plan and by fund, for the years ended December 31, 1998, 1997 and 1996. These financial statements and the schedules referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plans as of December 31, 1998 and 1997, and the changes in the net assets for the years ended December 31, 1998, 1997 and 1996, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes, reportable transactions, matching contribution formulas, employing locations by plan, and loans or fixed income obligations are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The Fund Information in the statement of net assets and the statement of changes in net assets is presented for purposes of additional analysis rather than to present the net assets and changes in net assets available for plan benefits of each fund. The supplemental schedules and Fund Information have been subject to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
June 1, 1999.

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF NET ASSETS BY PLAN  
DECEMBER 31, 1998  
(stated in 000's)

<TABLE>  
<CAPTION>

CDC	Total	Salaried	Bargaining	Onan	Lubricon
<S>	<C>	<C>	<C>	<C>	<C>
<C>	<C>				
Assets					
Cash and investments:					
Cash and Cash Equivalents	\$ 1,290	\$ -	\$ -	\$ -	\$ -
Cummins Engine Company, Inc. Fixed Income Fund at contract	95,344	116,675	19,721	23	

7,077	238,840				
	value (Note 2)				
Vanguard Wellington Fund		99,607	62,609	29,501	88
6,436	198,241				
Vanguard U.S. Growth Fund		79,025	29,491	21,470	145
6,823	136,954				
Vanguard Index Trust Fund		97,714	41,462	26,094	148
7,640	173,058				
Vanguard Explorer Fund		10,834	1,992	2,182	80
439	15,527				
Vanguard International Fund		7,669	1,090	1,447	31
405	10,642				
Cummins Engine Company, Inc. Common Stock		109,977	20,319	5,994	9
2,129	138,428				
Participant Loans		5,148	3,808	1,121	27
1,118	11,222				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments		506,608	277,446	107,530	551
32,067	924,202				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Receivables:					
Employer contributions		6,394	1,538	149	-
681	8,762				
Employee contributions		1,605	1,378	358	-
305	3,646				
Employee loan repayments		275	233	66	-
87	661				
Accrued interest		1	-	-	-
- -	1				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Total receivables		8,275	3,149	573	-
1,073	13,070				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Total assets		514,883	280,595	108,103	551
33,140	937,272				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Liabilities					
Interest payable		1,856	-	-	-
- -	1,856				
Note payable - ESOP		63,250	-	-	-
- -	63,250				
Administrative Fees Payable		4	4	1	-
- -	9				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities		65,110	4	1	-
- -	65,115				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
Net Assets		\$449,773	\$280,591	\$108,102	\$551
\$33,140	\$872,157				
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes and schedules are an integral part of these statements.  
</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF NET ASSETS BY PLAN  
DECEMBER 31, 1997  
(stated in 000's)

<TABLE>  
<CAPTION>

CDC	Total	Salaried	Bargaining	Onan	Lubricon
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>
<S>		<C>	<C>	<C>	<C>
<C>	<C>				
Assets					
<hr/>		<hr/>	<hr/>	<hr/>	<hr/>

Cash and investments:

The Northern Trust Company					
Short-Term Investment Fund	\$ 1,130	\$ -	\$ -	\$ -	
\$ - \$ 1,130					
Cummins Engine Company, Inc.					
Fixed Income Fund	88,160	111,266	20,194	75	
5,884 225,579					
Vanguard Wellington Fund	96,263	62,915	29,895	103	
5,750 194,926					
Vanguard U.S. Growth Fund	57,069	20,390	16,735	116	
4,359 98,669					
Vanguard Index Trust Fund	79,880	36,215	22,475	133	
5,569 144,272					
Vanguard Explorer Fund	13,112	3,093	2,547	84	
501 19,337					
Vanguard International Fund	7,542	1,256	1,295	32	
344 10,469					
Cummins Engine Company, Inc.					
Common Stock	148,332	9,890	3,217	21	
1,783 163,243					
Participant Loans	6,346	4,142	1,475	28	
1,102 13,093					
Total cash and investments	497,834	249,167	97,833	592	
25,292 870,718					
Receivables:					
Employer contributions	3,786	1,354	141	15	
686 5,982					
Employee contributions	1,382	1,437	342	5	
300 3,466					
Employee loan repayments	286	230	79	1	
77 673					
Accrued interest	4	-	-	-	
- - 4					
Total receivables	5,458	3,021	562	21	
1,063 10,125					
Total assets	503,292	252,188	98,395	613	
26,355 880,843					
Liabilities					
Interest payable	2,819	-	-	-	
- - 2,819					
Note payable - ESOP	64,950	-	-	-	
- - 64,950					
Total liabilities	67,769	-	-	-	
- - 67,769					
Net Assets	\$435,523	\$252,188	\$98,395	\$613	
\$26,355 \$813,074					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN  
DECEMBER 31, 1998  
(stated in 000's)

<TABLE>  
<CAPTION>

			Salaried	Bargaining	Onan
Lubricon	CDC	Total			

<S>			<C>	<C>	<C>	<C>
<C>	<C>					
Net Assets - beginning of year			\$435,523	\$252,188	\$98,395	
\$613	\$26,355	\$813,074				
Investment income:						
Fund investment income			58,052	28,316	15,696	
91	4,197	106,352				
Interest income			157	-	-	
- -	-	157				
Dividend income			2,093	-	-	
- -	-	2,093				
Net realized & unrealized depreciation in the value of investments			(52,861)	-	-	
- -	-	(52,861)				
Total investment income			7,441	28,316	15,696	
91	4,197	55,741				
Less: investment advisory expense			5	-	-	
- -	-	5				
interest expense			4,523	-	-	
- -	-	4,523				
Net investment income			2,913	28,316	15,696	
91	4,197	51,213				
Contributions:						
Employer			15,355	1,421	231	
6	1,318	18,331				
Employee			23,995	13,912	5,466	
(1)	2,843	46,215				
Rollover			3,338	279	185	
- -	228	4,030				
Total contributions			42,688	15,612	5,882	
5	4,389	68,576				
Participant withdrawals			(31,724)	(15,228)	(11,806)	
(119)	(1,829)	(60,706)				
Inter-plan transfers			373	(298)	(64)	
(39)	28	-				
Net assets - end of year			\$449,773	\$280,591	\$108,102	
\$551	\$33,140	\$872,157				

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN  
DECEMBER 31, 1997  
(stated in 000's)

<TABLE>			Salaried	Bargaining	Onan	
<CAPTION>						
Lubricon	CDC	Total				
<S>			<C>	<C>	<C>	<C>
<C>	<C>					

Net Assets - beginning of year			\$336,971	\$218,730	\$81,274
\$478	\$20,178	\$657,631			
<hr/>					
Investment income:					
Fund investment income			57,480	33,293	16,480
95	3,837	111,185			
Interest income			23	-	-
- -	-	23			
Dividend income			1,488	-	-
- -	-	1,488			
Net realized & unrealized depreciation in the value of investments			29,137	-	-
- -	-	29,137			
<hr/>					
Total investment income			88,128	33,293	16,480
95	3,837	141,833			
Less: investment advisory expense			17	-	-
- -	-	17			
interest expense			5,638	-	-
- -	-	5,638			
<hr/>					
Net investment income			82,473	33,293	16,480
95	3,837	136,178			
<hr/>					
Contributions:					
Employer			12,649	1,363	152
14	1,247	15,425			
Employee			22,737	13,927	5,631
68	2,596	44,959			
Rollover			1,475	129	178
- -	30	1,812			
<hr/>					
Total contributions			36,861	15,419	5,961
82	3,873	62,196			
<hr/>					
Participant withdrawals			(21,231)	(15,182)	(6,215)
(40)	(1,789)	(44,457)			
Inter-plan transfers			449	(72)	895
(2)	256	1,526			
<hr/>					
Net assets - end of year			\$435,523	\$252,188	\$98,395
\$613	\$26,355	\$813,074			
<hr/>					
<hr/>					

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS BY PLAN  
DECEMBER 31, 1996  
(stated in 000's)

			Salaried	Bargaining	Onan	
Lubricon	CDC	Total				
			<C>	<C>	<C>	<C>
Net Assets - beginning of year			\$274,796	\$195,517	\$69,026	
\$469	\$17,064	\$556,872				

Investment income:					
Fund investment income			39,001	23,367	11,144
68	2,550	76,130			
Interest income			26	-	-
- -	-	26			
Dividend income			2,252	-	-
- -	-	2,252			
Net realized & unrealized depreciation in the value of investments			20,256	-	-
- -	-	20,256			
Total investment income			61,535	23,367	11,144
68	2,550	98,664			
Less: investment advisory expense			44	-	-
- -	-	44			
interest expense			5,777	-	-
- -	-	5,777			
Net investment income			55,714	23,367	11,144
68	2,550	92,843			
Contributions:					
Employer			5,342	1,346	266
21	564	7,539			
Employee			19,798	13,885	5,768
46	2,161	41,658			
Rollover			779	34	193
- -	44	1,050			
Total contributions			25,919	15,265	6,227
67	2,769	50,247			
Participant withdrawals			(19,649)	(15,218)	(5,191)
(126)	(2,147)	(42,331)			
Inter-plan transfers			191	(201)	(68)
- -	(58)	-			
Net assets - end of year			\$336,971	\$218,730	\$81,274
\$478	\$20,178	\$657,631			

The accompanying notes and schedules are an integral part of these statements.  
</TABLE>

<TABLE>  
 CUMMINS ENGINE COMPANY, INC. AND  
 AFFILIATES  
 RETIREMENT AND SAVINGS PLANS  
 COMBINING STATEMENTS OF NET ASSETS BY  
 FUND  
 DECEMBER 31, 1998  
 (stated in 000's)

<CAPTION>

Internat- tional	Cummins Stock	ESOP	Fixed Flexi Income Trust Fund	Loan Wellington Total	U.S. Growth	Index Fund	Explorer Fund	<C>
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets								

Cash and investments:

The Vanguard						
Short-Term Investment Fund	\$	-	\$	-	\$	-
- - \$	-	\$ 993	\$ 297	\$	-	\$
Cummins Engine Company, Inc.				\$	-	\$
Fixed Income Fund		238,840	-	-	-	-
- - -	-	-	238,840	-	-	-
Vanguard Wellington Fund		-	198,241	-	-	-
- - -	-	-	198,241	-	-	-
Vanguard U.S. Growth Fund		-	-	136,954	-	-
- - -	-	-	136,954	-	-	-
Vanguard Index Trust Fund		-	-	-	173,058	-
- - -	-	-	173,058	-	-	-
Vanguard Explorer Fund		-	-	-	-	15,527
- - -	-	-	15,527	-	-	-
Vanguard International Fund		-	-	-	-	-
10,642	-	-	-	-	-	-
Cummins Engine Company, Inc.						
Common Stock		-	-	-	-	-
- - 56,638	74,745	7,046	-	138,428	-	-
Participant Loans		-	-	-	-	-
- - -	-	-	11,222	11,222	-	-
<hr/>						
Total cash and investments		238,840	198,241	136,954	173,058	15,527
10,642	56,638	75,738	7,343	11,222	924,202	
<hr/>						
Receivables:						
Employer contributions		1,171	419	316	352	42
31 125	6,288	18	-	8,762	-	-
Employee contributions		980	811	663	797	106
68 221	-	-	-	3,646	-	-
Employee loan repayments		204	150	109	132	12
8 46	-	-	-	661	-	-
Accrued interest		-	-	-	-	-
- - -	1	-	-	1	-	-
<hr/>						
Total receivables		2,355	1,380	1,088	1,281	160
107	392	6,289	18	-	13,070	
<hr/>						
Total assets		241,195	199,621	138,042	174,339	15,687
10,749	57,030	82,027	7,361	11,222	937,272	
<hr/>						
Liabilities						
<hr/>						
Interest payable		-	-	-	-	-
- - -	-	1,856	-	-	1,856	-
Note payable - ESOP		-	-	-	-	-
- - -	-	63,250	-	-	63,250	-
Administrative Fees Payable		9	-	-	-	-
- - -	-	-	9	-	-	-
<hr/>						
Total liabilities		9	-	-	-	-
- - -	-	65,106	-	-	65,115	-
<hr/>						
Net Assets		\$241,186	\$199,621	\$138,042	\$174,339	\$15,687
\$10,749	\$57,030	\$16,921	\$7,360	\$11,222	\$872,157	
<hr/>						
<hr/>						

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

<TABLE>

CUMMINS ENGINE COMPANY, INC. AND

AFFILIATES

RETIREMENT AND SAVINGS PLANS

COMBINING STATEMENTS OF NET ASSETS BY

FUND

DECEMBER 31, 1997

(stated in 000's)

<CAPTION>



Internat	Cummins		Flexi	Fixed	Loan	U.S.	Index	Explorer	
tional	Stock	ESOP	Trust	Income	Wellington	Growth	Fund	Fund	
				Fund	Total				
<S>			<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>	<C>					
Assets									
Cash and investments:									
The Vanguard									
Short-Term Investment Fund			\$	-	\$	-	\$	-	\$
-	-	\$ 865	\$ 265	\$	-	\$ 1,130			
Cummins Engine Company, Inc.									
Fixed Income Fund				225,579	-				
-	-				225,579				
Vanguard Wellington Fund				-	194,925				
-	-				194,925				
Vanguard U.S. Growth Fund				-	-	98,669			
-	-					98,669			
Vanguard Index Trust Fund				-	-	-	144,273		
-	-						144,273		
Vanguard Explorer Fund				-	-	-	-	19,339	
-	-							19,339	
Vanguard International Fund				-	-	-	-	-	
10,468				-	-	10,468			
Cummins Engine Company, Inc.									
Common Stock				-	-	-	-	-	
-	29,398	127,787	6059	-	163,244				
Participant Loans									
-	-	-	-	13,092	13,092				
Total cash and investments									
10,468	29,398	128,652	6324	225,579	13,092	194,925	98,669	144,273	19,339
Receivables:									
Employer contributions				1,009	433	256	324	50	
32	95	3,781	-	-	5,980				
Employee contributions				1,026	835	545	715	122	
74	151	-	-	-	3,468				
Employee loan repayments				210	160	104	131	17	
10	40	-	-	-	672				
Accrued interest				-	-	-	-	-	
-	-	4	-	-	4				
Total receivables									
116	286	3,785	-	2,245	1,428	905	1,170	189	
Total assets									
10,584	29,684	132,437	6324	227,824	13,092	196,353	99,574	145,443	19,528
Liabilities									
Interest payable				-	-	-	-	-	
-	-	2,819	-	-	2,819				
Note payable - ESOP				-	-	-	-	-	
-	-	64,950	-	-	64,950				
Total liabilities									
-	-	67,769	-	-	67,769				
Net Assets									
\$10,584	\$29,684	\$64,668	\$6324	\$227,824	\$13,092	\$196,353	\$99,574	\$145,443	\$19,528

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

<TABLE>

CUMMINS ENGINE COMPANY, INC. AND

RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS

AFFILIATES

BY FUND

DECEMBER 31, 1998

(stated in 000's)

<CAPTION>

Internat- ional	Cummins Stock	ESOP	Flexi Trust	Fixed Loan Income Fund	Wellington Total	U.S. Growth	Index	Explorer	
<S> <C>	<C>	<C>	<C>	<C> <C>	<C>	<C>	<C>	<C>	<C>
Net Assets - beginning of year				\$227,824	\$196,352	\$99,574	\$145,443	\$19,529	
\$10,584	\$29,684	\$64,668	\$6324	\$13,092	\$813,074				
Investment income:									
Fund investment income (loss)				15,129	22,064	38,739	39,382	281	
1,699	(10,945)	-	-	-	106,350				
Interest income				-	-	-	-	-	
-	-	20	136	-	156				
Dividend income				-	-	-	-	-	
-	-	2,093	-	-	2,093				
Net realized and unrealized depreciation in the value of investments				-	-	-	-	-	
-	-	(50,286)	(2574)	-	(52,860)				
Total investment income (loss)				15,129	22,064	38,739	39,382	281	
1,699	(10,945)	(48,173)	(2438)	-	55,739				
Less: investment advisory expense									
-	-	5	-	-	5				
interest expense				-	-	-	-	-	
-	-	4,523	-	-	4,523				
Net investment income (loss)				15,129	22,064	38,739	39,382	281	
1,699	(10,945)	(52,701)	(2438)	-	51,211				
Contributions:									
Employer				1,217	561	451	499	66	
46	175	11,559	3758	-	18,332				
Employee				11,296	10,913	8,369	10,573	1,731	
1,110	2,224	-	-	-	46,216				
Rollover				1,565	538	628	678	123	
73	424	-	-	-	4,029				
Total contributions				14,078	12,012	9,448	11,750	1,920	
1,229	2,823	11,559	3758	-	68,577				
Participant loan repayments									
150	503	-	-	2,608	2,047	1,482	1,852	219	
				(8,860)	1				
Inter-fund transfers									
(2,185)	36,642	(571)	(62)	6,625	(18,846)	(2,838)	(13,235)	(5,531)	
				-	-				
Payments:									
Participant withdrawals				(23,183)	(12,208)	(7,142)	(9,329)	(601)	
(644)	(1,344)	(6,033)	(222)	-	(60,706)				
Participant loan withdrawals				(1,896)	(1,800)	(1,221)	(1,524)	(129)	
86	(334)	-	-	6,990	-				

Total payments					(25,079)	(14,008)	(8,363)	(10,853)	(730)
(730)	(1,678)	(6,033)	(222)	6,990	(60,706)				

Net Assets - end of year					\$241,185	\$199,621	\$138,042	\$174,339	\$15,687
\$10,749	\$57,030	\$16,921	\$7360	\$11,222	\$872,157				

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

<TABLE>

CUMMINS ENGINE COMPANY, INC. AND

AFFILIATES

RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS

BY FUND

DECEMBER 31, 1997

(stated in 000's)

<CAPTION>

Internat- ional	Cummins Stock	ESOP	Flexi Trust	Fixed Loan Income Fund	Wellington Total	U.S. Growth	Index	Explorer	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Assets - beginning of year				\$229,394	\$157,160	\$80,242	\$97,658	\$14,293	
\$10,074	\$18,339	\$37,759	-	\$12,712	\$657,631				
Investment income:									
Fund investment income (loss)				14,236	36,584	20,540	34,077	1,983	
(593)	4,359	-	-	-	111,186				
Interest income				-	23	-	-	-	
-	-	23	-	-	23	-	-	-	
Dividend income				-	1,487	-	-	-	
-	-	1,431	56	-	1,487	-	-	-	
Net realized and unrealized depreciation in the value of investments				-	-	-	-	-	
-	-	29,484	(346)	-	29,138	-	-	-	
Total investment income (loss)				14,236	36,584	20,540	34,077	1,983	
(593)	4,359	30,938	(290)	-	141,834				
Less: investment advisory expense				-	-	-	-	-	
-	-	17	-	-	17	-	-	-	
interest expense				-	-	-	-	-	
-	-	5,637	-	-	5,637	-	-	-	
Net investment income (loss)				14,236	36,584	20,540	34,077	1,983	
(593)	4,359	25,284	(290)	-	136,180				
Contributions:									
Employer				1,228	540	358	430	66	
45	133	5,894	6730	-	15,424				
Employee				12,136	10,908	7,792	9,537	1,766	
1,232	1,587	-	-	-	44,958				
Rollover				348	250	329	508	130	
46	202	-	-	-	1,813				
Total contributions				13,712	11,698	8,479	10,475	1,962	
1,323	1,922	5,894	6730	-	62,195				
Participant loan repayments				2,747	2,124	1,446	1,662	237	
158	408	-	-	(8,782)	-				

Inter-fund transfers				(11,277)	60	(4,527)	8,773	2,079
238	6,180	(1,482)	(44)	-	-			
Payments:								
Participant withdrawals				(18,124)	(8,913)	(5,124)	(5,547)	(803)
(489)	(1,073)	(2,787)	(72)	-	(42,932)			
Participant loan withdrawals				( 2,864)	(2,360)	(1,482)	(1,655)	(223)
(127)	( 451)	-	-	9,162	-			
Total payments				(20,988)	(11,273)	(6,606)	(7,202)	(1,026)
(616)	(1,524)	(2,787)	(72)	9,162	(42,932)			
Net Assets - end of year				\$227,824	\$196,353	\$99,574	\$145,443	\$19,528
\$10,584	\$29,684	\$64,668	\$6324	\$13,092	\$813,074			

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

<TABLE>

CUMMINS ENGINE COMPANY, INC. AND  
AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
COMBINING STATEMENTS OF CHANGES IN NET ASSETS

BY FUND

DECEMBER 31, 1996  
(stated in 000's)

<CAPTION>

International	Cummins Stock	ESOP	Loan Fund	Fixed Income Total	Wellington	U.S. Growth	Index	Explorer	
<S>				<C>	<C>	<C>	<C>	<C>	
<C>	<C>	<C>	<C>	<C>					
Net Assets - beginning of year				\$227,822	\$135,360	\$54,293	\$71,047	\$9,352	\$
8,102	\$21,651	\$17,667	\$11,578	\$556,872					
Investment income:									
Fund investment income (loss)				14,358	21,730	15,259	17,403	1,357	
904	5,120	-	-	76,131					
Interest income				-	-	-	-	-	
-	-	26	-	26					
Dividend income				-	-	-	-	-	
-	-	2,252	-	2,252					
Net realized and unrealized depreciation in the value of investments				-	-	-	-	-	
-	-	20,257	-	20,257					
Total investment income (loss)				14,358	21,730	15,259	17,403	1,357	
904	5,120	22,535	-	98,666					
Less: investment advisory expense				-	-	-	-	-	
-	-	44	-	44					
interest expense				-	-	-	-	-	
-	-	5,777	-	5,777					
Net investment income (loss)				14,358	21,730	15,259	17,403	1,357	
904	5,120	16,714	-	92,845					

Contributions:

Employer				1,080	501	303	351	59
41	79	5,125	-	7,539				
Employee				13,169	10,273	6,426	7,533	1,657
1,194	1,405	-	-	41,657				
Rollover				207	182	192	265	91
53	60	-	-	1,050				
Total contributions				14,456	10,956	6,921	8,149	1,807
1,288	1,544	5,125	-	50,246				
Participant loan repayments				2,751	1,971	1,229	1,405	244
180	364	-	(8,144)	-				
Inter-fund transfers				(7,367)	(470)	8,234	5,399	2,371
389	(8,556)	-	-	-				
Payments:								
Participant withdrawals				(19,211)	(10,208)	(4,406)	(4,179)	(673)
(644)	(1,264)	(1,747)	-	(42,332)				
Participant loan withdrawals				( 3,415)	( 2,179)	(1,288)	(1,566)	(165)
(145)	( 520)	-	9,278	-				
Total payments				(22,626)	(12,387)	(5,694)	(5,745)	(838)
(789)	(1,784)	(1,747)	9,278	(42,332)				
Net assets - end of year				\$229,394	\$157,160	\$80,242	\$97,658	\$14,293
\$10,074	\$18,339	\$37,759	\$12,712	\$657,631				

The accompanying notes and schedules are an integral part of these statements.

</TABLE>

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1998 AND 1997

1. SUMMARY OF THE PLAN

The Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plans (the Plan or the Plans) are defined contribution plans that cover five employee groups, as described in Note 2. Participants have the opportunity to make pre-tax and after-tax contributions to the plan and can choose from seven different investment options. Investment options and details of the plans are described in Note 2 and Note 3.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Combination

The Combining Statements of Net Assets and Changes in Net Assets reflect the financial activity of the Retirement and Savings Plans of Cummins Engine Company, Inc. (the Company) and certain subsidiary companies (the Companies). These Plans include:

- . Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Salaried and Non-Bargaining Hourly Employees (Salaried Plan)
- . Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for Bargaining Unit Employees (Bargaining Plan)
- . Cummins Engine Company, Inc. Retirement and Savings Plan for Onan Corporation Employees (Onan Plan)
- . Cummins Engine Company, Inc. Retirement and Savings Plan for Lubricant

Consultants, Inc. Employees (Lubricon Plan)

. Cummins Engine Company, Inc. Retirement and Savings Plan for  
Consolidated Diesel Company Employees (CDC Plan)

#### Trust Arrangements

---

A single trust arrangement is maintained with The Vanguard Group (the Trustee) for the administration of all the investments in the Plans; however, the Employee Stock Ownership Plan (ESOP) was maintained with The Northern Trust Company through January 31, 1997. Effective February 1997, Vanguard assumed responsibility for the ESOP portion of the Plans (as described in Note 3).

#### Accounting Method

---

Accounting records are maintained by the Trustee on a modified cash basis. All material adjustments have been made to present the financial statements under the accrual basis of accounting as required by generally accepted accounting principles.

All investments included in the Combining Statements of Net Assets and Schedule I and the investment related income included in the Combining Statements of Changes in Net Assets reflect amounts obtained from and certified by the respective trustees as being complete and accurate.

#### Investments

---

Investments held by the Trust are stated at market value except for the investment contracts, within the Fixed Income Fund, which are stated at contract value. Changes in market value of the investment contracts are reflected in Fund investment income(loss) on the Combining Statements of Changes in Net Assets. Quoted market prices are used to value investments.

The Fixed Income Fund consists primarily of insurance contracts and bank investment contracts with various insurance companies. The insurance companies maintain investment accounts for each contract. The accounts are credited with earnings on the underlying investments at interest rates ranging from 5.48% to 7.88% for both 1997 and 1998 and charged for withdrawals and administrative expenses by the insurance companies. The contracts are included in the financial statements at contract value as reported to the Plan by the investment administrator. Contract values represent contributions made under the contracts, plus earnings, less Plan withdrawals and administrative expenses. The crediting interest rate is based on an agreed upon formula with the issuer.

Assets of the Trust are segregated into seven investment funds: the Cummins Engine Company, Inc. Fixed Income Fund, the Wellington Fund, the Vanguard U.S. Growth Fund, the Vanguard Institutional Index Fund, the Vanguard Explorer Fund, the Vanguard International Fund, and the Cummins Common Stock Fund. Maintenance of separate funds provides investment alternatives to participants in the Plans; the allocation of investments between the funds is at the direction of participants.

Like all the other investment alternatives, the Cummins Common Stock Fund is valued in units. The net asset value per unit fluctuates on a daily basis with the change in the price of Cummins Stock. At December 31, 1998 there were a total of 8,079,000 units and a net asset value of \$56,637,858.

The assets of the Fixed Income Fund consist primarily of insurance and bank investment contracts. The Wellington Fund consists primarily of equity, fixed income, and cash equivalent marketable securities. The Vanguard U.S. Growth Fund consists primarily of long-term domestic and foreign capital growth stock. The Vanguard Institutional Index Fund consists primarily of equity and cash equivalent marketable securities whose investment results should correspond to the performance of the Standard & Poor's 500 Composite Stock Price (S & P 500) Index. The Explorer Fund consists of common stocks of small companies with favorable prospects for above-average growth in market value. The International Fund consists of a broadly diversified portfolio of non-U.S. equity securities selected on the basis of relative value. The Cummins Common Stock Fund consists of investments in Company common stock. The ESOP Fund consists of Cummins company stock available for matching contributions for certain plans. The Flexi Trust Fund also consists of matching contributions in the form of common stock for certain plans.

Net investment income (loss) of each fund is allocated to each Plan based on the relationship of each Plan's investment in the fund to the total investment in the fund. Net investment income (loss) is likewise allocated to participants based on the relationship of participant account balances in each fund to the total balance in

each fund.

#### Participant Loans

---

The Plans permit participants to borrow portions of their accounts subject to Department of Labor regulations. Participants may take out loans limited to the lesser of \$50,000 or 50 percent of the present value of their accounts (excluding ESOP and Flexi Trust accounts) over a period not to exceed 54 months. The annual interest rate is the Prime Rate, as quoted in the Wall Street Journal, plus 1 percent. The amount used to secure a loan is 50 percent of the participant's account balance.

Participant loan activity is reported in the Combining Statements of Net Assets and Changes in Net Assets by Fund in the Loan Fund.

#### Administrative Expenses and Investment Advisory Fees

---

Administrative expenses such as record keeping fees are paid by the Companies. Investment advisory fees for portfolio management of Vanguard Funds are paid directly from fund earnings. Investment advisory fees for the Fixed Income Fund and ESOP Fund are paid directly from the fund, which are included in fund investment income on the Combining Statement of Changes in Net Assets. The trust agreement entitles the Trustee to receive reasonable compensation for services rendered and expenses incurred in the administration and execution of the Plans.

### 3. DESCRIPTION OF THE PLANS

---

#### Participation

---

Substantially all full-time, domestic employees of the Company and designated subsidiaries are eligible to participate in one of the Plans no later than the first day of the month following the 60th day after date of employment. Nonresident aliens employed by the Company or a foreign subsidiary are eligible to participate if the Company owns at least 80 percent of the foreign subsidiary's common stock.

The Plans encourage voluntary savings through regular payroll deductions. Subject to limitations contained in the Internal Revenue Code and Regulations, participants may contribute up to 15 percent of gross pay (10 percent with respect to certain highly compensated participants) as pre-tax contributions, and 10 percent of gross pay as after-tax contributions (not to exceed 20% in total). In addition, participants are permitted to make voluntary additional after-tax contributions once each year.

Either at the end of each Plan year or on a monthly basis (monthly matching new in January, 1997), the Companies make matching contributions for each participant's pre-tax and after-tax contributions that remain in the Plans at the end of the Plan year or month. The formulas for these matches, as set forth in the Plans, vary for each Company (see Schedule III). Certain groups of participants receive cash matches and other groups participate in the ESOP and Flexi Trust (as described below) and receive matching contributions in the form of Company common stock. All matching cash contributions, ESOP shares, Flexi Trust shares, and earnings thereon are immediately vested and nonforfeitable.

In July 1989, the Company established the ESOP Trust and sold 2,362,206 shares of its common stock at \$31.75 per share (amounts reflect two-for-one common stock split) to the ESOP Trust in exchange for a \$75 million promissory note (the Note) secured by the shares. In December 1990, the ESOP Trust prepaid its then-current indebtedness to the Company with proceeds from the issuance of \$72,750,000 of 8.76 percent ESOP Notes due 1998 and guaranteed by the Company (see Note 6). The arrangement requires the Companies to contribute an aggregate annual amount to the ESOP Trust equal to the annual principal and interest payable under the terms of the Note after application of dividends paid on shares held in the ESOP Trust. As the ESOP Trust's indebtedness is repaid from these sources of funds, shares are allocated to the accounts of participants in the ESOP in relative proportion to each participant's contributions to the Plans as well as dividends received on shares previously allocated to the participant's account in the ESOP Trust. Effective July, 1998 the ESOP Notes were refinanced at 6.96 percent due 2010 and guaranteed by the Company (see Note 6). As of December 31, 1998, 1,164,180 shares were allocated and 1,198,026 remain unallocated in the ESOP Trust.

In January 1997, the Company established the Flexi Trust and sold 3,750,000 shares of its common stock at \$48.25 per share to the Flexi Trust in exchange for a \$180,937,500 promissory note at 7.65 percent due 2012 secured by the shares. In the event contributions to, and earnings of, the

Trust are insufficient to satisfy any installment of principal and interest on the due date thereof, the Company (acting through the Trust Committee) may, in its discretion, forgive such installment to the extent of the insufficiency.

Participant and Company cash matching contributions are deposited in the Trust and then invested in the seven investment funds in accordance with participant elections. Account balances and contributions can be invested in one or more of the seven investment funds in multiples of 1 percent. Fund reallocations can be changed daily with a limit of two times per month. Until February 3, 1997, common stock account balances in the ESOP and Flexi Trust accounts could not be redirected. As of February 3, 1997, participants 55 years of age or older are able to diversify their stock account balances in the ESOP and Flexi Trust accounts into the other RSP investment options. Investment experience is allocated to participant accounts on a daily basis.

#### Federal Income Tax Effect to Participants

---

The Plan was established as a qualified plan under Section 401(a) of the Code. This means that a participant is not subject to Federal income taxes on amounts contributed to the participant's account or earnings thereon, until such amounts are distributed to the participant or to a beneficiary in the event of the participant's death. Contributions to the participant's account are subject to Federal employment (FICA) taxes.

If a participant receives a distribution from his/her account prior to obtaining age 59-1/2, such distribution is taxed as ordinary income and may be subject to an additional 10% penalty tax unless one of the statutory exceptions to such penalty tax applies.

#### Participant Withdrawals

---

Participants are permitted to withdraw their after-tax contributions, the Company cash matching contributions (after remaining in the account for two full plan years) and accumulated earnings thereon. Participants are also permitted to take out loans (see Note 2). In the event of financial hardship, participants are permitted to withdraw pre-tax contributions and accumulated earnings thereon. Each hardship withdrawal request, including proof of financial hardship, is reviewed individually by the Plans' Administrator. In-service withdrawals from the ESOP account are prohibited.

#### Plan Payouts

---

Upon termination of employment, immediate distribution is made to those participants with account balances less than or equal to \$5,000. Terminating participants with account balances greater than \$5,000 must consent to any payment prior to the attainment of age 70 1/2. Participants who do not consent to immediate distribution may subsequently elect in writing to begin receiving benefits as soon as is practical, provided that in any event the distribution commences no later than April 1 of the Plan year following the Plan year in which age 70 1/2 occurs. Account balances remaining in the Plans will continue to share in the earnings of the investments prior to distribution. Distributions from the ESOP and Flexi Trust portions of the Plans are in whole shares of stock allocated to participant accounts, with cash for partial shares unless participants elect to receive the entire distribution in cash at current market value.

#### Plan Termination

---

While it has not expressed any intention to do so, the Company has the right to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Upon partial or total termination of the Plan, the participants' accounts shall become fully vested and nonforfeitable.

#### 4. PLAN AMENDMENTS

---

Effective January 1, 1996, the after-tax match for OCU employees hired after June 19, 1990 and OCU-CMEP employees (Bargaining Plan) was replaced by a pre-tax match of \$1 for every \$1 contributed up to 2% of gross pay and \$.25 for every \$1 contributed up to the next 4% of gross pay.

Effective January 1, 1997, the pre- and after-tax matches for Salaried and Nonbargaining Hourly and Consolidated Diesel Company (CDC) was replaced by a pre-tax match of \$.50 for every \$1 contributed up to 6% of gross pay. However, hourly employees meeting certain criteria at Jamestown, Charleston



and CDC had the option of adopting the above mentioned amendment or remaining with the old plan.

As of February 3, 1997, participants 55 years of age or older are able to diversify their stock account balances in the ESOP and Flexi Trust accounts into the other RSP investment options.

5. TAX STATUS

The Internal Revenue Service issued determination letters stating that the Plans were qualified in accordance with applicable plan design requirements as of their dates. In the opinion of the Plan Administrator and Internal Tax Counsel, the Plans are currently designed and continue to operate in a manner that qualifies them under Internal Revenue Code (IRC) Section 401(a) and, therefore, are exempt from income taxes under the provisions of IRC Section 501(a). Accordingly, no provision for Federal income taxes has been made.

6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for plan participants as indicated in the financial statements to the federal tax Form 5500.

	Year Ended December 31,		
	1998	1997	1996
Net assets available for plan participants as indicated in the financial statements	\$872,157,000	\$ -	\$ -
Amounts allocated to withdrawing participants	(3,103,283)	-	-
Net Assets available for plan participants as indicated in the Form 5500	\$869,053,717	\$ -	-

The following is a reconciliation of benefits paid to participants as indicated in the financial statements to the Form 5500.

	Year Ended December 31,		
	1998	1997	1996
Participant benefit payments as indicated in the financial statements	\$ 60,706,000	\$ -	\$ -
Amounts allocated to withdrawing participants	3,103,283	-	-
Participant benefit payments as indicated in the Form 5500	\$ 63,809,283	\$ -	-

7. LONG-TERM DEBT

The ESOP Trust has issued \$72,750,000 of ESOP Notes due in 1998 with an annual interest rate of 8.76 percent payable semi-annually to the Note holders (see Note 3). Effective January 1, 1993, the interest rate on the notes was reduced to 8.68 percent due to a tax law change. Effective July, 1998 the ESOP Notes were refinanced at 6.96 percent due 2010 and guaranteed by the Company. The final principal payment, \$3.15 million, is due on January 4, 2010.

8. PARTIES-IN-INTEREST AND REPORTABLE TRANSACTIONS

Party-in-interest transactions during the plan year ended December 31, 1998 are included in Schedules I and II of these statements.

Reportable transactions during the plan year ended December 31, 1998 are included in Schedule II of these statements.

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
EIN 35-0257090

ITEM 27 A: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AS OF DECEMBER 31, 1998  
(cost and market value amounts stated in 000's)

ISSUER/DESCRIPTION	COST	MARKET VALUE
<b>Salaried:</b>		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ 1,290 95,344	\$ 1,290 95,344
Vanguard Wellington Fund***	82,784	99,607
Vanguard U.S. Growth Fund***	50,373	79,025
Vanguard Index Trust Fund***	61,482	97,714
Vanguard Explorer Fund***	10,434	10,834
Vanguard International Fund*** Cummins Engine Company, Inc. Common Stock***	8,565 100,980	7,669 109,977
Participant Loans (7.0%-10.0%)	5,148	5,148
	<u>\$416,481</u>	<u>\$506,689</u>
<b>Bargaining:</b>		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ - 116,675	\$ - 116,675
Vanguard Wellington Fund***	52,035	62,609
Vanguard U.S. Growth Fund***	18,798	29,491
Vanguard Index Trust Fund***	26,088	41,462
Vanguard Explorer Fund***	1,918	1,992
Vanguard International Fund*** Cummins Engine Company, Inc. Common Stock***	1,217 18,657	1,090 20,319
Participant Loans (7.0%-10.0%)	3,808	3,808
	<u>\$239,296</u>	<u>\$277,545</u>
<b>Onan:</b>		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ - 19,721	\$ - 19,721
Vanguard Wellington Fund***	24,519	29,501
Vanguard U.S. Growth Fund***	13,686	21,470
Vanguard Index Trust Fund***	16,419	26,094
Vanguard Explorer Fund***	2,101	2,182
Vanguard International Fund*** Cummins Engine Company, Inc. Common Stock***	1,616 5,504	1,447 5,994
Participant Loans (7.0%-10.0%)	1,121	1,121
	<u>\$ 84,703</u>	<u>\$107,547</u>
<b>Lubricon:</b>		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ - 23	\$ - 23
Vanguard Wellington Fund***	73	88
Vanguard U.S. Growth Fund***	92	144
Vanguard Index Trust Fund***	94	149
Vanguard Explorer Fund***	77	80
Vanguard International Fund*** Cummins Engine Company, Inc. Common Stock***	35 8	31 9
Participant Loans (7.0%-10.0%)	27	27
	<u>27</u>	<u>27</u>

	\$ 429	\$ 551
<hr/>		
CDC:		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ - 7,077	\$ - 7,077
Vanguard Wellington Fund***	5,349	6,436
Vanguard U.S. Growth Fund***	4,349	6,823
Vanguard Index Trust Fund***	4,807	7,640
Vanguard Explorer Fund***	424	440
Vanguard International Fund***	451	404
Cummins Engine Company, Inc. Common Stock***	1,955	2,129
Participant Loans (7.0%-10.0%)	1,118	1,118
	<hr/>	<hr/>
	\$ 25,536	\$ 32,073
<hr/>		
Total:		
Vanguard VMMR Prime Portfolio Cummins Engine Company, Inc. Fixed Income Fund****	\$ 1,290 238,840	\$ 1,290 239,840
Vanguard Wellington Fund***	164,760	198,241
Vanguard U.S. Growth Fund***	87,298	136,954
Vanguard Index Trust Fund***	108,890	173,059
Vanguard Explorer Fund***	14,954	15,527
Vanguard International Fund***	11,884	10,641
Cummins Engine Company, Inc. Common Stock***	127,104	138,428
Participant Loans (7.0%-10.0%)	11,222	11,222
	<hr/>	<hr/>
	\$766,444	\$924,405
<hr/>		

\*\*\* Identifies known party-in-interest to the plan

\*\*\*\*See detail of Cummins Engine Company, Inc. Fixed Income Fund following Schedule IA.

Schedule IA

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
EIN 35-0257090

ITEM 27A: SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
AS OF DECEMBER 31, 1998  
(cost and market value amounts stated in 000's)

SECURITY NAME UNDERLYING ASSET	RATE	COST AT 12/31/98	CONTRACT VALUE AT 12/31/98
		<hr/>	<hr/>
AIG 1035	5.50%	\$ 12,030	\$ 12,030
AIG 129128	7.15%	9,520	9,520
Caisse Des Depots 31701	6.78%	10,054	10,054
Canada Life P46010	6.17%	10,432	10,432
Deutsche Bank VG-CUM-1	6.41%	18,975	18,975
Deutsche Bank VG-CUM-2	7.11%	8,981	8,981
John Hancock 8760	6.48%	7,935	7,935
John Hancock 9729	6.23%	10,502	10,502
Life of Virginia 3144	6.18%	5,181	5,181
Metropolitan 13753	6.93%	4,788	4,788
New York Life GA-06971	7.10%	6,833	6,833
New York Life GA-06971-002	7.32%	13,662	13,662
New York Life GA-30196	7.88%	6,843	6,843
New York Life GA-30196-002	7.35%	6,352	6,352
Principal 4-15203-1	7.75%	4,778	4,778
Principal 4-15203-2	7.86%	3,199	3,199
Principal 4-15203-3	7.30%	7,841	7,841
Prudential GA 5036-215	7.26%	9,713	9,713
Rabobank CUM-119601	6.47%	11,325	11,325
Rabobank CUM-089501	6.59%	12,295	12,295
Rabobank CUM-049601	6.91%	11,880	11,880
Bank of Union Switzerland 2112	6.48%	14,937	14,937
WLB4001	6.16%	5,360	5,360
VGI Money Market Prime	5.48%	25,424	25,424

Total Cummins Engine Company, Inc. Fixed Income Fund	\$238,840	\$238,840
---	-----------	-----------

<TABLE>

Schedule II

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
SCHEDULE OF REPORTABLE TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 1998  
(amounts stated in 000's)

<CAPTION>

Current Proceeds	Gain or Value	(Loss)	Number of Transactions	Par Value or Principal Amount	Purchased Cost	Sales
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Party Involved						
Vanguard Wellington Fund*** - - \$46,234	\$ -	-	138	N/A	\$46,234	\$
Vanguard Wellington Fund*** 42,793	-	9,875	180	N/A	32,918	
Vanguard - U.S. Growth*** - - 34,845	-	-	169	N/A	34,845	
Vanguard - U.S. Growth*** 26,758	-	8,884	150	N/A	17,874	
VMMR - Prime Portfolio*** - - 62,891	-	-	168	N/A	62,891	
VMMR - Prime Portfolio*** 62,105	-	-	69	N/A	62,105	
Vanguard Index*** - - 33,215	-	-	148	N/A	33,215	
Vanguard Index*** 40,078	-	12,378	170	N/A	27,700	
Cummins Engine Company, Inc. Fixed Income Fund - - 79,356	-	-	159	N/A	79,356	
Cummins Engine Company, Inc. Fixed Income Fund 65,903	-	-	157	N/A	65,903	
Cummins Common Stock Fund*** - - 52,512	-	-	182	N/A	52,512	
Cummins Common Stock Fund*** 13,704	-	(518)	132	N/A	14,222	

\*\*\*Identifies known party-in-interest to the plan

</TABLE>

Schedule III

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
SCHEDULE OF MATCHING CONTRIBUTION FORMULAS  
AS OF DECEMBER 31, 1998

Employing Company	Loc Code	Location Name	Cash Contributions	ESOP Stock Contribution
-------------------	-------------	---------------	-----------------------	----------------------------

Cummins Engine Company	110	Columbus Exempt	No	Yes(11)
"	120	Columbus DWU	Yes(3)(4)	No
"	121	Walesboro DWU	Yes(12)	No
"	122	DWU New Hires	Yes(12)	No
"	130	Columbus OCU	Yes(3)(4)	No
"	131	OCU New Hires	Yes(12)	No
"	132	Walesboro OCU	Yes(12)	No
"	135	Columbus Security	No	Yes(1)(2)
CADEC	190	CADEC	No	Yes(11)
Cummins Engine Company	200(O)	CHS Mgmt. Services	No	Yes(1)(2)
"	200(N)	CHS Mgmt. Services	No	Yes(11)
Cummins Engine Company	240(O)	CHS Cylinder Head	No	Yes(1)(2)
"	240(N)	CHS Cylinder Heads	No	Yes(11)
"	250(O)	CHS Recon	No	Yes(1)(2)
"	250(N)	CHS Recon	No	Yes(11)
"	260(O)	CHS Engr.Test Svcs.	No	Yes(1)(2)
"	260(N)	CHS Engr.Test Svcs.	No	Yes(11)
"	291(O)	Cummins Marine	No	Yes(1)(2)
"	291(N)	Cummins Marine	No	Yes(11)
"	300(O)	Jamestown	No	Yes(1)(2)
"	300(N)	Jamestown	No	Yes(11)
"	301	JEP New Hires	No	Yes(11)
Cummins Natural Gas Engines	390	Cummins Natural Gas	No	Yes(11)
Cummins Americas, Inc.	400	Miami PDC	No	Yes(11)
Atlas Crankshaft	500	Atlas Salaried	No	Yes(11)
"	510	Atlas Union	Yes(13)	No
Onan Corporation	550	Onan-Multiple Loc.	Yes(8)	Yes(7)
"	551	Onan Huntsville	Yes(8)	Yes(7)
"	552	Onan OPE St. Peter	Yes(8)	Yes(7)
Fleetguard, Inc.	600	Fleetguard TN Salaried	No	Yes(11)
"	610	Fleetguard Lake Mills Salaried	No	Yes(11)
"	620	Fleetguard Lake Mills Hourly	No	Yes(1)(2)
Fleetguard, Inc.	630	Fleetguard TN Hrly	Yes(9)	No
Kuss	650	Kuss Salaried	No	Yes(1)(2)
Kuss	651	Kuss Union	No	Yes(1)(2)
Cummins Engine Company	700	DRC Salaried	No	Yes(11)
"	720 *	DRC TN Union	Yes(10)	No
Cummins Diesel Intl.	810	CDIL	No	Yes(11)
Consolidated Diesel Co.	900(O)	Consol. Diesel Co.	Yes(10)(6)	No
"	900(N)	Consol. Diesel Co.	Yes(5)	No
Holset Engr. Company	950	Holset Memphis	No	Yes(11)
"	951	Holset Charleston	No	Yes(11)
"	952	Holset Air Compressors	No	Yes(11)

\*Participants at location 720 are not eligible to make Basic Savings Contributions.

#### Matching Contribution Legend

- ( 1 ) ESOP Stock Contribution based on 50% of 1st 2% of pay contributed as a Pre-Tax Contribution
- ( 2 ) ESOP Stock Contribution based on 50% of 1st \$900 of pay contributed as a Basic Savings Contribution
- ( 3 ) Cash Contribution of 50% (up to a max of \$325) of 1st 2% of pay contributed as a Pre-Tax Contribution
- ( 4 ) Cash Contribution of 50% of the 1st \$900 of pay contributed as a Basic Savings Contribution
- ( 5 ) Cash Contribution of 50% on 1st 6% of pay contributed as a Pre-Tax Contribution
- ( 6 ) Cash Contribution based on 50% (up to a max of \$900) on 1st \$1,800 of pay contributed as a Basic Savings Contribution
- ( 7 ) ESOP Stock Contribution based on 100% of 1st \$250, 75% of next \$250, 50% of next \$1,000, and 25% of next \$1,000 (max stock match = \$1,187.50) NOTE: Applies to Pre-Tax Contributions
- ( 8 ) Cash Contribution of 25% of the 1st \$1,000 of pay contributed as a Basic Savings Contribution
- ( 9 ) Cash Contribution of 50% of the 1st 2% of pay contributed as a Pre-Tax Contribution with a minimum of \$200 if at least 2% is

contributed

- (10) Cash Contribution of 50% of 1st 2% of pay contributed as a Pre-Tax Contribution
- (11) ESOP Stock Contribution based on 50% of 1st 6% of pay contributed as a Pre-Tax Contribution
- (12) Cash Contribution of \$1 for \$1 up to 2% of gross pay; \$.25 on dollar up to next 4% of gross pay for Pre-Tax
- (13) Cash Contribution of \$1 for \$1 up to 2% of gross pay contributed as a Pre-Tax Contribution

Schedule IV

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
EMPLOYING LOCATIONS BY PLAN  
AS OF DECEMBER 31, 1998

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for  
Salaried and Non-Bargaining Hourly Employees  
EIN # 35-0257090  
Plan 020

-----

110	Columbus Exempt	400	Miami PDC
135	Columbus Security	500	Atlas Salaried
190	CADEC	600	Fleetguard TN Salaried
200	Charleston Management Svcs.	610	Fleetguard Lake Mills Salaried
240	Charleston Headline	620	Fleetguard Lake Mills Hourly
250	Charleston ReCon	650	Kuss Salaried
260	Charleston Engr. Test Services	700	DRC Salaried
291	Cummins Marine	810	CDIL
300	Jamestown	950	Holset Memphis
301	Jamestown New Hires	951	Holset Charleston
390	Cummins Natural Gas Engines	952	Holset Air Compressors

Cummins Engine Company, Inc. Retirement and Savings Plan for  
Onan Corporation Employees  
EIN # 41-0965373  
Plan 025

-----

550	Onan Multiple Locations	552	Onan OPE St. Peter
551	Onan Huntsville		

Cummins Engine Company, Inc. Retirement and Savings Plan for  
Consolidated Diesel Company Employees  
EIN # 56-1896727  
Plan 020

-----

900	Consolidated Diesel Company		
-----	-----------------------------	--	--

Cummins Engine Company, Inc. and Affiliates Retirement and Savings Plan for  
Bargaining Unit Employees  
EIN # 35-0257090  
Plan 030

-----

120	Columbus DWU	132	Walesboro OCU
121	Walesboro DWU	510	Atlas Hourly
122	DWU New Hires	630	Fleetguard TN Hourly
130	Columbus OCU	651	Kuss Union
131	OCU New Hires	720	DRC TN Union

Schedule V

CUMMINS ENGINE COMPANY, INC. AND AFFILIATES  
RETIREMENT AND SAVINGS PLANS  
EIN 35-0257090

ITEM 27B: SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS  
AS OF DECEMBER 31, 1998  
(amounts stated in 000's)

PLAN	ORIGINAL AMOUNT OF LOAN	PRINCIPAL RECEIVED DURING THE YEAR	UNPAID PRINCIPAL AT 12/31/98	AMOUNT OVERDUE
Salaried	\$305	\$32	\$155	\$43
Bargaining	270	17	197	56
Onan	74	7	44	13
CDC	13	3	8	2

Participants may borrow amounts contributed up to 50% of the participant's account balance, not to exceed \$50,000. Loans must be repaid at least quarterly over a period not to exceed five years. Interest rates vary depending upon the time the loans are requested. A collection policy has been implemented to tax all delinquent loans greater than 90 days past due as distributions to the participant.

SIGNATURE  
\_\_\_\_\_

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CUMMINS ENGINE COMPANY, INC.

RETIREMENT AND SAVINGS PLAN

\_\_\_\_\_  
(Name of Plan)

By /s/ Dave C. Wright

\_\_\_\_\_  
Dave C. Wright  
Secretary - Pension  
Policy Committee

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

---

As independent public accountants, we hereby consent to the incorporation of our report dated June 1, 1999, included in this Form 11-K, into the Company's previously filed Registration Statement File Nos. 2-32091, 2-53247, 2-58696, 33-2161, 33-8842, 33-31095, 33-37690, 33-46096, 33-46097, 33-46098, 33-50665, 33-56115, 333-2165, 333-31573, 333-42687 and 333-67391.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
June 1, 1999.